



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAJO

DATE: 10 AUG 2021

DAY: Tuesday

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

TABLED  
BY:

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CLERK AT  
TABLE:

Gertrude Chebet

**THE AUDITOR-GENERAL**

**ON**

**COMMISSION FOR  
UNIVERSITY EDUCATION**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



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**COMMISSION FOR UNIVERSITY EDUCATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

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



## KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Commission for University Education (The Commission) was established by an Act of Parliament, Universities Act, No. 42 of 2012 as the successor to the Commission for Higher Education which was established under Universities Act Cap 210B of 1985. The Commission is domiciled in Kenya, Nairobi and has no branches. At cabinet level, the Commission is represented by the Cabinet Secretary for Ministry of Education.

### (b) Principal Activities

The vision of the Commission is a leading regulator of quality, relevant and sustainable university education. The principal activity of the Commission is to regulate and assure quality university education by setting standards and guidelines and monitoring compliance to achieve global competitiveness.

### (c) Key Management

The Commission's day-to-day management is under the following:

- i) Commission Secretary/CEO
- ii) Deputy Commission Secretary (Quality Audit & Standard)
- iii) Deputy Commission Secretary (Accreditation)
- iv) Deputy Commission Secretary (Administration & Finance)
- v) Deputy Commission Secretary (Planning, Research & Development)

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commission Secretary/CEO	- Prof. Mwenda Ntarangwi
2.	Deputy Secretaries	- Prof. Anne Nangulu - Prof. Grace Njoroge - Prof. Walter Oyawa
3.	Ag. Head of Administration & HR	- Margaret Kamoni
4.	Head of Finance	- Linah Kiptoo
5.	Head of Procurement	- Phylis Karimi
6.	Head of Legal	- Isaac Gathirwa

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**(e) Fiduciary Oversight Arrangements**

The activities of the Commission are transacted through the following committees:

Audit, Risk and Compliance Committee

1. Review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics
2. Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance
3. Review policies and programs developed in respect of significant compliance issues
4. Monitor compliance with Laws, regulations and the Commission Policies and Procedures in relation to key financial and operational controls and processes

Quality Assurance Committee

1. To consider and recommend to the Commission for approval standards and guidelines for physical facilities and other infrastructural requirements, academic programmes, library and information services, for quality assurance purposes
2. To consider and recommend to the Commission for approval establishment of universities, constituent colleges and campuses
3. To consider and recommend to the Commission academic programmes for accreditation
4. To consider reports on audited academic programmes and audited universities for recognition of quality status
5. To consider and recommend to the Commission grant of authority to foreign universities to collaborate with local institutions
6. To consider and recommend to the Commission grant of license to student recruitment agencies to operate in Kenya.
7. To oversee and give direction on difficult cases on recognition and equation of foreign qualifications

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Strategy Committee

1. Oversee and monitor the effectiveness and integrity of the Commission's performance management systems, including performance contracting and ISO certification processes;
2. Develop and implement strategies and policies of the Commission that will guide university education in Kenya;
3. Fundraise and mobilize resources for the Commission and over see their prudent use and utilization;
4. Develop and implement policies to guide research, innovation and outreach both at the Commission and in the University sector in Kenya;
5. Develop and implement policies that shall guide planning, policy formulation, collaboration and partnerships at the Commission and within the University sector in Kenya;
6. Develop and implement policies that will help manage the Commission's externally funded projects;
7. Development and implement policies on postgraduate research training at Universities in Kenya;
8. Report to the Board of Commission regularly.

Human Resources & Finance Committee

1. Oversee and monitor the effectiveness of Administration, Human Resource and security functions, processes and activities of the Commission;
2. Oversee and monitor the effectiveness of financial systems, functions, processes and activities of the Commission;
3. Oversee the development and utilization of the Commissions assets;
4. Oversee and monitor the Commission's performance with regard to legal and regulatory requirements of Human Resource, Administration and Finance issues;
5. Report to the Board of Commission regularly.

