

REPUBLIC OF KENYA



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THE AUDITOR-GENERAL

ON

UNIVERSITY OF NAIROBI

**FOR THE YEAR ENDED
30 JUNE, 2020**



UNIVERSITY OF NAIROBI



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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I. KEY UNIVERSITY INFORMATION AND EXECUTIVE BOARD

a) Background information

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

The University of Nairobi is the oldest University in Kenya, and the largest university in the East and Central Africa Region. From its humble beginnings with 215 students in 1956 (64 years ago) when it started as the Royal Technical College, it has an enrolment of over 84,000 students to date. It offers a wide range of academic programmes in its six colleges spread over 10 campuses in which there are 35 faculties, schools, institutes and centres.

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

The University currently has the largest concentration of scholars in the country, with over 2,000 academic staff with PhDs and 450 professors. It has continued to be a centre of intellectual life, a locus of research activity extending the frontiers of knowledge, a resource for professional development, and a key player in the growing global network of scholarship.

The overall performance of the University has been good. Its score in the government performance contract evaluation has been consistently rated as excellent and the global Webometrics (Largest academic ranking of higher education institutions in the world) ranking has also consistently rated it position one in East Africa and among the best 1,000 Universities in the last 5 years. In July 2020 the global Webometrics ranked the University at position one in Kenya and East African region, 10th position in Africa and 956 in the world. UniRank, which ranks the most popular top 200 higher education institutions in Africa, placed the University of Nairobi at position 7 in the 2020 African University Ranking, where the first 6 Universities were from South Africa.

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

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

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

b) Principal Activities

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

Our Vision

A world-Class University Committed to scholarly excellence

Our Mission

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

Slogan

The slogan of the University is: Leading with excellence

Our Core Values

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

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

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c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the year ended 30 June 2020 and who had direct fiduciary responsibility were:

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

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e) Fiduciary Oversight Arrangement

- Council's Finance and Strategy Committee
- Council's Audit Committee
- Commission for University Education
- Ministry of Education
- The National Treasury
- Office of the Auditor General
- Office of the Controller of Budgets
- The Universities Funding Board

f) University of Nairobi Headquarters

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

g) University of Nairobi Contacts

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

h) University of Nairobi Bankers

- 1. Barclays Bank of Kenya**
Market Branch
P.O Box 30018-00100
Nairobi, Kenya
- 2. Kenya Commercial Bank**
University Way Branch
P.O. Box 7206-00300
Nairobi, Kenya
- 3. Standard Chartered Bank Koinange**
Street Branch P.O Box 30003-00100
Nairobi, Kenya

i) Independent Auditor

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

j) Principal Legal Adviser

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

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II. THE UNIVERSITY COUNCIL

NO	NAME	DESIGNATION
1.	Prof. Julia Auma Ojiambo	Chairperson
2.	Dr. Jocelyn Marie Rarieya	Member
3.	Mr. Hassan Abdi Mohamud	Member
4.	Mr. Isaac Chebon Kiprop	Member
5.	Mrs. Flora Mtuweta Mtighulo Maghanga	Member
6.	Eng. Kariuki Muchemi	Member
7.	Mr. Samuel Kiiru	Rep. PS. The National Treasury
8.	Amb. Simon Nabukwesi	PS. Ministry of Education
9.	Prof. Stephen Gitahi Kiama	Vice-Chancellor

Council Members Profile



Prof. Julia A. Ojiambo, CBS, EBS, MBS, Dip. Ed., PGD, MSc, PhD

Prof. Julia A. Ojiambo is the Chairperson of Council

Born in 1936. She is an eminent scholar, researcher and an opinion leader. Currently she sits at the helm of the University of Nairobi as the Chairperson of Council, the supreme governance organ of the University.

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

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

Having served as a legislator in the National Assembly of the Republic of Kenya, Prof. Ojiambo's contribution saw the establishment of the Kenya Institute of Special Education. She also authored and sponsored the following legislations: Kenya Nutritionist and Dietitians Act of 2007, Supplies Practitioners Management Act of 2007 and the Public Procurement Disposal Act of 2005.

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

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Dr. Marie Jocelyn Rarieya,
PhD, Msc, BEd.

Dr. Marie Jocelyn Rarieya is a member of Council

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



Mr. Abdi Mohamud Hassan,
MA, LLB, BSc.

Mr. Abdi Mohamud Hassan is a member of Council

Born in 1969. He is an Advocate of the High Court of Kenya, and a transformational leader with vast experience in the management of state bodies, directing their strategy formulation and execution processes, and supervising financial and administrative management of the organizations to guarantee attainment of their mandates and objectives. Mr. Hassan has distinguished himself in leadership as an agent of positive change by ensuring high levels of professionalism, ethical standards, and fairness in the discharge of public duties.



**Mrs. Flora M. Maghanga-
Mtuweta, BA, MBA, CPA(K)**

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

Born in 1967. She is a seasoned, accomplished Finance and Administration professional with over 25 years experience; having held various senior management positions in private and public sector. She has an MBA in Strategic Management from the University of Nairobi and A Bachelors in Economics and Business from Kenyatta University. She is a Certified Public Accountant of Kenya and a member of The Institute of Certified Public Accountant of Kenya. She has vast experience in financial management, Micro Finance and Fundraising having worked as a pioneer County Executive Committee Member in the devolved system of government and Involved in the startup of two Micro Finance Institutions one of which is a bank now. She is a Board Member of The Centre For Public Finance and Tax, Association of Women Accountants of Kenya and a Council Member of The University of Nairobi.

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Mr. Isaac Kiprop Chebon,
BA, MSc.

Mr. Isaac Kiprop Chebon, HSC is a member of Council

Born in 1962. He is a Council member and Chair Development and Infrastructure Committee , University of Nairobi. He is a career trainer and administrator with a clean track record spanning over 30 years in both the University and Public Service, having served as a lecturer at Egerton University before joining Kenya School of Government Baringo [then Government Training Institute]. He was Born and brought up 58 years ago at Kapyemit village in Baringo County. He attained early education at Salawa Primary School before joining Talai Secondary School and Kabarnet High School for ‘0’ and ‘A’ levels respectively. He Graduated from the University of Nairobi in 1990 with Bachelor of Arts in Sociology and Anthropology. Earned a Masters Degree in Agricultural and Rural Development from the Institute of Social Studies The Hague, The Netherlands. He is a transformative servant leader with a clear vision and exemplary performance record in management of Public Resources and Service Delivery Innovation; earning Head of State Commendation and Huduma Ombudsman Award in 2008 and 2013 respectively. He also has a bias in community mobilization and sustainable food security among rural households in Kenya and is a devoted Christian, a loving husband and father of three sons and four daughters.



Eng.Kariuki Muchemi,
BSc, MSc, LLM, PGD

Eng. Kariuki Muchemi is a member of Council

Born in 1954. He is a practicing Civil Engineer with over thirty (30) years’ experience in both public and private sector. He holds a BSc. Degree in Civil Engineering from the University of Nairobi, a MSc. Degree from the University of Birmingham UK, LLM from Mt. Kenya University and Post Graduate Diploma from the Kenya School of Law. He is also a member of the Institute of Directors, Kenya. He has served as a Board member of Geothemol Development Company, as Trustee of the Water Services Trust Fund and a member of Kenyatta University Council.

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Mr. Samuel Kiiru,
BA, MBA

Mr. Samuel Kiiru is a member of Council

Born in 1969. Mr. Samuel Kiiru is a member of Council representing the Principal Secretary, The National Treasury. He is the Chief Economist & Head Budgetary Policy Unit at the National Treasury. He holds a Masters Degree in Economics from the Carleton University, Ottawa, Canada and a Bachelor Degree in Economics from the University of Nairobi.



Prof. Stephen Gitahi Kiama,
BVM, MSc, PhD,

Prof. Stephen Gitahi Kiama is a member of Council

Born in 1964. He is currently the Vice Chancellor. He is a Professor of Structural Biology from University of Bern in Switzerland. He was the Deputy Vice-Chancellor, Human Resource and Administration and the Acting Deputy Vice Chancellor in-charge of Finance, Planning and Development, a position he held till his appointment as the Vice Chancellor. Previously he served as the Principal, College of Agriculture and Veterinary Sciences from 2016 to 2019, Director of Wangari Maathai Institute for Peace and Environmental Studies from 2010 to 2016, Chairman of the Department of Veterinary Anatomy and Physiology from 2005 to 2010, Acting dean of the Faculty of Veterinary Medicine in 2014 and Associate Dean of the Faculty of Veterinary Medicine from 2003 to 2010

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III. CHANCELLOR ,COUNCIL CHAIR AND PRINCIPAL OFFICERS OF THE UNIVERSITY



Dr. Vijoo Ratansi



Prof. J.A. Ojiambo



Prof. S.G. Kiama



Prof. M. J. Hutchinson



Prof. J.A. Ogeng'o



Prof. Madala Ogot



Prof. E.H.N.Njeru



Prof. R. A. Nyikal



Prof. P.M. Ngau



Prof. B.O.C. Aduda



Prof. I.O. Jumba



Prof. J. M'Imunya



Prof. M. A. Jama



Prof. Lydia Njenga



Prof. C. Gakuu



Prof. Attiya Waris



Prof. P.O.K'obonyo



Prof. E. G. Wagaiyu



Prof. H. Ochanda



Prof. L.D.E. Ikamari



Prof. C. M. Mulei



Prof. H. Kidombo



P.M. Muturi



H.O.D. Webuye



A. M. Mumo



B. D. Njuguna



D. Kavoi



K. N. Gitau

IV. CHAIRPERSON'S STATEMENT



I am delighted to present the Annual Report and Financial Statements for the year ended 30 June 2020. It is exciting to reflect on the major strides the University has taken in the year just ended. Among the key areas, once again the University scooped position one in the country and East African region according to the latest Webometrics ranking of world Universities by Cybermetrics Lab, the University also continued to promote its research function, which is a core business through realization of Kshs 1.76 billion from our research partners.

Financial Performance

During the FY 2019/2020, the University registered a deficit of Kshs 1.62 billion compared to a deficit of Kshs 1.30 billion registered in FY 2018/2019 resulting into accumulated deficit of Kshs 3.42 billion compared to accumulated deficit of Kshs 1.80 billion in FY 2018/2019. In FY 2019/2020 total revenue amounted to Kshs 12.84 billion compared to Kshs 12.31 billion in FY 2018/2019, where as total expenditure amounted to Kshs 14.5 billion compared to Kshs 13.62 billion in FY 2018/2019. When the first case of COVID-19 was reported in the country, the government of Kenya ordered all learning institutions to close on 16 March 2020. This closure which came three months to end of the financial year affected the University's revenue generation.

Strategic Direction

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

To this end therefore, the University has continued to enhance its visibility and competitiveness both locally and internationally. In July 2020 Webometric ranking, the University emerged position 1 in Kenya and the East African region, position 10 in Africa and position 956 in the world.

Future Outlook

The University will continue to implement its Strategic Plans, whose thrust continues to address the "Big Four" Initiatives and other national priorities in order to improve the quality of lives of Kenyans and make Kenya globally competitive. The University signed the FY 2019/2020 Performance Contract whose purpose was to establish the basis for ensuring that efficient and effective services are delivered to Kenyans in line with the provisions of the Constitution and by requiring the University of Nairobi to adapt systems that enable innovativeness and adaptability of public services to the needs of users.

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Further, the University continues to revamp and consolidate its core income generating activities with a view to sustaining its financial performance. The eLearning strategy has been actualized where both teaching and examinations are carried out to respond to the challenges posed by COVID 19 pandemic.

Finally, I would like to thank the Government for the support it has continued to give in realization of the University's mandate. In the year ended 30 June 2020 the government of Kenya remitted to the University a total of Ksh. 5.09 billion as recurrent capitation. In the same year, the government also remitted Ksh. 931.7 million for doctors/ lectures allowances, and Ksh. 1.2 billion for the implementation of CBA 2017-2021, which went a long way into enhancing the morale of both the teaching and non-teaching staff. Allow me also to take this opportunity to thank our research partners, alumni and other stakeholders for their support in steering the University through another successful year.



PROF. JULIA AUMA OJIAMBO, PhD, CBS, EBS, MBS
Chairperson
University of Nairobi Council
4 February 2021

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V. REPORT OF THE VICE CHANCELLOR



It gives me much pleasure in presenting the Annual Report and Financial Statements of the University of Nairobi for the year ended 30 June 2020.

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

The University has embarked on a number of initiatives aimed at enhancing learners' experience on campus. The students' total population, which forms the bulk of its clientele, is currently 67,604. Indeed, with 164 Professors, 286 Associate Professors and an annual research portfolio of Kshs 1.76 billion, the University of Nairobi is the incubation point of knowledge for scholars and students. The University has graduated over 240,000 graduates since inception in 1970.

During the FY 2019/2020, the University registered a deficit of Kshs 1.62 billion compared to a deficit of Kshs 1.30 billion registered in FY 2018/2019. Total revenue amounted to Kshs 12.84 billion compared to Kshs 12.31 billion previous year, whereas total expenditure amounted to Kshs 14.47 billion compared to Kshs 13.62 billion in FY 2018/2019. The financial performance in the current year was realized in an environment of declining internally generated revenues increased costs of academic programmes, as well as enhanced personal emoluments based on improved terms and conditions of service against reduced Government Capitation due to reforms in the education sector. The onset of COVID 19 Pandemic also majorly hampered operations in the University. Nevertheless, the University boldly soldered on in its quest of This went a long way in the realization of the University's mission of teaching and research.

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

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UoN's Webometrics ranking

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

Ranking Period	Kenya & EA Rank	World Rank
Jan-2012	1	1,367
Jul-2012	1	1,435
Jan-2013	1	1,326
Jan-2014	1	1,167
Jan-2015	1	855
Jan-2016	1	697
Jul-2018	1	621
Jul-2019	1	987
Jul-2020	1	956

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



PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor
4 February 2021

VI. CORPORATE GOVERNANCE STATEMENT

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

COUNCIL MEMBERS

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

COMMITTEES OF THE COUNCIL

The main standing committees of the Council include;

Finance and Strategy Committee

Terms of Reference:

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

Building Committee

Terms of Reference:

- i. To take charge of all arrangements for the erection of new buildings once the finances have been made available, to appoint executive architects and to award contracts on such projects.
- ii. To be responsible for authorizing expenditure for all maintenance work with the provision that the Committee will have authority to delegate the very minor maintenance work to the executive officer of the University.
- iii. To take charge of all work under the minor works and maintenance programme which exceed £200 in cost.

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- iv. To report progress to Council or the Finance and General Purpose Committee of the Council.

INTERNAL CONTROLS

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

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

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

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

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

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

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

COMMUNICATION WITH COUNCIL

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

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

COUNCIL MEMBERS EMOLUMENTS

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

University's Operational and Financial Performance

During the year ended 30 June 2020, the University had a deficit of Kshs 1.62 billion compared to a deficit of Kshs 1.30 billion in the previous financial year 2018/2019. This was derived from total revenue of Kshs 12.84 billion in the year ended 30 June 2020 compared to Kshs 12.31 billion in fiscal year 2018/2019

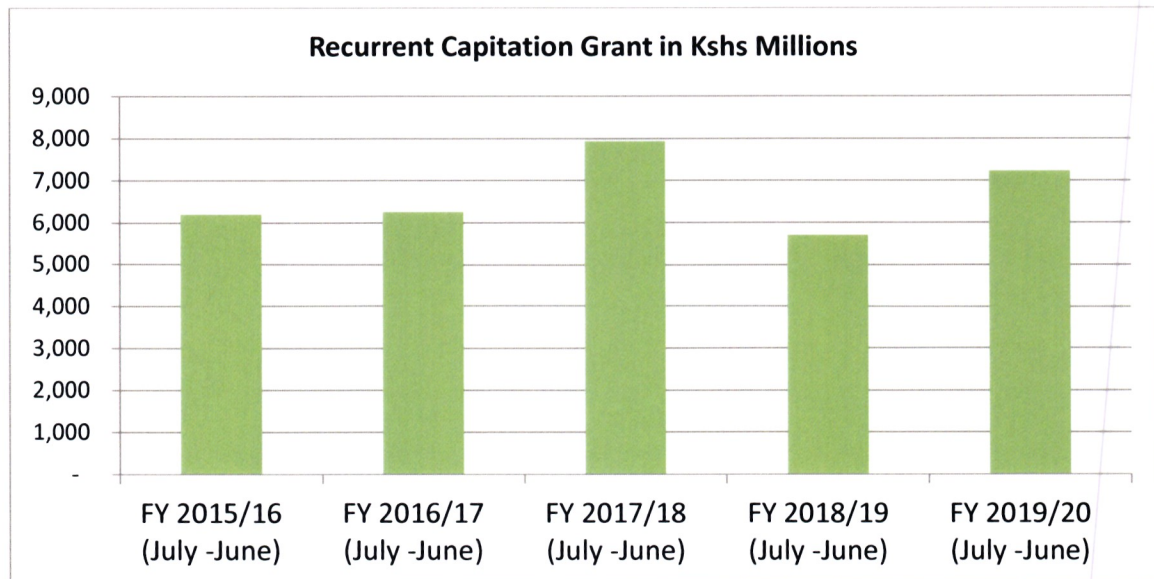
The revenue performance for the year ended 30 June 2020 was majorly affected by reduction in internally generated revenues as a result of discontinuation of face to face interactions on emergence of COVID 19 Pandemic and the continued reduction of the recurrent capitation by 30% since FY 2017/2018.

Revenues

Government Capitation

The University of Nairobi being a Government owned entity was allocated Recurrent and Development Capitation to finance its operations each year.

Government funding in the FY 2019/2020 was insufficient to finance university activities and only catered for 28% of the budget, and covered only 55% of the payroll costs.



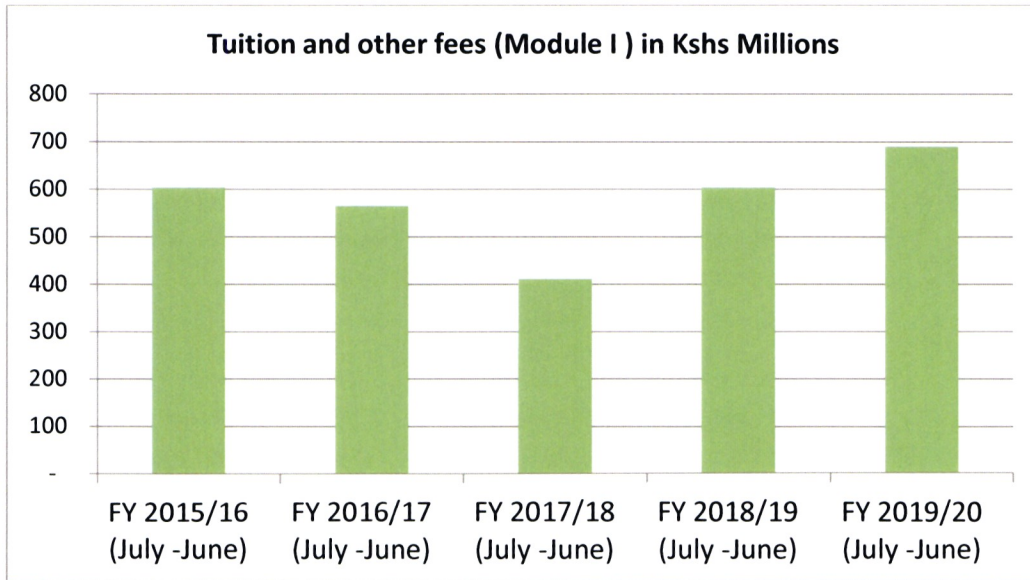
The sharp rise in Government Capitation in FY 2019/2020 and FY 2017/2018 was as a result of the Government paying the CBA 2017-2021 Salary arrears of Kshs 2.13 billion and CBA 2013-2017 Salary arrears of Kshs 1.96 billion respectively.

The recurrent Capitation grant allocation to the University was reduced by 30% (i.e. kshs 1.7 billion) in FY 2017/2018 due to the implementation of the Differentiated Unit Cost (DUC) and this short fall has continued into the current FY 2019/2020.

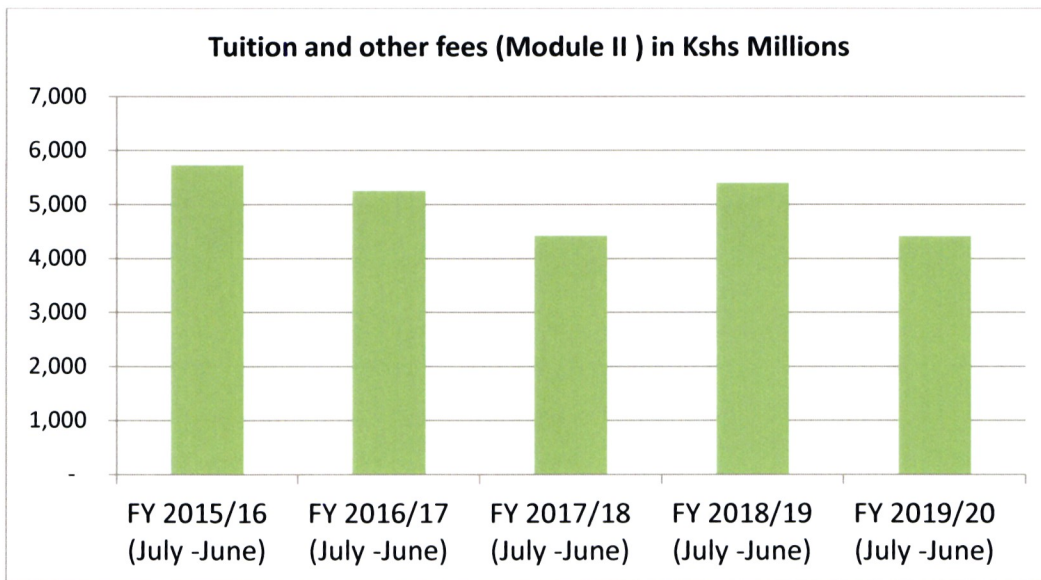
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Tuition Fees

These comprise of fees from Government sponsored students and Self sponsored Students (Module II) and accounted for 34% of the total Revenue.



Generally, the fee from Module I students has been on a steady position which seem to stabilize above the Ksh. 500 million mark.

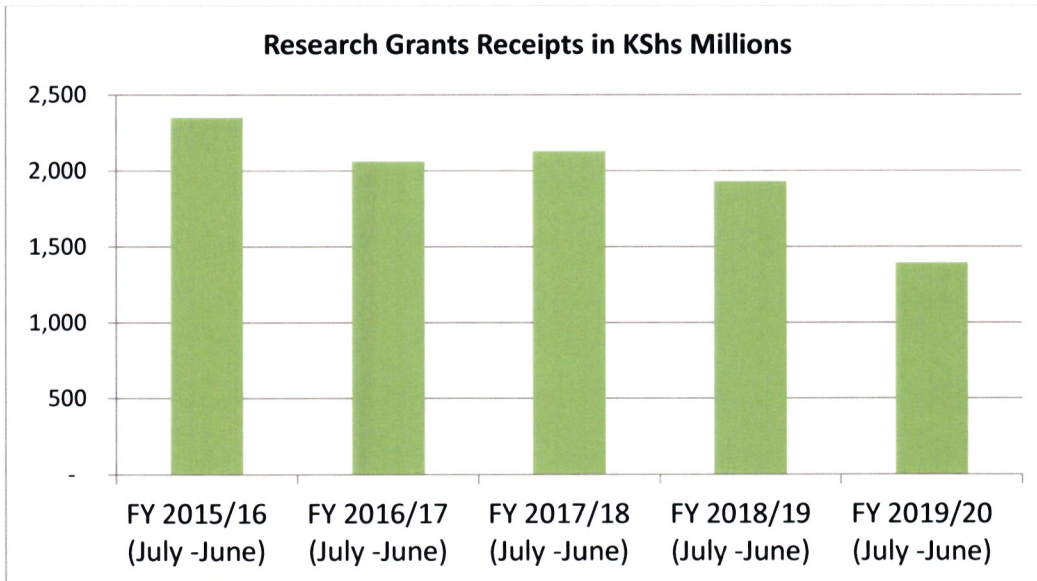


The fee from Module II students has been on the decline from FY 2015/2016 upto FY 2017/2018. An upward trend was realized in 2018/2019 due to aggressive promotion of the academic programmes, but it was reversed as a result of the emergence of COVID 19 Pandemic.

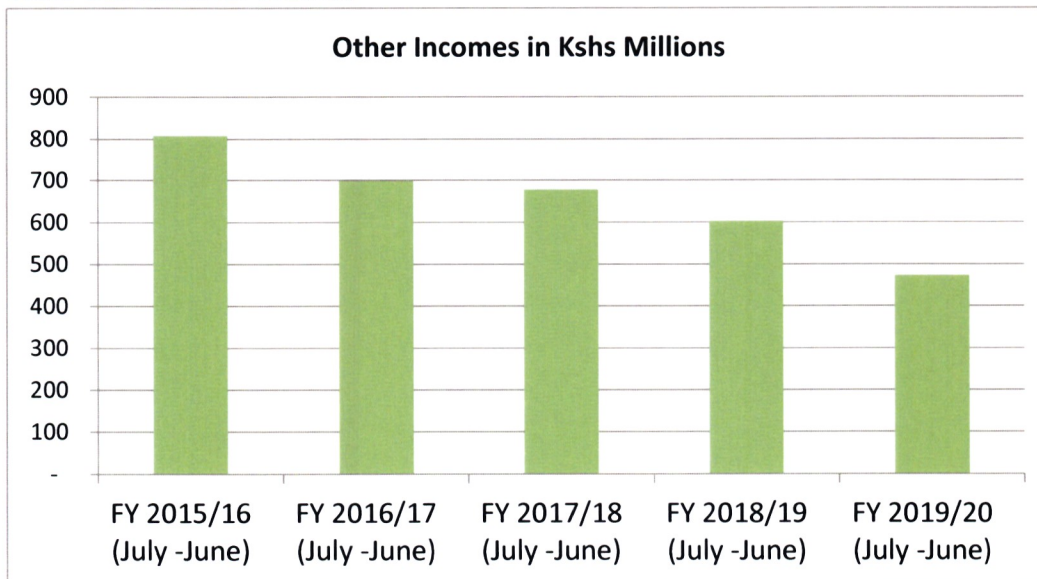
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Research Grants

The University has a vibrant Research culture, providing leadership in creativity and innovation. The University continues to attract Research grants and in the year ended 30 June 2020 received Research grants amounting to Kshs 1.76 billion.



Other Income from Students Accommodation, Catering, UNES, Staff House Rent and other miscellaneous sources

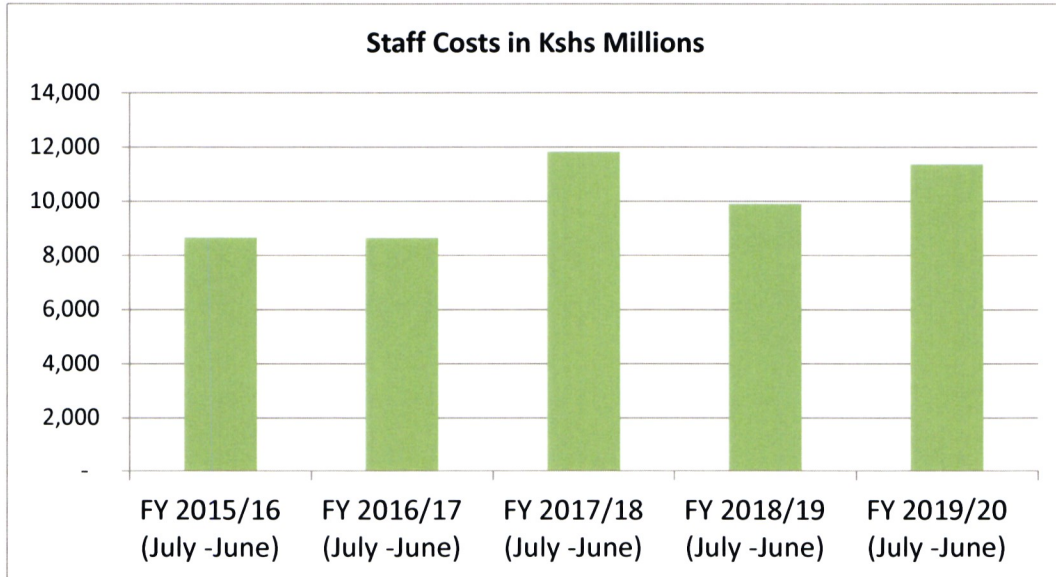


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Expenses

Staff Costs

Capitation from Government financed 55% of the payroll costs



The sharp rise in staff costs in FY 2019/2020 and FY 2017/2018 is due to payment of CBA 2017-2021 Salary arrears of Kshs 2.13 billion and CBA 2013-2017 Salary arrears of Kshs 1.96 billion respectively.

The CBA 2017-2021 Salary arrears of Kshs 2.13 billion in FY 2019/2020 have been accrued since the government already committed to pay in the year. The CBA 2013-2017 Salary arrears of Kshs 1.96 billion in FY 2017/2018 have since been paid.