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**(f) Commission Headquarters**

P.O. Box 54999-00200  
CUE Building  
Red Hill Road  
Off Limuru Road, Gigiri  
NAIROBI, KENYA

**(g) Commission Contacts**

Telephone: (254) 020-7205000, 020-2021150, 020-2021154/56  
E-mail: [info@cue.or.ke](mailto:info@cue.or.ke)  
Website: [www.cue.or.ke](http://www.cue.or.ke)

**(h) Commission Bankers**

Kenya Commercial Bank  
Kencom House  
P.O. Box 30081  
NAIROBI

**(i) Independent Auditors**



Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 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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**THE BOARD OF DIRECTORS**

Name		Qualifications	Experience
 <p><b>Prof. Chacha Nyaigotti-Chacha</b> Chairperson</p>		<ul style="list-style-type: none"> <li>• PhD in Anthropological Linguistics ,Yale University</li> <li>• Master of Philosophy in Poetics, Yale University</li> <li>• MA Swahili studies University of Nairobi</li> <li>• Bed. Literature and Kiswahili, University of Nairobi</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Commission for University Education (CUE) and the Kenya Institute of Mass Communication (KIMC).</li> <li>• Executive Secretary of the Inter-University Council for East Africa</li> <li>• First CEO of the Kenyan Higher Education Loans Board (HELB).</li> <li>• Kenyan playwright and Swahili language educationalist.</li> <li>• Tutorial Fellow and Lecturer in Swahili Language and Linguistics at Kenyatta University and later Egerton University.</li> </ul>
 <p><b>Prof. Collette Suda, PhD, CBS</b> Chief Administrative Assistant and Principal Secretary State Department of University Education, MOE, Member</p>		<ul style="list-style-type: none"> <li>• PhD (Rural Sociology)- Missouri-Columbia</li> <li>• MSc(Community Development)- Missouri-Columbia</li> <li>• MSc(Rural Sociology) Missouri-Columbia</li> <li>• BA(Hons)- University of Nairobi</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Administrative Assistant and Principal Secretary State Department of University Education, MOE</li> <li>• Secretary, Gender and Sports Services- Ministry of Gender, Sports ,Culture Social Services</li> <li>• Director, Board of Common Undergraduate courses, University of Nairobi</li> <li>• Director, Institute of African Studies, University of Nairobi</li> </ul>
 <p><b>Dr. Kamau Thugge, PhD., CBS</b> Principal Secretary, the National Treasury, Member</p>		<ul style="list-style-type: none"> <li>• BA (Economics), Colorado College</li> <li>• MA (Economics), Johns Hopkins University</li> <li>• PhD (Economics) – Johns Hopkins University</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Secretary – National Treasury Ministry of Finance</li> </ul>