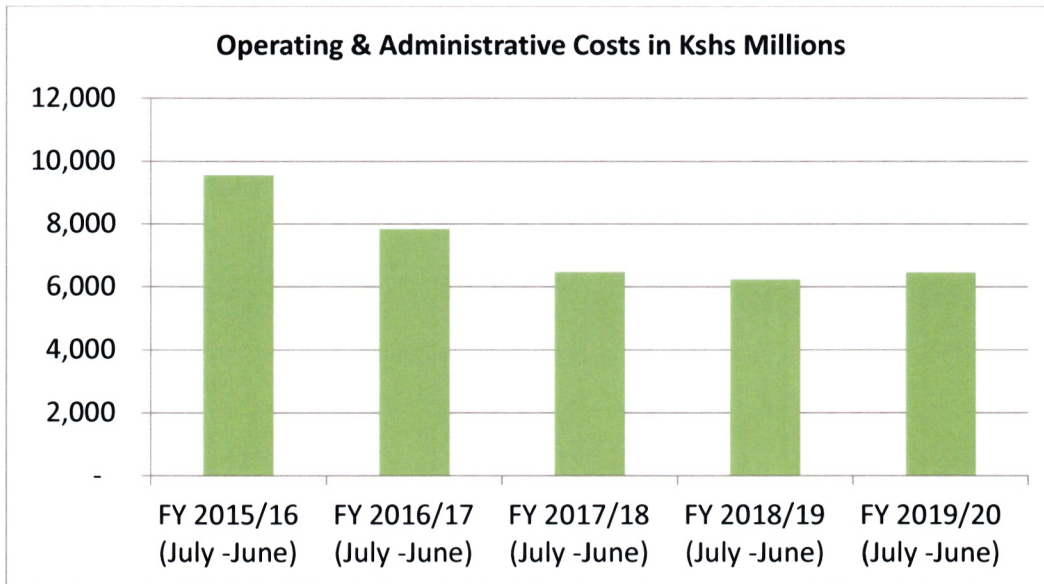
Operating and Administrative Expenses

These accounts for 11% of the total expenditure.

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

The University has continued to implement austerity measures following the University's budget cut hence the reduction of operating and administrative expenses.

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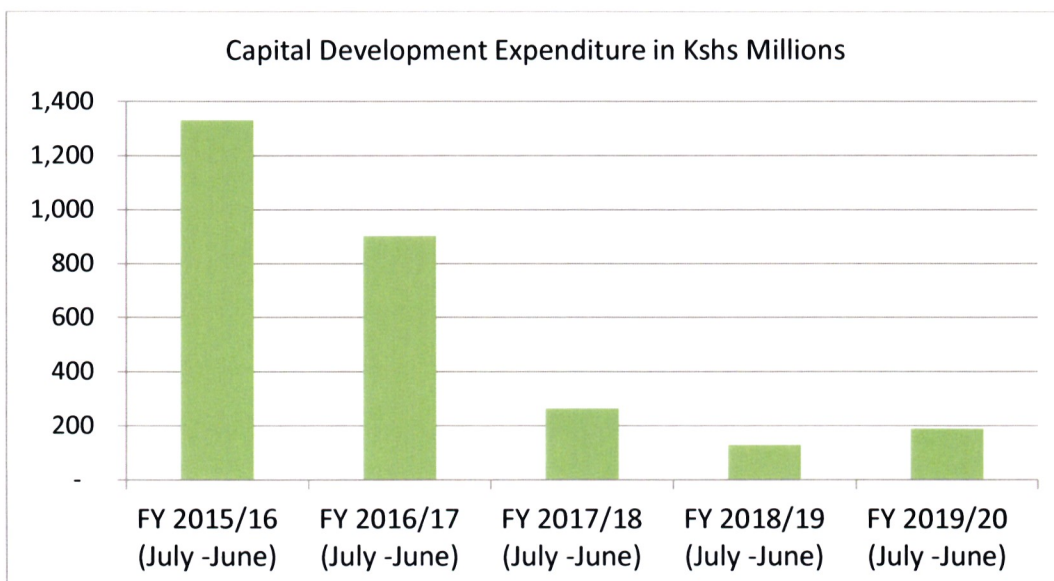


Direct Service Providers Payments.

This relates to payments made to faculty who do extra teaching load to Module II and III students attending classes in the evenings including weekends as well as science based students who are integrated with Government sponsored students. The payment is pegged on the actual fees collections from self-sponsored students and therefore has decreased as a result of reduction in fees from self sponsored students.

Capital Development Expenditure.

The high capital expenditure in the year 2015/2016 and 2016/2017, was as a result of the development and acquisition of teaching facilities: the Uni-Plaza Mombasa Campus, the University of Nairobi Towers, the Kisumu Campus Complex, and the School of Pharmacy Building among others.

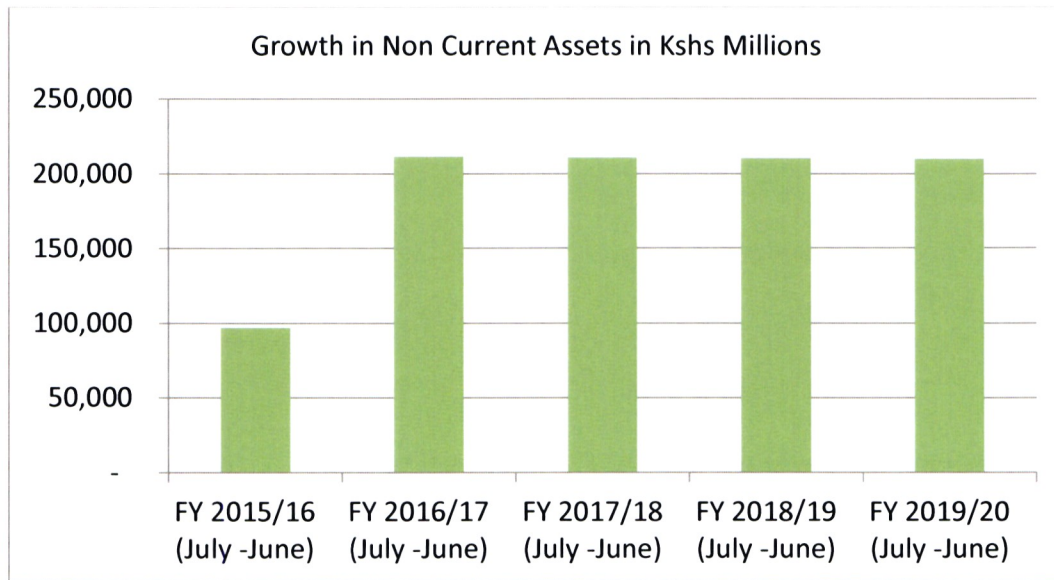


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Due to the decline in the internally generated revenues and inadequate Government Capitation, most of the projects scheduled for construction have been put on hold.

Assets Base

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



The revaluation of Land and Buildings in June 2017 has seen the University’s Non-Current Asset move from Kshs.97.42 billion to Ksh.210 billion in FY 2019/2020.

Compliance with Statutory Requirements

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

The University prepares its financial statements in accordance with the Public Financial Management Act (PFM) 2012, the PFM Act Regulations, the State Corporations Act, the University Act and the International Public Sector Accounting Standards (IPSAS).

The major non-compliance issues that may expose the University to potential contingent liabilities are outstanding remittances of Kshs 3.79 billion to Kenya Revenue Authority and Ksh. 3.22 billion to Retirement Benefit Authority.

Key projects and investment decisions the University is planning/implementing

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

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Major risks facing the University

Challenges

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

External Environment

This is a summary of significant changes in the external environment as follows:

1. Competition

There are 31 public universities, 18 Chartered private universities and 18 universities with Letters of Interim Authority in the country. This has raised intense competition in the higher education sector in the country particularly in the recent past due to drop in performance in KCSE. Placement of regular students by KUCCPS has seen the University of Nairobi being allocated students below its capacity in 2017, 2018 and 2019.

2. Regulatory environment

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

3. Quality, relevant education and more research

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

4. Funding

Funding from the Government has consistently fallen below the requirements of the universities, which are under pressure to raise resources to finance their operations. The situation is serious in the University of Nairobi where the monthly Exchequer subvention covers only 44% of the monthly wage bill. As a result, salaries are paid only after mobilizing additional money from internal sources, leaving very little income to finance operations. There is an urgent need to rethink financing the University as austerity measures and cost-cutting containment may not fully solve the problem.

5. KCSE results

Kenya Universities and Colleges Central Placement Service (KUCCPS) placed 5,894 new students' admissions for the 2020/2021 academic year against a declared capacity of 6,215. This translated to 94.8 %. Further, the low performance in KCSE since 2016 has continued to have adverse implications on admissions, especially for the Module II Programmes.

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Internal Environment

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

(i) Unplanned University closures

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

(ii) Ageing staff

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

(iii) Human resources issues

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

The University of Nairobi Strategic Direction

In order to address the above challenges, the University in its 2018-2023 Strategic Plan has purposed to pursue the following strategic objectives;

1. To design and implement relevant and innovative teaching and learning programmes.
2. To be a leading Institution in scholarly, research and creative productivity in Africa.
3. To improve student welfare services through development and implementation of appropriate minimum standards.
4. To build a sustainable resource base.
5. To enhance the competitiveness and image of the University.
6. To institutionalize governance mechanisms and leadership culture that facilitates the realization of the University's vision and mission.

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VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The University of Nairobi remains focused and cognizance of the turbulent environment it operates in and has continued to proactively lead in providing solutions to the many challenges facing the local as well as the international community.

1.Sustainability strategy and profile

The university is guided by its 2018-2023 strategic plan, which envisions the University working closely with different organizations to support initiatives aimed at uplifting the standards of living by focusing on areas that create avenues for development. In this regard, the university continually identifies and supports noble causes in the areas of education, community development, the environment, health, safety and food security.

2. Environmental Performance

In the year 2019/2020, the University of Nairobi sponsored and participated in the following activities geared towards conservation of the environment:

- (i) Prof. John Kimenju from the College of Agriculture and Veterinary sciences and Ms. Naomi Nyaboga from the Career Services office represented the University of Nairobi at the Arava Open day at the Yair Research & Development Center in the Arava region of Israel. The University sent 18 students to Israel for the 3rd cohort in August 2019 for an eleven month period. Michael Mathenge, one of the 2019/2020 AICAT showcased his innovation of a motor-powered soil mixer to save farmers many hours of sorting compost and soil before planting garden seedlings.



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- (ii) The University of Nairobi through the Horizon program was among partner institutions that received 6.7M euros for the DOW2EARTH project. A major component of DOW2EARTH involves improving the accuracy of forecasting climate variability in critical rainy seasons and assessing its impact on the total amount of water stored in soils for agriculture and deeper underground for drinking water supplies. Led by scientists at Cardiff University with substantial contributions from 13 other partners in 7 countries, the EU project will employ state-of-the-art seasonal forecasts and decadal projections of climate change and translate this into clear and concise information that can be used by farmers and pastoralists, communities, NGOs and governments to mitigate the negative impacts of climate change on rural livelihoods. Dr. Oliver Vivian Wasonga from the University of Nairobi, Department of Land Resource Management and Agricultural Technology will be representing the University of Nairobi in the consortium as a Co-Principal Investigator, a member of the project management committee and will lead the project implementation at the University of Nairobi and project Coordinator from Kenya.

3. Employee welfare

The University of Nairobi appreciates that it is the human resource that is key in the utilization of all other resources and therefore key in the optimization of these resources to maximize productivity. It has therefore made it a concern and priority, the need to highly motivate staff so as to remain competitive and relevant. It is against that background that the University of Nairobi took a leadership role in the 2017-2021 Collective Bargaining Agreement (CBA) which was signed on October 28, 2019 after intense negotiations between Inter Public Universities Councils Consultative Forum (IPUCCF) of the Federation of Kenya Employers and the three staff Unions; Universities Academic Staff Union (UASU); Kenya Universities Staff Union (KUSU), and Kenya Union of Domestic, Hotels, Educational Institutions and Hospital (KUDHEIHA) Workers. The negotiations were peaceful and ended without an industrial strike.

4. Market place practices

The University of Nairobi has remained focused on its core mandate as provided for in the Universities Act, 2012 and as guided by the commission for University education. As such the University continues to provide directly or in collaboration with other institutions of higher learning, facilities for University education, including technological and professional, education and for research; participate in the discovery, transmission and preservation of knowledge and to stimulate the intellectual life and cultural development of Kenya; conduct examinations for and to grant such academic awards as may be provided for in statutes; Subject to the Universities Act, to cooperate with the Government in planned development of university education and, in particular, to examine and approve proposals for new faculties, new departments, new degree courses, or new subjects of study submitted to it by any constituent college or other post-secondary institution; and determine who may teach and what may be taught and how it may be taught in the University.

5. Community Engagements

In the year 2019/2020 the University of Nairobi participated in the following activities geared towards improving the welfare of the community:

- (i) In response to the Covid-19 pandemic, Science & Technology Park, University of Nairobi (UoN) collaborated with a team at University of Cambridge (CAM) to develop an oxygen

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concentrator and ventilator. The University of Nairobi multidisciplinary team of engineers and doctors developed a home grown portable ventilator that will reduce the cost of the current ventilators by nearly 90%. Once the machine is deployed, it will go a long way in helping Kenyans with many respiratory problems long after the COVID19 is gone.



(ii) In response to the Corona virus disease 2019 pandemic, a team of experts from the University of Nairobi drafted several legislative proposals to aid government in the management of global pandemic. Prepared by experts drawn from schools of law and medicine as well as Centre for Advanced Studies in Environmental Law and Policy (CASELAP), the Covid-19 Response and Management Draft Bill 2020 among others seeks

to protect the rights of citizens during the pandemic. It also protects vulnerable families from hunger by obligating national and county governments to provide food rations and cash transfers to them. This will cushion the vulnerable families from the economic impacts of coronavirus. The proposals were submitted to Attorney General Paul Kihara for government consideration.

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(iii) The University of Nairobi community comprising of staff and students marked the World AIDS Day on 29 November 2019 with the theme: Communities make the difference. The event was sponsored by Haco Industries and Capital FM. Speaking during the event, Dr. Vijoo Rattansi,

University of Nairobi Chancellor, observed that the University of Nairobi has been leading in conducting HIV – AIDs research through the College of Health Sciences. She observed that HIV-AIDs is the most destructive epidemic that has claimed so many lives in the past. Speaking during the event, Dr. Vijoo Rattansi, University of Nairobi Chancellor, observed that the University of Nairobi has been leading in conducting HIV – AIDs research through the College of Health Sciences. She observed that HIV-AIDs is the most destructive epidemic that has claimed so many lives in the past. During the event, staff and students got a chance to visit various exhibition stands that were doing free eye checkups, dental checkups, prostate cancer screening, HIV- AIDs testing among others.

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IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits its report together with the financial statements for the year ended 30 June 2020, which show the state of the University's affairs.

Core business of the University of Nairobi

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

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

Results

The results for the year ended 30 June 2020 are set out on pages 1 to 54.

Council Members

The members of the University Council who served during the year are shown on page vi.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The University made a deficit during the year 2018/2019 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the University Council



PROF. JULIA AUMA OJIAMBO, PhD, CBS, EBS, MBS

Chairperson

University of Nairobi Council

4 February 2021

UNIVERSITY OF NAIROBI
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X. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on 30 June 2020. This responsibility includes:

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

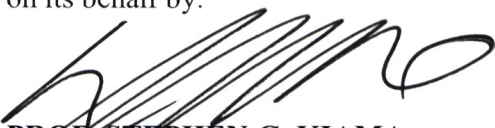
The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act No. 42 of 2012.

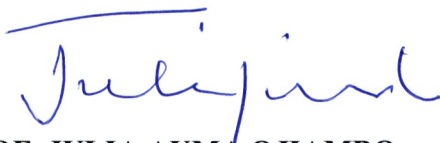
The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended 30 June 2019, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

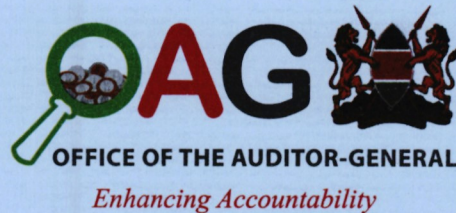
The University's financial statements were approved by the Council on 13 July 2020 and signed on its behalf by:


PROF. STEPHEN G. KIAMA,
BVM, MSC (Nbi), PhD(Bern) MKNAS
Vice Chancellor
University of Nairobi
4 February 2021


PROF. JULIA AUMA OJIAMBO,
PhD, CBS, EBS, MBS
Chairperson
University of Nairobi Council
4 February 2021

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi set out on pages 1 to 46, which comprise the statement of the financial position as at 30 June, 2020, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the University of Nairobi as at 30 June, 2020, 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 Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Going Concern Uncertainty

The University reported a deficit of Kshs.1,624,195,000 compared to a deficit of Kshs.1,299,488,000 reported in the previous financial year. The accumulated deficit increased from Kshs.1,796,282,000 as at 30 June, 2019 to Kshs.3,420,477,000 as at 30 June, 2020. Further, the statement of financial position as at 30 June, 2020 reflects current liabilities amounting to Kshs.10,268,552,000 while the current assets amounted to Kshs.6,726,983,000 resulting to a negative working capital of Kshs.3,541,569,000. The University was, therefore, unable to meet its financial obligations as and when they fall due.

In particular, as reflected in Note 52 to the financial statements, the University was unable to remit statutory deductions amounting to Kshs.7,014,515,000 which included Pay As You Earn (PAYE) and Value Added Tax (VAT) of Kshs.3,793,955,000 and University of Nairobi pensions contributions of Kshs.3,220,560,000. Tax offences and non-remittance

of statutory deductions attract punitive penalties and interest. Further, the University has been unable to pay audit fees of Kshs.18,560,000 which has been outstanding for more than one year.

In the circumstances, the University is technically insolvent and its continued operations as a going concern will depend on the continued support from the Government, donors and creditors. The material uncertainty relating to going concern has not been disclosed in the financial statements.

2. Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.209,978,102,000 reflected in the statement of financial position includes two parcels of land, LR. No. 11645 at Kenya Science Campus and LR. No. 22378 in Upper Kabete, all valued at Kshs.1,412,500,000, whose ownership documents were not provided for audit verification. Although Management indicated that the title documents for the two parcels of land were being pursued with the relevant Ministry, the documents had not been obtained as at 30 June, 2020.

In the circumstances, the accuracy and ownership status of the reported property, plant and equipment balance of Kshs.209,978,102,000 could not be confirmed as fairly stated as at 30 June, 2020.

3. Trade and Other Receivables

As disclosed in Note 30 to the financial statements, the trade and other receivables balance of Kshs.4,687,283,000 included an amount of Kshs.1,053,749,000 in respect of student debtors. However, the ageing schedule of debtors provided for audit revealed that a balance of Kshs.857,208,381 of the student debtors had been outstanding for more than one year. This is contrary to Section 8.1(d) of the University's Financial Regulations which states that; the University shall withhold any and all services, examination results, conferment of any degree, certificate or award until all outstanding fees are settled; further reserve the right to institute other legal recovery proceedings against students with outstanding fees; and also surcharge an interest at a rate to be determined by the Council. Further, there was no adequate specific provision for long outstanding student debtors.

In the circumstances, the validity and recoverability of the student debtors balance of Kshs.857,208,381 as at 30 June, 2020 could not be confirmed.

4. Investment in CMC Holdings

As previously reported and as disclosed in Note 33 to the financial statements, the statement of financial position reflects a balance of Kshs.19,197,000 under investments which includes an amount of Kshs.1,700,000 representing investments in CMC Holdings Limited of 125,920 Ordinary Shares valued at Kshs.0.5 each in 1988/1989. However, CMC was delisted from the Nairobi Securities Exchange with effect from 11 February, 2015, after takeover by Alfar Motors and hence ceased trading thereof. Although Management had obtained a police abstract to facilitate the process of obtaining ownership documents for the shares through the Registrar of Companies, their efforts to

liquidate and re-invest the shares have not been successful as Custody and Registrars Services Limited require proof of ownership by production of the share certificates as a pre-condition to transact. As a result, the University has not sold off or disposed their rights considering that CMC Holdings Limited Management had been taken over by a private entity. By the time of audit in February, 2021, the share certificates had not been transferred to the University and Management was still pursuing the process.

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

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.18,264,469,000 and Kshs.15,286,771,000 respectively, resulting to a shortfall of Kshs.2,977,698,000 or 16% of the budget. Similarly, the University had expenditure budget of Kshs.18,264,469,000 against actual expenditure of Kshs.16,782,264,000 resulting in an under-expenditure of Kshs.1,482,205,000 or 8%. Management attributed the shortfall in revenue collection to challenging business environment brought about by the Covid-19 pandemic. However, the under-performance 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, 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 sections, 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. Stalled Student Accommodation Hostels at Lower Kabete Campus

As previously reported, the Project for construction of a students' accommodation hostel comprising 500 bed hostels, kitchen and dining, and a common room at Lower Kabete Campus undertaken by a contractor in 1990 stalled in 1992 after the Government budgetary allocation ceased. The initial contract was mutually terminated in 2000. At the time, the University owed the contractor a balance of Kshs.50,000,000 which has remained unpaid to date. The contractor sued the University claiming the outstanding payment of Kshs.50,000,000 plus interest and costs.

Although the University Management indicated that they had requested for funding amounting to Kshs.450,000,000 to finance completion of the stalled Project, audit inspection of the Project on 17 March, 2021 revealed visible cracks in the columns and beams, chemical and physical damage on the stalled building. Completion of the hostels would provide secure accommodation for university students who are currently seeking accommodation in the surrounding areas.

In the circumstances, value for money may not be obtained if the project is not completed and put to the intended use. Further, losses are likely to be incurred due to the outstanding payment.

2. Proposed Construction of School of Pharmacy

On 1 October, 2010, the University entered into a contract with a construction company for the construction of the proposed School of Pharmacy Building at the College of Health Services at a cost of Kshs.152,903,393. As per the Internal Audit report of 12 April, 2018, the Project period was set for ninety-seven (97) weeks with the expected completion date being in August, 2012. The report further revealed that the construction had been carried out on the basement, ground and first floors and that the building was 90% complete. However, the building could not be occupied as the sewerage system had not been connected due to lack of an appropriate way leave. The completion of the construction works has been delayed by eight (8) years.

The Management explained that the sewer has since been connected to the Nairobi County's main Sewer line following agreement with the Nairobi Hospice Management to have it pass through their plot. However, a site visit of the project to 17 March, 2021 revealed that the basement and car park were flooded, with water entering through vulnerable points such as walls, floors, foundation cracks, windows and clogged rain gutters. If not addressed, the water infiltration will deteriorate the integrity of the structure. Although, the Project Architect gave a certificate of practical completion in 2017 for the works awarded and successfully completed, the building has not been occupied.

In the circumstances, value for money may not be obtained if the Project is not completed and put to the intended use.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

Conclusion

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

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the University's ability in continuing to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the University 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 Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to

address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern or 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 University to cease to continue as a going concern or 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 University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 September, 2021

**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30 JUNE 2020**

		2019/2020	2018/2019
	Note	Kshs'000	Kshs'000
Revenue from non-exchange Transactions			
Capitation Grant-Recurrent	5	5,091,471	4,607,257
Doctors /Lecturers Special Capitation	6	931,750	-
CBA 2017-2021 -Recurrent Capitation	7	1,201,675	944,252
CBA 2010-2013 Accrued Income	8	-	151,302
		7,224,896	5,702,811
Revenue from exchange Transactions			
Tuition and other fees module I	9	690,412	604,047
Tuition and other fees module II	10	4,454,855	5,401,523
Accreditation fees	11	-	550
Income from University of Nairobi Press	12	485	1,526
Accommodation ,Catering and other income	13	392,226	538,509
Research Grants overhead charges	14	79,972	62,068
		5,617,951	6,608,223
Total Revenue		12,842,847	12,311,034
Expenses			
Salaries and Wages	15	9,240,661	10,040,187
Salaries Arrears	16	2,133,425	-
		11,374,086	10,040,187
Other Operating Expenses			
Academic Departments	17	147,773	153,533
Administration and Central Services	18	997,941	1,171,247
Academic services	19	28,029	31,666
General educational services	20	71,873	93,471
Maintenance of premises	21	450,140	483,791
Staff and students facilities and welfare	22	301,939	322,667
Student Welfare authority (Catering services)	23	137,544	192,467
Miscellaneous expenditure	24	2,625	19,997
Council Expenses	25	19,812	26,332
Module II Expenditure	26	942,223	1,081,500
Total Expenses		14,473,985	13,616,828
Other gains/losses			
Gain/(Loss) in Foreign Currency Translation	27	6,943	6,306
(Deficit)/Surplus for the period		(1,624,195)	(1,299,488)


The notes set out on pages 10 to 45 form an integral part of the Financial Statements


UNIVERSITY OF NAIROBI
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XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	Note	2019/2020 Kshs'000	2018/2019 Kshs'000
Current Assets			
Cash and Cash Equivalents	28	1,794,457	842,860
Short Term Deposits	29	403	385
Trade and Other Receivables	30	4,687,283	4,383,186
Inventories	31	244,840	231,419
		6,726,983	5,457,850
Non Current Assets			
Property, Plant and Equipment	32	209,978,102	210,385,292
Investments	33	19,197	22,182
Intangible Assets	34	23	463
		209,997,322	210,407,937
Total Assets		216,724,306	215,865,787
Liabilities			
Current Liabilities			
Trade and Other Payables	35	10,073,858	5,868,990
Bank OverDraft	36	194,694	1,499,360
		10,268,552	7,368,350
Non-Current Liabilities			
Special Accounts and Grants	37	1,834,354	1,493,111
Trust and Endowment funds	38	227,448	227,570
Endowment for General Purposes	39	16,181	16,181
Barclays Bank Term Loan	40	844,444	950,000
		2,922,428	2,686,862
Total Liabilities		13,190,979	10,055,212
Net assets		203,533,327	205,810,575
General Fund	41	16,071,135	16,063,365
Net funds from IGUs and parallel programs	42	(782,075)	(765,090)
Capital Reserves	43	191,351,641	191,792,708
Special Capital Development	44	25,378	25,378
Revenue Reserves	45	(3,420,476)	(1,796,281)
Koitalel Samoei Fund	46	287,723	490,495
		203,533,327	205,810,575
Total Assets and Liabilities		216,724,306	215,865,787

The Financial Statements set out on pages 1 to 53 were signed on behalf of the Council on July 13, 2020 by:


PROF. STEPHEN G. KIAMA,
 BVM, MSC(Nbi), PhD(Bern)KNAS
 Vice Chancellor


CPA DAMARIS KAVOI
 B. Com, MBA (Nbi), CPA(K)
 ICPAK Member Number 4468
 Ag. Finance Officer


PROF. JULIA A OJIAMBO,
 PhD, CBS, EBS, MBS
 Chairperson
 University of Nairobi Council

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XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	IGU'S and UNES Funds	General Fund	Koitalel Samoei University Funds	Special Capital Development Fund	Capital Reserve	Revenue Reserve	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Balance as at 1/7/2018	(557,673)	16,101,486	392,517	25,378	192,233,775	(496,794)	207,698,689
Special Capitalization Receipt	-	-	166,752	-	-	-	166,752
Surplus/(Deficit) for the year	-	-	-	-	-	(1,299,487)	(1,299,487)
Capital Grants from Donors	-	8,372	-	-	-	-	8,373
Depreciation on Donated Assets	-	(23,436)	-	-	-	-	(23,436)
Depreciation on Research Grants Assets	-	(23,058)	-	-	-	-	(23,058)
Increase/(Decrease) in IGU Fund Expenditure	(207,418)	-	-	-	-	-	(207,417)
Depreciation on Buildings	-	-	(68,775)	-	(441,067)	-	(68,774)
Balance as at 30/06/2019	(765,089)	16,063,365	490,495	25,378	191,792,708	(1,796,281)	205,810,575
Balance as at 1/7/2019	(765,089)	16,063,365	490,495	25,378	191,792,708	(1,796,281)	205,810,576
Surplus/(Deficit) for the year	-	-	-	-	-	(1,624,195)	(1,624,195)
Capital Grants from Donors	-	50,012	-	-	-	-	50,012
Depreciation on Donated Assets	-	(23,435)	-	-	-	-	(23,435)
Depreciation on Research Grants Assets	-	(18,807)	-	-	-	-	(18,807)
Increase/(Decrease) in IGU Fund Expenditure	(16,987)	-	(202,772)	-	-	-	(16,987)
Depreciation on Buildings	-	-	-	-	(441,067)	-	(441,067)
Balance as at 30/06/2020	(782,075)	16,071,135	287,723	25,378	191,351,641	(3,420,476)	203,533,327

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**XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE
2020**

		2019/2020	2018/2019
	Note	Kshs'000	Kshs'000
Cash flows from operating activities			
Receipts			
Capitation Grant	5	5,091,471	4,607,257
Doctors /Lecturers Special Capitation	6	931,750	-
Capitation-CBA 2017-2021 Receipts	7	-	944,252
CBA 2010-2013 Accrued	8	-	151,302
Tuition and other fees	9	690,412	604,047
Module 11 fees and Other incomes	10	4,454,855	5,401,523
Accreditation fees	11	-	550
Other services rendered	12	485	1,526
Accommodation , Catering and other income	13	392,226	538,509
Research Grants overhead charges	14	78,827	62,068
		11,720,002	12,311,034
Payments			
Salaries and Wages	15	9,240,661	10,040,187
Academic Departments	17	147,773	153,533
Administration and Central Services	18	887,693	1,022,624
Academic services	19	28,029	31,666
General educational services	20	71,873	93,471
Maintenance of premises	21	450,140	483,761
Staff and students facilities and welfare	22	301,939	322,667
Students Welfare authority (Catering services)	23	137,544	192,467
Miscellaneous expenditure	24	2,625	19,997
Council Expenses	25	19,812	26,332
Module II Expenditure	26	942,223	1,081,500
		12,230,312	13,468,205
		(510,310)	(1,157,171)
Net cash flows from operating activities			
Cash flows from investing activities			
Gain on foreign currency exchange	27	6,943	6,306
(Increase)/Decrease in receivables	30	(302,952)	(913,079)
(Increase)/Decrease in inventories	31	(13,421)	23,342
Purchase of property, plant, equipment	32	(188,653)	(128,470)
(Increase)/Decrease in investments	33	2,984	94,972
		(495,099)	(919,929)
Net cash flows used in investing activities			

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE cont'd.

		2019/2020	2018/2019
		Kshs'000	Kshs'000
Cashflows from financing activities			
Increase/(Decrease) in payables	35	2,900,202	1,469,382
Increase/(Decrease) in Funds		(944,355)	906,670
Net cashflows used in financing activities		1,955,847	2,376,052
Net increase/(decrease) in cash and cash equivalents			
		950,439	301,952
Analysis of Balances of Cash and Cash Equivalents			
Cash and cash equivalent at start of the period		843,279	541,294
Increase/(Decrease) in cash and cash equivalents		951,581	301,952
Cash and cash equivalents at end of period		1,794,860	843,246
Analysis of Cash and Cash Equivalents			
Cash in Hand and Cash at Bank	28	1,794,457	842,861
Short Term Deposits	29	403	385
Cash and cash equivalents at end of period		1,794,860	843,246

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget for the Year Kshs'000	Adjustments Kshs'000	Final Budget for the Year Kshs'000	Actual Kshs'000	Variance Kshs'000
Revenue					
Internally Generated Academic Revenue	6,520,298	511,722	7,032,020	5,145,267	(1,886,753)
Government Grants - Recurrent	5,660,762	(569,291)	5,091,471	5,091,471	-
Government Grants - Development	729,739	(729,739)	-	-	-
CBA 2017-2021 Arrears-Capitation	960,000	1,173,425	2,133,425	2,133,425	-
Development Grants (Devpt Partners)	121,800	123,200	245,000	-	(245,000)
Innovation Week-Fundraising	20,000	-	20,000	-	(20,000)
External Research Grants	2,495,500	-	2,495,500	2,034,320	(461,180)
Other Incomes Recurrent (IGUs, Agency fees, Press, Rentals)	882,928	364,125	1,247,053	882,288	(364,765)
Total Revenue	17,391,027	873,442	18,264,469	15,286,771	(2,977,698)
Expenses					
Personnel Emoluments	9,964,238	(85,133)	9,879,105	9,240,661	638,444
CBA 2017-2020 Salary Arrears	-	2,133,425	2,133,425	2,133,425	-
Direct Service Providers(DSP) Module II	986,526	(135,768)	850,757	884,347	(33,589)
Other Recurrent Expenses -IGUs	183,184	195,270	378,454	426,549	(48,095)
Boards Expenses	20,796	-	20,796	19,812	985
Operating/ Administrative Expenses	2,651,179	(508,268)	2,142,911	1,836,562	306,350
External Research Grants	2,118,175	3,000	2,121,175	1,693,077	428,098
Repairs and Maintenance	70,000	(2,928)	67,072	52,549	14,523
Finance charges	133,000	67,000	200,000	163,681	36,319
Depreciation	-	-	-	110,248	(110,248)
Purchase of Motor Vehicles	110,600	(105,097)	5,503	5,503	-
Purchase of Plant and Equipment	130,527	(26,290)	104,237	98,789	5,448
Capital Development-WIP	957,802	(641,950)	315,852	74,739	241,113
Purchase of Computers	65,000	(52,520)	12,480	9,621	2,860
KUCCPS Placement Fees	-	32,700	32,700	32,700	-
Total Expenses	17,391,027	873,442	18,264,469	16,782,264	1,482,205

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

Revenue

Revenue generation for the year ended 30 June 2020 was below target by Ksh 3.00 billion due to the following reasons:

i. Internally Generated Revenue

Academic revenue was below target by Kshs 1.92 billion. . This reduction in fees is attributed to the adverse effects of COVID 19 Pandemic that impacted negatively on academic revenue receipts after the University discontinued physical operations on 16 March 2020 in compliance with the Presidents Directive. However the University innovated mechanisms of continuing operations especially on key mandate of teaching by enhancing online teaching.

ii. GOK Recurrent Capitation

The reduction of GoK Capitation by Kshs 1.7 billion since FY 2017/2018 for the University continues to impact on the University to operate at optimal capacity and deliver on its objectives. Due to the impact of COVID 19 on internally generated revenue, reinstatement of capitation will ease the pressure on the University.

iii. GoK Development Grants

Government did not remit Capitation Grants for Capital Development in the year amounting to Ksh. 21 million.

iv. Development Grants from Development Partners

The Confucius institute is funded directly by the China Government through the Government of Kenya.

v. CBA 2017-2021 Capitation and Doctors/ Lecturers Allowance from GOK of Ksh 2.13 billion.

Government released capitation to cater for the negotiated CBA 2017-2021 enhanced salaries amounting to Kshs 1.2 billion and Doctors/ Lecturers Allowances and new medical risk allowance of Ksh. 931.7 million towards the end of the financial year.

vi. Research Grants

The University had projected to receive Kshs 2.50 billion through Research Grants but Kshs 2.03 billion was received in the year ended 30 June 2020. Generally, the US reduced its funding to Kenya and this reduction affected some of the University's US funded projects in the current financial year.

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vii. Other Incomes.

Incomes from College based Income Generating Activities, Accommodation, Catering UON Press and Research Grants Administrative Charges combined were below the target by Kshs 350 million mainly due to the University closing from 16 March 2020 as a result of the COVID 19 Pandemic. The incomes were also impacted by implementation of CUE requirements which reduced the number of students accommodated per cubicle as well as the continued provision of subsidized catering services to students.

Expenses

Actual total expenditure was below the budget for the year by Kshs 1.45 billion due to austerity measures implemented following the budget cut.

i. Personnel Emoluments.

The personnel emoluments were below the budget by 638 million due to the austerity measures implemented by Management to control the wage bill that is not matched by government funding as follows:

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

ii. Direct Service Provider

The DSP expenditure was above the budget by Kshs 33.59 million. This is because of payment of previous period pending bills to comply with the government directive to clear all pending bills.

iii. Expenditure on Income Generating Activities

IGU Expenses were above the budget by Kshs 48.1 million due to new activities that were done towards the end of the year.

iv. Operating/ Administrative Expenses

The operating and administrative expenses were below budget by Kshs 270.9 million due to austerity measures put in place by Management following the budget cut.

v. Expenditure on External Research Grants

The expenditure on external research grants was below target by Kshs 428 million because of low costs absorption by new projects signed. The project expenditure depends on the funding by the donor and the work plan as per the signed MOUs and donor budget.

vi. Finance Charges

Finance charges were below budget by Kshs 36.32 million due to austerity measures put in place by Management following the budget cut.

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vii. Capital Development-Work in Progress

The actual expenditure on capital development –work in progress was below the budget by Kshs 240.19 million due to austerity measures implemented following GoK failure to allocate capitation for Capital Development in this financial year.

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

		2019/2020	2018/2019
Revenue	Note	Kshs'000	Kshs'000
Total Revenue as per Statement of Financial Performance		12,842,847	12,311,034
Less Deferred Income CBA 2010-2013 Accrued	8		151,303
		12,842,847	12,159,732
ADD Revenues accounted for under Funds			
External Research Grants Receipts	37	2,034,320	1,931,712
College Based IGA -Incomes	42	409,604	381,054
Grants for Koitalel Samoei University	46	-	166,751
		2,443,923	2,479,517
Total Revenue as per Statement of Comparison of Budget and Actual Amount		15,286,770	14,639,249
Expenses			
Total Expenses as per Statement of Financial Performance		14,473,985	13,616,828
ADD Development Expenditure			
External Research Grants Expenses	37	1,693,077	1,947,117
College Based IGA -Expenses	42	426,549	526,217
Expenditure for Koitalel Samoei University	46	-	68,774
Purchase of Motor Vehicles	55	5,503	6,300
Purchase of Plant and Equipment	55	98,789	19,090
Capital Development-WIP	55	74,739	67,631
Purchase of Computers	55	9,621	35,449
		2,308,279	2,670,578
Total Expenditure as per Statement of Comparison of Budget and Actual Amount		16,782,264	16,287,406

UNIVERSITY OF NAIROBI
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XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

The cash flow statement is prepared using the indirect method.

3. Adoption of New and Revised Standards

i. IPSAS 40: Public Sector Combinations

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

ii. Early adoption of standards

The University did not early adopt any new or amended standards in year 2019/2020.

4. Summary of Significant Accounting Policies

i. Changes in accounting policies and estimates

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

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NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

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

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

ii. Revenue recognition

a. Revenue from non-exchange transactions

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

b. Revenue from exchange transactions

Students Fees

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

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

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

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

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

Sales and Services of related Enterprises

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

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

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd
Summary of Significant Accounting Policies cont'd

Research Grants

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

Interest income

Interest Income is recognized when earned using the applicable rate.

Dividends

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

Rental income

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

Disposal Gains and Losses

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

Revaluation gains and Surpluses

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

iii. Taxes

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

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

iv. Property, Plant and Equipment

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

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

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

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

- Furniture and Equipment - 10% on straight line basis
- Motor Vehicles - 20% on straight line basis
- Academic gowns - 5% on straight line basis
- Buildings - 2% on straight line basis
- Computers and software development – 33.3% on straight line basis

v. Leases

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

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

vi. Intangible assets

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

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

vii. Research Grants

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

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

viii. Endowment and Trust Fund

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

ix. Financial instruments

Financial assets and Liabilities

Initial recognition and measurement

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

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

Financial assets

Receivables

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

Impairment of financial assets

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

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

Short-term deposits

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

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

x. Inventory Valuation

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

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

xi. Employee benefits

Retirement Benefits

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

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

xii. Foreign Currency Conversion

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

xiii. Provisions

Bad Debt Provision

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

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

Other liabilities and provisions

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

Contingent liabilities

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

Current employee obligations

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

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

Non-Current employee obligations

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

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

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

xiv. Nature and purpose of reserves

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

IGU'S and UNES Funds

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

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NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

General Fund

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

Koitalel Samoei University Fund

This fund represents the money the University of Nairobi holds on behalf of the proposed Koitalel Samoei University .The University of Nairobi was appointed to mentor the proposed Koitalel Samoei University.

Special Capital Development Fund

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

Capital Reserve

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

Revenue Reserve

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

xv. Cash and Cash Equivalents

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

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

xvi. Budget information

The original budget for FY 2019-2020 was approved by the Ministry of Education. Subsequent revisions or additional appropriations were made to the approved budget in accordance with the specific approvals from the Ministry Education and the National Treasury. The revisions to appropriations are made to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

The University's budget is prepared on a different basis to the actual statement of performance disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the functions with nature of expenses disclosed for each functional unit in the the statement of financial performance , whereas the budget is prepared on a commitment (cash) basis using nature of expenses. The amounts in the financial statements were recast from the accrual basis to the commitment (cash) basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

xvii. Comparative figures

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

xviii. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2020.

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The University based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 49.

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.

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

INCOME	2019/2020	2018/2019
	Kshs,000	Kshs'000
5. Capitation Grant		
Jul-2019	424,289	391,774
Aug-2019	424,289	391,774
Sep-2019	424,289	391,774
Oct-2019	424,289	391,774
Nov-2019	424,289	368,266
Dec-2019	424,289	368,266
Jan-2020	424,289	383,938
Feb-2020	424,289	383,938
Mar-2020	424,289	360,431
Apr-2020	424,289	391,774
May-2020	424,289	391,774
Jun-2020	424,289	391,774
	5,091,471	4,607,257
6. Special Capitation grant		
Doctors/Lecturers Allowances	931,750	-
	931,750	-
7. Special Capitation Accrued		
CBA 2013-2017 Recurrent Capitation	-	944,252
Accrued CBA 2017-2021	1,201,675	-
	1,201,675	944,252
8. Capitation on Accrued CBA 2010-2013		
Acrued CBA 2010-2013 portion for FY 2017/2018	-	151,302
	-	151,302
9. Tuition and other fees Module 1		
Student Finance-Tuition Fees & Other Charges	284,115	135,268
CAVS- Tuition Fees & Other Charges	57,310	52,292
CHSS Tuition Fees & Other Charges	125,520	165,248
CHS Tuition Fees & Other Charges	36,766	42,392
CAE Tuition Fees & Other Charges	57,657	49,982
CEES Tuition Fees & Other Charges	39,518	35,220
CBPS Tuition Fees & Other Charges	69,612	101,633
KCS Tuition Fees & Other Charges	19,914	22,012
	690,412	604,047

UNIVERSITY OF NAIROBI
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For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
10. Modolue11 Tuition Fees and other charges		
Tuition fee from Integrated programmes	1,554,133	2,452,006
Tuition fee from Evening Programmes	2,314,392	2,281,741
Registration Fees	33,221	48,092
Medical Fees	82,678	105,340
ID Card Fees	10,337	12,435
Exam Fees	36,484	47,543
Application Fees	38,536	15,842
Library Fees	40,277	51,219
Computer Fees	90,312	119,267
Project Fees	130,825	125,037
Activity Fees	33,151	42,961
Practicum Fees	1,214	1,974
Field Work Fees	4,522	4,589
Lab Fees	17,817	19,724
Workshop Fees	1,492	720
Practical Fees	630	874
Project Supervition Fees	20,581	12,535
Student Organisation Fees	11,477	16,060
Electronic Material Devt	604	986
Teaching Practice Fees	225	497
Re-Sit Fees	6	2
Retake Fees	24,436	34,222
Thesis Fees	4,818	4,995
Special Exams Fees	-	9
Program Development Fees	50	140
French Lab Fees	236	276
Hospitality Lab Fees	347	747
Simulation Excercise Fees	1,660	1,690
Research Paper Fees	396	-
	4,454,855	5,401,523

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
11. Accreditation Fees		
Accredited Institutions fees	-	550
	-	550
12. Income from University of Nairobi Press		
University of Nairobi Press	485	1,526
	485	1,526
13. Accomodation , Catering and other income		
Staff House Rents	143,967	143,163
Sale of Tender Documents	238	463
Income from endowment fund	3,875	2,310
Agency fees (Insurance & Hire purchase)	5,537	14,693
Staff Education Support Fund	80	5
Certificate Storage	3	4
Reimbursement (Emoluments)	-	8,921
Rental Income - Commercial & Billboards	28,527	26,516
Lease Income	-	1,802
Miscellaneous Income	27,820	37,463
Revenue from Stationery, Airtickets and Water	12,423	13,474
ICT Revolving Fund	5,090	-
Accomodation and Catering	156,668	289,695
Accrued rent -KPLC	8,000	-
	392,226	538,509
14. Income from Research and Projects		
Income from Grants Overheads Charges	78,827	62,068
Decrease in provision for bad debts	1,145	-
	79,972	62,068
EXPENDITURE		
15. Salaries and Wages		
Academic Departments		
Basic pay	4,731,821	4,959,781
Clinical Allowance	534,517	599,238
House allowance	1,447,667	1,619,763
	6,714,005	7,178,782
Administration and Central Services		
Basic pay.	1,154,935	1,129,822
Management and support services.	-	139,541
House Allowance.	353,344	368,977
	1,508,279	1,638,341

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
Academic Services		
Library: Basic pay	142,683	149,803
Computer Services:		
Basic pay...	71,082	67,928
	213,765	217,731
General Educational expenditure		
House to Office Transport Allowance	749,822	828,887
Passages and Leave Travelling Expenses	54,790	176,446
	804,612	1,005,333
Grand Total	9,240,661	10,040,187
16. Salary Arrears		
Salary Arrears -CBA 2017-2021	1,201,675	-
Doctors/Lecturers allowance arrears	931,750	-
	2,133,425	-
Other Operating Expenses		
17. Academic Departments		
Teaching Practice C.E.E.S. Kikuyu	25,516	28,388
Teaching and Office Expenses	93,391	92,846
Travelling and Transport	28,324	30,835
Expenditure from service units	542	1,464
	147,773	153,533
18. Administration and Central Services		
Travelling and Transport.	7,874	12,134
Publishing and Printing	3,325	3,252
Purchase of Uniforms	3,427	2,173
Purchase of Stationery	44,013	48,956
Postal Expenses	398	453
Telephones	10,528	25,405
ICT, Internet service and licences	116,396	113,492
Insurances	94,123	89,376
Senate Expenses	611	2,406
Tender Expenses	742	2,746
Conference and Seminars	6,491	11,823
Membership Subscriptions	1,493	2,024
Finance Charges-Loan Interest and Bank Charges	163,681	177,647
Provision for Audit Fees	4,640	5,250
Fees, Commission & Honoraria	323	949
Official Entertainment	70	343

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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
Administration and Central Services cont'd		
Transport Operating Expenses	31,685	41,750
Graduation Expenses	14,916	14,815
University Choir Expenses	2,047	1,952
Funeral Expenses	3,079	3,063
Legal Fees	38,408	62,325
Contracted Security Services	195,235	185,179
Performance Contracting activities	3,223	7,108
ISO Expenses	2,289	1,944
Depreciation	110,248	126,156
Alumni	51	-
Provision for Bad Debts	-	22,466
Public relations expenses	2,721	3,832
Integrity Programs	61	1,939
UON Advancement	1,766	4,308
Environmental Management	84,173	78,619
Other Expenses	2,592	5,789
Intellectual Property Expenses	819	120
Industrial Relations	1,866	1,174
Fixed Assets Tagging and Valuer Expenses	227	50
National Values and Cohesion	257	3,962
Work plan Key Initiatives (STI)	11,442	67,148
Placement fees	32,700	39,119
	997,941	1,171,247
Depreciation for the year	593,557	613,716
Less: Grants Assets depreciation	(42,242)	(46,493)
: Buildings depreciation	(441,067)	(441,067)
	110,248	126,156
19. Academic Services		
Books and Periodicals	23,053	25,723
Sundry Charges	4,690	5,611
Computer Services:		
Consumables	286	332
	28,029	31,666
20. General Educational expenditure		
Examinations stationery	23,193	34,803
External Examiners	19,845	27,174
Postgraduate Programmes	4,755	5,772
Research and Publications	19,104	19,673

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
Staff Development	4,975	6,049
	71,873	93,471
21. Maintenance of Premises		
Rents and Rates	5,495	8,869
Electricity, Water and Conservancy	392,096	450,289
Maintenance of Buildings	37,292	24,603
Maintenance of Equipment	15,257	-
	450,140	483,761
22. Staff and Students facilities and welfare		
University Medical Scheme	264,366	272,964
Recruitment Expenses	7,481	26,877
Travelling outside Kenya	5,953	5,725
Sports and Games (Inter-University)	1,972	1,714
Needy Students	3,885	38
Students Associations	18,282	28,745
	301,939	322,667
23. S.W.A (Catering & Accommodation Services)		
Purchase of Food stuff	56,922	76,028
Gas and Fuel	9,985	14,421
Transport Operating Expenses	697	1,465
Travelling and Accommodation expenses	2,015	1,885
Telephones	1,457	1,497
Publishing and Printing Expenses	636	927
Purchase of Uniforms and Clothing	9,503	7,571
Purchase of Stationery & Office expenses	5,853	6,597
Miscellaneous Other Charges	3,744	6,430
Bank Charges	1,761	2,671
Staff Development	673	970
University Medical Scheme	3,081	5,568
Performance Contracting Expenses	874	579
Maintenance of plant, Machinery and Equipment	383	180
Maintenance of Buildings and Station	38,362	64,060
Halls Expenses	1,303	663
Cleaning Materials	296	955
	137,544	192,467

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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
24. Miscellaneous Expenditure		
Maintenance of Equipment		17,360
Nairobi A.S.K. Show	2,625	2,637
	2,625	19,997
25. Council Expenses		
Audit Committee Members Exps.	-	855
Council Members GPA	39	39
Council Expenses	19,773	25,438
	19,812	26,332
26. Module II Operating Expenses		
Direct Service Provider(DSP)	884,347	946,750
Staff Training and Development	104	740
Staff Medical Expenses	513	1,476
Staff Travelling & Accommodation	714	989
Seminars & Workshops	440	982
Outsourced Services	1,348	2,710
Subscriptions to Professional Bodies	113	147
Transport Operating Expenses	280	574
Telecommunication	503	973
Water	27	81
General Office consumables	3,823	6,946
Bank charges	131	191
Maintenance of Motor vehicles	140	118
Repair & Maintenance of equipment	70	163
Maintenance of Buildings & Grounds	121	269
Promotion and Marketing	30,231	53,530
Security expenses	1,118	1,549
ICT Services	129	446
ISO 9001:2008	-	98
Performance Contracting	20	356
Salaries and Wages	17,721	60,849
Electricity	334	563
CUE-Expenses	-	1,000
	942,223	1,081,500
27. Other Gains		
Increase/(Decrease) in Value of Dental Materials	-	4,646
Gain/(Loss) in Foreign Currency Translation	6,943	1,660
	6,943	6,306

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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs,000	Kshs'000
28. Cash and Cash Equivalents		
Central Cash at Bank	1,359,638	512,048
Cash in Hand	2	541
University Press Cash at Bank	6,268	5,756
SWA Cash at Bank	32,955	39,755
Colleges Cash at Bank	294,226	229,591
Module II Cash at Bank	26,699	34,548
UNES Cash at Bank	74,669	20,621
	1,794,457	842,860
29. Short Term Deposits		
Trust and Endowment funds	403	385
	403	385
30. Trade and other Receivables		
Sundry Debtors	447,561	470,513
GOK 2010-2013 CBA	1,232,934	1,232,934
Other Public Universities	194,758	194,758
GOK 2017-2021 CBA Capitation	1,201,675	944,252
Koitalel Samoei University Capitation	-	21,112
Deans Committee Research Grants	25,401	25,301
Bank Guarantees	17,848	17,848
Receivables -IGUs held by UNES	235,192	230,992
Accrued rent -KPLC	8,000	-
UNES Receivables	276,072	388,110
UON PRESS Receivables	240	558
Student Debtors	1,053,749	951,718
Students Welfare Authority (SWA)-Receivables	87,617	-
	4,781,048	4,478,096
Less: Provision for bad & doubtful debts	(93,765)	(94,910)
	4,687,283	4,383,186
31. Inventories		
General Stocks	116,699	112,985
Dental Materials	36,524	36,524
UNES Pharmacy & Cafeterias	4,015	5,762
UNES Bookstore	58,841	46,027
UON PRESS Stocks	19,094	19,423
SWA Stocks	9,667	10,698
	244,840	231,419

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32. PROPERTY, PLANT AND EQUIPMENT - 2019/2020

	Land	Buildings	Work in Progress	Furniture and Equipment	Computers	Motor Vehicles	Academic Gowns	Totals
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost Valuation								
1 July 2019	186,447,265	22,053,346	1,919,683	2,478,412	1,333,327	719,896	60,200	215,012,130
Additions	-	-	74,739	98,789	9,621	5,503	-	188,653
30 June 2020	186,447,265	22,053,346	1,994,422	2,577,202	1,342,948	725,400	60,200	215,200,782
Depreciation								
1 July 2019	-	866,680	-	1,879,211	1,177,044	683,809	35,853	4,642,598
Acc. Depreciation on disposal	-	-	-	-	-	-	-	-
Charge for the period	-	441,067	-	109,661	15,476	24,343	3,010	593,557
30 June 2020	-	1,307,747	-	1,988,872	1,192,520	708,153	38,863	5,236,155
Net Book Value								
30 June 2020	186,447,265	20,745,599	1,994,422	588,330	150,428	17,247	21,337	209,964,627
UNES Balances	-	-	-	8,287	680	3,863	-	12,830
UoN Press	-	-	-	572	73	-	-	645
Fully Depreciated Assets								
At Cost	-	-	-	281,023	566,029	154,751	-	1,001,803
Less Acc Depreciation	-	-	-	281,023	566,029	154,751	-	1,001,803
30 June 2020	186,447,265	20,745,599	1,994,422	597,188	151,181	21,110	21,337	209,978,102
30 June 2019	186,447,265	21,186,666	1,919,683	608,657	156,754	41,922	24,347	210,385,293

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Property, Plant And Equipment - 2019/2020 cont'd...

PROPERTY, PLANT AND EQUIPMENT - 2018/2019

	Land	Buildings	Work in Progress	Furniture and Equipment	Computers	Motor Vehicles	Academic Gowns	Totals
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost Valuation								
1 July 2018	186,447,265	21,280,653	2,624,745	2,459,322	1,297,879	713,596	60,200	214,883,660
Additions	-	-	67,631	19,090	35,449	6,300	-	128,470
Prior year Adjustments	-	772,693	(772,693)	-	-	-	-	-
30 June 2019	186,447,265	22,053,346	1,919,683	2,478,412	1,333,328	719,896	60,200	215,012,130
Depreciation								
1 July 2018	-	425,613	-	1,767,295	1,142,146	660,984	32,843	4,028,881
Charge for the year	-	441,067	-	111,916	34,898	22,825	3,010	613,716
30 June 2019	-	866,680	-	1,879,211	1,177,044	683,809	35,853	4,642,597
Net Book Value								
30 June 2019	186,447,265	21,186,666	1,919,683	599,201	156,284	36,087	24,347	210,369,533
UNES Balances	-	-	-	8,820	345	5,835	-	15,000
University Press	-	-	-	636	125	-	-	760
Fully Depreciated Assets								
At Cost	-	-	-	157,311	472,932	114,624	-	744,867
Less Acc Depreciation	-	-	-	157,311	472,932	114,624	-	744,867
30 June 2019	186,447,265	21,186,666	1,919,683	608,657	156,754	41,922	24,347	210,385,293
30 June 2018	186,447,265	20,855,040	2,584,744	703,114	97,564	60,116	27,357	210,775,200

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Fully Depreciated Assets	2019/2020	2018/2019
	Kshs,000	Kshs'000
Furniture and Equipment	281,023	157,311
Computers	566,029	472,932
Motor Vehicles	154,751	114,624
	1,001,803	744,867

33. Investments

Trust and Endowment Funds Investments

Gandhi Memorial Academy Society

East Africa Breweries Limited

33,380 Ordinary shares of Shs.2/- each 5,424 6,667

Car and General (Kenya) Limited

15,222 Ordinary shares of Shs.5/- each 346 373

C.M.C. Holdings Limited*

125,920 Ordinary shares of Shs.0.5/- each 1,700 1,700

Unga Limited

28,782 Ordinary shares of Shs.5/- each 858 950

Kenya Power and Lighting Co. Limited

8944 Ordinary shares of Shs.2.50 - each 17 35

8,345 **9,725**

Kamala Gold Memorial Fund

Kenya Power & Lighting Co. Limited

7904 Ordinary shares of Shs.2.50 - each 15 31

Tom Mboya Memorial Fund

East Africa Breweries Limited

42,635 Ordinary shares of Shs.2/- each 6,928 8,516

Total of Trust Fund Investments

15,288 **18,272**

Investment not attributable to any particular fund

Investment in University of Nairobi Enterprises and Services Limited (UNES) 100 100

Guarantee for University Press 3,809 3,809

Total of Endowment Fund Investments **3,909** **3,909**

Total Trust and Endowment Fund Investments **19,197** **22,182**

Note

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

*The Value for CMC shares is historical after the takeover by Alfa Motors.

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	2019/2020	2018/2019
	Kshs'000	Kshs'000
34. Intangible Assets		
1 July 2018	114	114
30 June 2019	114	114
Depreciation		
1 July 2018.	68	46
Acc.Depreciation on disposal		
Charge for the period	23	23
30 June 2019	91	68
Net Book Value	23	45
UNES Ltd Balances	-	418
	23	463

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

The SAGE module was acquired many years back in 2006,and its expenditure recognised together with ICT investment whose exepnditure was capitalise to Computers.This module is now fully amortised and will be recognised seprately as an intangible asset upon revaluation.

	2019/2020	2018/2019
	Kshs'000	Kshs'000
35. Creditors and Other Payables		
Payables	19,180	260,985
UNES Payables	443,823	-
Utalii College	6,500	-
CBA 2017-2021 Capitation	1,201,675	-
Doctors/Lecturers Allowances	931,750	-
Statutory Deductions - Payroll	7,014,515	4,692,423
Provisions	276,861	759,519
Refundable Customer deposits	179,555	156,063
	10,073,858	5,868,990
36. Bank Overdraft		
BBK-Queensway Branch	194,694	1,495,053
BBK - Central Stores	-	4,307
	194,694	1,499,360
	10,268,552	7,368,349

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NOTES TO THE FINANCIAL STATEMENTS Cont'd

37. Special Accounts and Grants

	Balance as at 01 July 2019 Kshs'000	Received FY 2019/2020 Kshs'000	Expenditure FY 2019/2020 Kshs'000	Balance as at 30 June 2020 Kshs'000
Ford Foundation	47,442	40,516	12,250	75,709
Rockefeller Foundation	13,223	2,412	8,439	7,197
International Development Research Center	50,366	34,978	33,388	51,957
National Commission for Science and Technology	147,324	93,690	69,351	171,664
World Health Organisation	60,078	8,411	26,358	42,132
International Aids Vaccine Initiatives	30,077	110,710	97,358	43,429
World Trade Organization	4,302	-	153	4,147
CIAT	(540)	-	-	(541)
Centre for Disease Control (CDC)	207,280	687,658	506,238	388,699
African Economic Research Consortium (AERC)	17,049	14,944	17,807	14,185
National Institute of Health	64,680	205,140	178,192	91,629
Other Grants	851,830	835,860	743,543	944,147
	1,493,111	2,034,320	1,693,077	1,834,354
	1,493,111	2,034,320	1,693,077	1,834,354

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38. Trust and Endowment Funds

	Balance As at 01 July ,2019	Receipts	Increase/ (Decrease) in market Value of investment	Expenditure	Balance As at 30 June 2020
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trust funds					
Joint Admission Board	35,855	14	-	-	35,869
Gandhi Academic Society	18,820	-	-	140	18,680
Kenya Railways	663	-	-	-	663
A.C.I. De Souza Memorial	24	-	-	-	24
R.G. Amin Bursary	393	-	-	-	393
Kamala Gold Memorial	212	-	-	-	212
Tom Mboya Memorial	17,410	-	-	-	17,410
M.M. Bhatt Trust	104	-	-	-	104
UoN Alumni	41,216	2,053	-	2,049	41,220
UON Alumni Centre Project Funds	2,000	-	-	-	2,000
Eng.Carry Oregge - Civil Engineering Prizes	(958)	-	-	-	(958)
Meteorology CBPS - IGAD climate Prediction	325	-	-	-	325
Prof.J.O.Agumbah-Therigenology Award	90	-	-	-	90
TOTAL TRUST FUNDS	116,155	2,067	-	2,189	116,033
Endowment Funds:					
Sasakawa Fellowship	98,723	0	-	-	98,723
Others	9,017	-	-	-	9,017
Non attributable Funds	3,676	-	-	-	3,676
TOTAL ENDOWMENT FUNDS	111,416	0	-	-	111,415
TOTAL FUNDS	227,570	2,067	-	2,189	227,448

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	2019/2020	2018/2019
	Kshs'000	Kshs'000
39. Endowment for General Purposes	16,181	16,181
Designated Funds set aside for applications as determined by the University e.g. Students' prices, Students' Scholarships		
40. Barclays Bank Term Loan		
Principal Payable	844,444	950,000
	844,444	950,000
41. General Funds		
Balance as at 1 July 2019	16,063,365	16,101,486
Capital Receipts:		
(i) Research Grants	50,012	8,373
TOTAL FUND	16,113,377	16,109,859
Less:		
Depreciation	42,242	46,494
Balance as at 30 June 2020	16,071,135	16,063,365

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NOTES TO THE FINANCIAL STATEMENTS Cont'd

42. Income Generating Activities

College	Surplus/ (Deficit) 2018/2019 Kshs'000	Income 2019/ 2020 Kshs'000	Expenditure 2019/2020 Kshs'000	Surplus/ (Deficit) 30 June 2020 Kshs'000
College of Agriculture and Veterinary Sciences	(6,376)	95,128	85,667	9,461
College of Architecture and Engineering	8,221	47,854	51,178	(3,324)
College of Biological and Physical Sciences	(12,923)	55,884	50,298	5,587
College of Education and External Studies	2,011	20,569	12,160	8,409
Open Distance & e-Learning (ODEL)	4,047	22,035	5,076	16,959
College of Health Sciences	(54,761)	24,495	59,657	(35,162)
College of Humanities and Social Sciences	(85,382)	143,639	162,515	(18,875)
Sub- Total	(145,168)	409,604	426,549	(16,946)
Income Generating Units -UNES				
Chiromo Parlour	3,608	26,161	21,775	4,386
UNES Consultancy	24,374	411,483	318,194	93,289
Chiromo Conference and Arziki	(2,795)	35,163	47,623	(12,460)
Diagnostic Radiology	699	3,615	4,075	(460)
UNES Bookstore-Nairobi	1,073	67,269	67,440	(172)
UNES Bookstore-Kisumu	-	1,367	2,035	(668)
UNES Bookstore-Mombasa	(1,740)	3,507	5,176	(1,669)
Other IGUs	2,152	32,127	31,751	376
UNES Head Office	(89,620)	2,365	85,028	(82,663)
Sub- Total	(62,249)	583,057	583,098	(41)
GRAND TOTAL	(207,417)	992,661	1,009,647	(16,987)
Balance brought forward	(557,673)			(765,088)
Balance carried forward	(765,086)			(782,075)

	2019/2020 Kshs'000	2018/2019 Kshs'000
43. Capital Reserves		
Balance as at 1 July 2019	191,792,708	192,233,775
Add increase on revaluations		
Less Depreciation on bulidings	(441,067)	(441,067)
Balance as at 30 June 2020	191,351,641	191,792,708
44. Special Capital Development Fund	25,378	25,378

Funds Designated for a Special Capital Development in the University

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NOTES TO THE FINANCIAL STATEMENTS Cont'd

	2019/2020 Kshs'000	2018/2019 Kshs'000
45. Revenue Reserve (movement in the year)		
Accumulated Surplus/(Deficit) brought forward	(1,796,281)	(496,794)
Surplus/(Deficit) for the period	(1,624,195)	(1,299,487)
Accumulated Surplus Reserves	(3,420,476)	(1,796,281)
46. Koitalel Samoei University Grants Fund		
Balance as at 1 July 2019	490,495	392,517
GOK Capitation Recurrent		
Jul-2019	-	9,512
Aug-2019	-	9,512
Sep-2019	-	9,512
Oct-2019	-	9,512
Nov-2019	-	8,943
Dec-2019	-	9,512
Jan-2020	-	9,512
Feb-2020	-	8,943
Mar-2020	-	8,372
Apr-2020	-	9,512
May-2020	-	9,512
Jun-2020	-	9,512
Jun-2020	-	21,112
	-	132,998
Capital Development Capitation		
11/1/2019.	-	12,850
May-2020	-	20,924
	-	33,774
Total Available	490,495	559,269
Less Expenditure	202,772	68,774
Balance as at 30 June 2020	287,723	490,495

47. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University's does not hedge any risks and has in place policies through its statute xxx which states among other things:

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

The University has endeavored to enforce the above statute in order to reduce the student debtors.

The University secured a written undertaking from the Government of Kenya with respect to the outstanding debt relating to the Pension Component of the CBA.

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

Credit risk

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

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

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

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

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

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

Liquidity risk management

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

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Liquidity risk management cont'd...

	Total amount	Fully performing	Past due	Impaired
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 30 June 2020				
Receivables from exchange transactions	2,094,681	2,086,681	-	-
Receivables from non exchange transactions- GoK	3,053,657	1,625,964	1,427,692	-
Inventories	244,840	244,840	-	-
Short Term Deposits	403	403	-	-
Bank balances	1,794,457	1,793,013	-	-
Total	7,188,038	5,750,901	1,427,692	-
At 30 June 2019				
Receivables from exchange transactions	2,085,989	2,085,989	-	23,525
Receivables from non exchange transactions- GoK	2,393,056	965,364	1,427,692	71,385
Inventories	251,764	251,620	-	-
Short Term Deposits	385	-	-	-
Bank balances	839,178	839,178	-	-
Total	5,570,228	4,142,536	1,427,692	94,910

Note 35 & 36

	2019/2020 Kshs'000	2018/2019 Kshs'000
Payables	19,180	260,984
UNES Payables	443,823	-
Utalii College	6,500	-
CBA 2017-2021 Capitation	1,201,675	-
Doctors/Lecturers Allowances	931,750	-
Statutory Deductions - Payroll	7,014,515	4,692,423
Provisions	276,861	759,519
Refundable Customer deposits	179,555	156,063
Bank Overdraft	194,694	1,499,360
	10,268,552	7,211,830

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NOTES TO THE FINANCIAL STATEMENTS cont'd

Market risk

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

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

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

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

Capital Risk Management

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

	2019/2020	2018/2019
	Kshs'000	Kshs'000
General Fund	16,071,135	16,063,456
Net funds from IGUs and parallel programs	(782,075)	(765,088)
Capital Reserves	191,351,641	191,792,708
Special Capital Development	25,378	25,378
Revenue Reserves	(3,420,476)	(1,796,281)
Koitalel Samoei Fund	287,723	490,495
Special Accounts and Grants	1,834,354	1,493,111
Trust and Endowment funds	227,448	227,570
Endowment for General Purposes	16,181	16,181
Barclays Bank Term Loan	844,444	950,000
Total Funds	206,455,753	208,497,530
Total Borrowings	10,073,858	7,222,821
Less: Cash and Bank Balance	1,794,457	843,279
Net Debt/(ExcessCash and Cash equivalent)	8,279,401	6,379,542
Gearing	4%	3%

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48. Related party Transactions	2019/2020	2018/2019
	Kshs'000	Kshs'000
Transfers from GoK		
University of Nairobi Capitation		
Recurrent Capitation	5,091,471	4,607,257
CBA 2017-2021 Capitation	2,133,425	944,252
	7,224,896	5,551,508
Koitalel Samoei University Capitation		
Recurrent Capitation	-	111,865
Development Capitation	-	54,885
	-	166,751
Amount Due from GoK		
Capitation-University of Nairobi	-	944,252
Capitation-Koitalel University	-	21,112
CBA 2010-2013 Pension Arrears	1,232,934	1,232,934
CBA 2010-2013 Other Public Institutions	194,758	194,758
	1,427,692	2,393,057
Amount Due from UNES		
Bookstore taken over	-	23,472
Dividends Receivable	-	15,349
Amount held by UNES on behalf of UoN	235,192	230,992
	235,192	269,813
Amount Due from UNES		
Bookstore and Arziki		113,271
Council Expenses		
Remuneration of Chairperson	1,444	2,057
Remuneration of Council Members	14,773	21,724
Council Members GPA	39	39
Airticket	-	211
Travelling, Office expenses and Catering	2,914	307
Training & Development	642	1,994
	19,812	26,332
49. Provisions		
Provision for Audit fees	4,640	5,250
Provision for placement fees-KUCCPS	-	39,119
Provision for leave days	196,967	196,967
Provision for Gratuity.	75,254	518,184
	276,861	759,519

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NOTES TO THE FINANCIAL STATEMENTS cont'd

	2019/2020	2018/2019
	Kshs'000	Kshs'000
50. Refundable deposits to Customers		
UNIPLAZA-Rent deposits	1,192	868
CBPS- Module I Caution money	2,823	2,673
CHS -Module I Caution money	478	413
CAVS-Module I Caution money	1,948	176
CHSS-Module I Caution money	1,349	2,062
CAE-Module I Caution money	-	1,453
CEES- Module I Caution money	1,222	567
CESSP-Module II Caution money	170,543	147,852
	179,555	156,063

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

51. Legal Status

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

52. Contingent Liabilities

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

The University has accumulated pending bills due to contractors amounting to Ksh. 532,436,805. As at 30.06.2006. One contractor, N.K. Brothers, has sued the University to recover the outstanding amount.

53. Statutory Deductions payable

Kenya Revenue Authority (Paye and VAT)	3,793,955	2,283,357
National Housing Insurance Fund	-	7,020
National Security Social Fund	-	2,287
UoN Pension	3,220,560	2,399,027
Higher Education Loans Board	-	732
	7,014,515	4,692,423

54. Supplementary Accounts

Summary of service units income and expenditure for the period ended 30 June 2020

	Income	Expenditure	Surplus/ (Deficit 2019/2020	Surplus/ (Deficit 2018/2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Nairobi University Press	485	807	(322)	62
Surplus/(Deficit) for the year	485	807	(322)	62

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55. Events after the reporting year

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

56. Ultimate and Holding Entity

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

57. Report of Approved Estimates vs Actual Expenditure

	Approved Estimates	Actual	Actual
	2019/2020	2019/2020	2018/2019
	Kshs'000	Kshs'000	Kshs'000
Basic pay	4,847,302	4,916,388	4,670,118
Direct Service providers/Management support	850,757	884,347	1,086,291
Gratuity and Pension Contribution	1,043,752	653,266	1,042,831
House Allowance	2,023,901	1,851,089	2,042,341
Other Personal Allowances	509,938	480,788	540,784
House to Office Transport allowance	819,678	749,822	828,888
Passage and Leave Expenses	51,452	54,790	176,447
Clinical Allowance	583,082	534,517	599,238
Salary Arrears	2,133,425	2,133,425	-
Transport Operating Expenses	31,912	31,685	41,750
Travelling and Accommodation Expenses	37,750	36,198	42,969
External Travelling and Accommodation	6,500	5,953	5,725
Teaching Practice	28,113	25,516	28,388
Postal and Telegram Expenses	500	398	453
Telephone Expenses	10,030	10,528	25,405
Official Entertainment	400	70	343
Electricity, Water and Conservancy	375,542	392,096	450,289
Purchase of Supplies for Teaching & Production Materials	119,435	116,585	127,649
Publishing and Printing Expenses	3,402	3,325	3,252
Purchase of Uniforms and Clothing	2,875	3,427	2,173
Library Expenses	92,090	27,743	31,334
Purchase of Stationery	38,500	44,013	48,956
Advertising and Publicity (Recruitment)	8,501	7,481	26,877
Sports and Equipment (Inter-University)	2,080	1,972	1,714
Audit Fees	4,640	4,640	5,250
Payments of Rent and Rates Residential	7,063	5,495	8,869
ICT, Internet services and Licences	126,754	116,682	113,823

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Report of Approved Estimates vs Actual Expenditure cont'd

	Approved Estimates 2019/2020 Kshs'000	Actual 2019/2020 Kshs'000	Actual 2018/2019 Kshs'000
Contracted security services	222,217	195,235	185,179
Fees, Commission and Honoraria	650	323	949
Staff Development	9,532	4,975	6,049
Audit Committee & Council Expenses	20,796	19,812	26,332
Graduation Expenses	22,000	14,916	14,815
Conference and Seminars	7,316	6,491	11,823
University Medical Scheme	243,803	264,366	225,714
Postgraduate Programmes	16,800	4,755	5,772
University Research Programme	18,775	19,104	19,673
Maintenance of Plant, Machinery and Equipment	19,072	15,257	17,360
Maintenance of Buildings and Stations	48,000	37,292	24,603
Students Welfare Authority	155,552	137,544	192,467
University Press	487	542	1,464
Performance contracting	5,421	3,223	7,108
Depreciation	-	110,248	126,156
Students amenities/Activities,Associations	28,183	18,282	28,745
Needy Students	3,885	3,885	39
Integrity Programs	67	61	1,939
UON Advancement	3,072	1,766	4,308
Module II Operating Expenses	135,555	57,876	134,750
Legal Fees	42,000	38,408	62,325
Finance costs-Loan Interest and Bank Charges	200,000	163,681	177,647
Insurance	90,440	94,123	89,376
Public relations office	2,555	2,721	3,832
External Examiners	21,310	19,845	27,174
Environmental Management	104,069	84,173	78,619
Membership Subscriptions	2,500	1,493	2,024
ISO Expenses	150	2,289	1,944
Tender Committee Members Expenses	1,300	742	2,746
Alumini	-	51	-
Other Expenses	4,095	2,592	3,955
Intellectual Property Expenses	820	819	120
Industrial Relations	2,020	1,866	1,174
Fixed Assets Tagging and Valuer Expenses	273	227	50
National Values and Cohesion	283	257	3,962
Empowerment of Basic operating Units	2,265	-	-
Work Plan Expenses	150	11,442	67,148

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Report of Approved Estimates vs Actual Expenditure cont'd

	Approved Estimates 2019/2020 Kshs'000	Actual 2019/2020 Kshs'000	Actual 2018/2019 Kshs'000
Senate & UMB Expenses	1,936	611	2,406
University Choir Expenses	2,325	2,047	1,952
Funeral Expenses	3,720	3,079	3,063
Placement fees for Module I	32,700	32,700	39,119
Provision for Bad Debts	-	-	22,466
Nairobi A.S.K. Show	2,700	2,625	2,637
	15,238,167	14,473,985	13,581,140
Capital Expenditure			
Purchase of Motor Vehicles	5,503	5,503	6,300
Purchase of Plant and Equipment	104,237	98,789	19,090
Capital Development-WIP	315,852	74,739	67,631
Purchase of Computers	12,480	9,621	35,449
	438,073	188,653	128,470

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1. Property, Plant and Equipment	Two parcels of land, LR.No.11645 & LR.No.22378 without title documents	The Management is in constant engagement with the Ministry of Lands regarding the processing of the title deeds. The said two parcels of land are fully developed and occupied by the University.	Mr. Thuita (Estates Manager)	In progress	June 2020
2.Going Concern	Deteriorated Financial Performance	Reduced Capitaion by GoK (30% reduction)		In progress	June 2020
3.Student Debtors	Long outstanding debts	Pursuing students for settlement of fee balances		In progress	June 2020
4.Investment in CMC Holdings	CMC Holdings was delisted from NSE in 2015	Management is following up the issue with the nominated Custody and Registrars Services Ltd of the shares.		In progress	June 2020



PROF. STEPHEN G. KIAMA,
BVM,MSc(Nbi),PhD(Bern) KNAS
Vice Chancellor
4 February 2021

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XIX. APPENDIX II: STATUS OF PROJECTS COMPLETION

REPORT ON STATUS OF CAPITAL PROJECTS AND SOURCOF FUNDING - 30 JUNE 2020							
S/No	Project Name	Project Location	Cost of project/project value	Source of Funds Gok, County Govt, Donor, A.I.A.	Actual Cummlitative certified for payment.	projects %age of completion	project status
1	Refurbishment of womenhall hostel hall 20	SWA Lower state hse road		A.I.A			
	Electrical	"	3,761,292	A.I.A	3,566,651	100.00%	complete
	Plumbing	"	2,583,314	A.I.A	2,197,526	100.00%	complete
	Paving of parking and driveway	"	4,676,060	A.I.A	4,408,342	100.00%	complete
	Painting	"	8,639,703	A.I.A	2,176,114	60.00%	ongoing
	Carpentry& General works	"	2,556,850	A.I.A	0	40.00%	ongoing
	Flooring	"		A.I.A		0.00%	ongoing
	Roofing	"	7,130,490	A.I.A	6,773,748	100.00%	ongoing
2	Proposed meter separation at College of health sciences	KNH	3,792,000	CHS & KAVI	3,602,400	95.00%	ongoing
3	Proposed Re-Roofing of Tana Kitchen.	Upper Kabete	7,552,600	A.I.A	1,981,350	80.00%	ongoing
4	Proposed Supply installation An testing and commisioning of Two Lifts at Mombasa Uniplaza	Mombasa		A.I.A	8,183,043		ongoing
5	Proposed Rescreeding laying of APP of College of Health Sciences Library at KNH	KNH	7,296,620	A.I.A	4,136,220	90.00%	ongoing
6	Proposed drilling of bore hole and test pumping at Kikuyu Campus	Kikuyu	2,186,270	A.I.A	437,254	85.00%	ongoing
7	Proposed Supply installation of 330KVA at Dental school College of health sciences	Dental school	540,000	GOK/A.I.A	0	90.00%	Ongoing
8	Proposed Drilling of bore hole at kenya science .	ngong road	2,305,034	A.I.A	0	0.00%	planning
9	Proposed Refurbishment of vet lab at oloitoktok Kajiado	Kajiado	749,210	A.I.A	0	0.00%	ongoing
10	Feasibility study for proposed Engineering and science complex	Central	12,560,000	A.I.A	4,880,240	50.00%	on going

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XX. APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME	UNIVERSITY OF NAIROBI		
	Break down of Transfers from the State Department		University Education	
	FY 2019/2020			
	UNIVERSITY OF NAIROBI			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		8/8/2019	424,289,244.00	Q1 - 2019/2020
		8/29/2019	424,289,244.00	Q1 - 2019/2020
		9/27/2019	424,289,244.00	Q1 - 2019/2020
		Q1 - UON sub-total	1,272,867,732.00	
		11/1/2019	424,289,244.00	Q2 - 2019/2020
		11/29/2019	424,289,244.00	Q2 - 2019/2020
		12/27/2019	424,289,244.00	Q2 - 2019/2020
		Q2 - UON sub-total	1,272,867,732.00	
		2/4/2020	424,289,244.00	Q3 - 2019/2020
		3/2/2020	424,289,244.00	Q3 - 2019/2020
		4/3/2020	424,289,244.00	Q3 - 2019/2020
		Q3 - UON sub-total	1,272,867,732.00	
		5/8/2020	424,289,244.00	Q4 - 2019/2020
		6/5/2020	424,289,244.00	Q4 - 2019/2020
		6/26/2020	424,289,244.00	Q4 - 2019/2020
			1,272,867,732.00	
		25 06 2020	931,749,600.00	Q4 - 2019/2020

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		7/6/2020	1,201,675,206.00	Q1 - 2020/2021
			2,133,424,806.00	
		Q4 - UON sub- total	3,406,292,538.00	
	GRAND TOTAL - RECURRENT FUNDS		7,224,895,734.00	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0.00	
		TOTAL	-	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0.00	
			-	

TOTAL TRANSFER 2019/2020

7,224,895,734.00

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



CPA DAMARIS KAVOI
B.Com,MBA (Nairobi),CPA(K)
ICPAK Member Number 4468
Ag.Finance Officer
University of Nairobi.
4 February 2021

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor transferring Funds	date rec'd (as per bank stmt	nature : recurrent/Dev /Others	Total Amount - KES	
State Dept University Education	7/2/2018	RESEARCH	150,000.00	2017/2018
State Dept University Education	7/9/2018	RESEARCH	796,400.00	2017/2018
State Dept University Education	7/9/2018	RESEARCH	1,618,776.00	2017/2018
State Dept University Education	7/9/2018	RESEARCH	426,275.00	2017/2018
State Dept University Education	7/9/2018	RESEARCH	378,000.00	2017/2018
State Dept University Education	7/10/2018	RESEARCH	932,500.00	2017/2018
State Dept University Education	7/10/2018	RESEARCH	1,020,886.00	2017/2018
State Dept University Education	7/13/2018	RESEARCH	2,760,000.00	2017/2018
State Dept For Dev Of The Asal	10/23/2018	RESEARCH	345,000.00	2018/2019
Ministry Of Defence	2/5/2019	RESEARCH	364,900.00	2018/2019
			8,792,737.00	

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APPENDIX V: DETAILED ANALYSIS OF CASH AND CASH EQUIVALENT

DESCRIPTION	FY 2019/2020	FY 2018/2019
	Kshs'000	Kshs'000
Current Account		
Bbk Salaries Sweeping Call Account	185	1,382
Bbk Stores Sweeping Call Account	1,506	2,313
Bbk Deposits/Gen Pyts Sweeping Call Account	988,077	94,950
Nbk Bank - Central Swa	593	105
Bbk-Queensway Branch-Press	6,268	5,756
Unes Cash At Bank	74,669	20,621
Cash In Hand	2	540
Bbk-Queensway Branch	9,250	-
Bbk Uhs-Corporate Branch	7,155	1,250
Bbk - Queensway Br.- Deposits A/C. (D)	13,103	1,943
Bbk - Queensway Br.Salaries A/C.	-	-
Kcb - University Way - Research Grants A/C.	4,095	9,161
Kcb - University Way - Uon Endowment Fund	355	361
Kcb - University Way - J.A.B. A/C.	89	17,041
Kcb- University Way - Uhs A/C.227790898	11,613	10,584
Kcb - University Way - Dollar A/C.	158,283	41,174
Scb - Koinange Str-Main Dollar A/C.	-	211
Scb - Koinange St-Kavi Dollar A/C.	6,861	76,441
Kcb - University Way - Uon Alumni A/C.	6,585	46,941
Kcb - University Way - Paen A/C.No.271-970-412	4,542	3,843
Stan Chart Koinange Str - Uon Instapa Project A/C.	21,905	2,009
Bbk Queensway - Dollar Account 03-022-7023791	411	860
Standard Chatered Bank - Ksh A/C.01020-063212-00	116	23,895
Kcb - Pact Us Dollar A/C.No.1121857884	651	624
Kcb - Pact K.Shs A/C.No.1121857426	3,712	26,900
Bbk Capital Projects	966	1,795
Kcb-University Way Uon-Criss Project -1137133120	20,207	6,023
Kcb- Edcctp (Hiv Vaccine)	64,032	47,275
Uon-Fasu Games (Kes) Account	926	932
Uon Swa Kcb Varsity Catering Services	1,623	2,152
Uon-Crown Agent A/C (Gbp)	-	100
Uon-Endowment Fund	5,353	5,358
Uon Swa Kcb Womens Hall Smu	170	2,467
Uon-Fasu Games (Usd) Account	8,894	8,542
Uon-Bbk Pound Sterling	15,332	1,991
Kcb - Sarit Centre - Cavs	47	254
Bbk - Westlands A/C - Cbps.	56,663	35,408
Bbk - Westlands A/C C.H.S.S.	9,281	22,376
Kcb - Anniversary - Cae	41,387	32,967
Bbk - Hurlingham A/C C.H.S.	1,330	486
Kcb - Kikuyu - Cees	12,591	1,928

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Bbk - Westlands - Cbps	3,105	3,398
Kcb - Sarit Centre - Cavs	2,356	6,853
Bbk - Westlands Igu Cosol. A/C C.B.P.S.	28,111	3,613
Kcb - University Way - Cae	-	549
Kcb - Kibwezi Branch - Cavs	2,336	1,511
Bbk - Hurlingham-Chs	3,124	7,964
Bbk - Hurlingham-Chs	5,871	394
Bbk - Westlandslands - Cbps	7,586	4,744
Bbk - Mkt Branch - Cae Coll.A/C.5053941	2,660	6,753
Bbk - Barclays Plaza Cavs Coll.A/C.5053984	25,308	16,702
Bbk - Barclays Plaza-Cees Collection A/C.	12,491	4,113
Bbk - Confucious Institute-Chss	6,260	1,492
Bbk - Hurlingham - Unitid Chs A/C 1543520	3,192	8,000
Bbk - Hurlingham - Unitid Chs2 A/C 1544314	10,982	11,251
Kcb - Ksc A/C. No.230-660-280	18,717	12,020
Kcb - Ksc Igu. A/C. No. 230-661-715	15,856	13,232
Bbk - Uon Branch - Cae Coll.A/C.083-1000805	586	2,062
Bbk-Confucious Institute (Usd) - Chss	13,848	15,226
Bbk - Uon Marps Project A/C 2022586893	1,918	1,923
Eq- Equity Account(School Of Pharmacy Infrastructure Fund)	5,085	5,085
KCB A/C - Odel	2,878	9,288
Bbk A / C - Uon Central Stores	658	-
Mpesa - Examination Centre Utility A/C	1,497	4,299
Mpesa - Alumni Association	3,937	3,523
Uon-Sasakawa Endowment Fund	-	70,300
Uon-Sasakawa Endowment Fund (Gdp)	-	29
Uon Cessp Dollar Account	1,107	3,722
Uon Cessp Application Account	2,611	6,208
Uon Cessp Operations Acc	1,682	2,120
Uon Cessp Dsp Account	297	937
Uon Cessp Collection Account	17,926	17,783
Uon Cessp Application Fee Account	1,458	1,788
Kcb Us Dollar Application Account	1,617	1,989
Uon Swa Hqs Bbk Halls Special Account	253	253
Uon Swa Bbk Upper Kabete Main Account	764	104
Uon Swa Hqs Bbk Halls Account	20,806	18,675
Uon Swa Hqs Bbk Main Account	1,542	3,774
Consolidated Fixed Deposit - Central Swa	1	1,964
Uon Swa Kcb Ushr Smu	330	1,521
Uon Swa Kcb Mamlaka Smu	181	19
Uon Swa Bbk Chiromo Main Account	191	129
Uon Swa Bbk Chiromo Special Account	8	33
Uon Swa Bbk Students Centre Special Account	7	-
Uon Swa Kcb Lower State House Smu	202	1,889
Uon Swa Kcb Kikuyu Smu	497	657

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Uon Swa Hqs Bbk Main Special Account	363	363
Uon Swa Kcb Kmsh Smu	103	419
Uon Swa Bbk Kenya Science Main Account	89	125
Uon Swa Bbk Lower Kabete Main Account	906	1,973
Uon Swa Bbk Students Centre Main Account	253	440
Uon Swa Bbk Comcare Main Account	3,287	2,439
Uon Swa Bbk Comcare Special Account	26	13
Uon Swa Kcb Parklands Smu	762	240
	1,794,457	842,860
Short Term Deposits		
Savings & Loans (K) Ltd Dpst. A/C	403	385
	403	385
Overdrawn Cashbook		
BBK - Queensway Br.- Paying A/C. (G)	194,694	1,495,053
BBK - Queensway - UoN Central Stores A/C.	-	4,307
	194,694	1,499,360