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 <p><b>Lucy Muthoni Kambuni-SC</b> Independent Member</p>		<ul style="list-style-type: none"> <li>• Master of Laws (Public International Law), University of Nairobi</li> <li>• Diploma at the Kenya School of Law</li> <li>• Legal Associate: Kaplan &amp; Stratton Advocates, Nairobi.</li> <li>• LLB-University of Nairobi</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate of the High Court</li> <li>• Founder, LM Kambuni &amp; Associates Advocates</li> <li>• Member of the Law Society of Kenya</li> <li>• Member of the East Africa Law Society</li> <li>• Member of the National Bar Association (U.S.A.)</li> <li>• Commissioner, Independent Review Commission (IREC), (Kriegler Commission) March – September 2008</li> <li>• Acting Chairperson, Tourism Trust Fund, December, 2007-2012</li> <li>• Member, Masinde Muliro University Council, 2006-2010</li> </ul>
 <p><b>Prof. Anne W.T Muigai</b> Independent Member</p>		<ul style="list-style-type: none"> <li>• PhD Biochemistry-population Genetics and Molecular Biology(JKUAT)</li> <li>• Master of Science-Plant Genetics(Kenyatta University)</li> <li>• Bed (science)- Botany &amp; Zoology Kenyatta University.</li> </ul>	<ul style="list-style-type: none"> <li>• Professor of Genetics</li> <li>• Associate Prof. of Genetics</li> <li>• Editor in Chief, Journal of Agriculture Science and Technology</li> <li>• Board Member, Journal of Agriculture Science and Technology</li> <li>• Director, Institute of Biotechnology Research (JKUAT)</li> <li>• Chairperson, Senior Lecturer, Lecturer Assistant Lecturer Dept. of Botany- JKUAT</li> <li>• Senate representative JKUAT Council</li> <li>• Consultant</li> </ul>
 <p><b>Dr. Elizabeth Muli</b> Independent Member</p>		<ul style="list-style-type: none"> <li>• Doctor of the Science of Law (JSD), Stanford Law School, Stanford University, Stanford, CA</li> <li>• Master of Laws university of Bristol, Bristol, united kingdom</li> <li>• Diploma of law, Kenya school of law</li> <li>• Bachelor of Law-University of Nairobi,</li> <li>• Corporate governance training course for directors, 2015</li> </ul>	<ul style="list-style-type: none"> <li>• University of Nairobi School of Law Chairperson, Department Of Commercial Law (2008 to Date)</li> <li>• Commission For The Implementation Of The Constitution (2011-2015) <i>Vice-Chairperson of The Commission</i></li> <li>• Judiciary Mediation Pilot Programme Mediator, Milimani Court, Family Division (2016 to Date)</li> <li>• Nexus Consulting Limited (2008 to Date)</li> <li>• Director, Research, ADR and Conflict Systems Design</li> </ul>

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 <p><b>Eng. David Onyango</b> Independent Member, HSC</p>		<ul style="list-style-type: none"> <li>• MSc. Construction Engineering and Management, Loughborough University</li> <li>• MBA, Maastricht School of Management</li> <li>• BSc. (Hons), University of Nairobi</li> </ul>	<ul style="list-style-type: none"> <li>• Consultant, Midrock Consulting</li> <li>• Managing Director, Kisumu Water and Sewerage Company (2006-2018)</li> <li>• Board Member, Federation of Kenya Employers</li> <li>• Board Member, Global Water Partnership Alliance (2015-18)</li> <li>• Board Member, African Utility Week</li> <li>• Board Member, Stadia Management Board (2010-2012)</li> <li>• Board Member, National Council for Occupational health and Safety</li> <li>• Fellow, Aspen Global Leadership Network</li> </ul>
 <p><b>Prof. Mwenda Ntarangwi</b> CEO</p>		<ul style="list-style-type: none"> <li>• PhD (Cultural Anthropology)-Univ. of Illinois</li> <li>• MA (Cultural Anthropology)-Univ. of Illinois</li> <li>• MA-Swahili Cultural studies-Kenyatta University</li> <li>• BEd. (Language Education)-Kenyatta Univ.</li> </ul>	<ul style="list-style-type: none"> <li>• Vice President, Theological Book Network (2015-2017)</li> <li>• Executive Director, International Association for the Promotion of Christian Higher Education (2012-2015)</li> <li>• Associate Director Office of Off-Campus Programmes, Calvin College (2012-2015)</li> <li>• Director, African and African Diaspora Studies, Calvin College (2008-2011)</li> <li>• Director and Assistance Professor St. Lawrence Univ.-Kenya Semester Programme (1999-2003)</li> <li>• Assistant Director Academic Programme&amp; students- St. Lawrence University-Kenya Semester Program (1998 to 1999)</li> <li>• Associate Professor of Anthropology (2008-2015)</li> </ul>

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**MANAGEMENT TEAM**



**Prof. Mwenda Ntarangwi, Phd**  
**Commission Secretary/CEO**



**Prof. Grace N. Njoroge, Phd**  
**Deputy Commission Secretary**  
**Accreditation**



**Prof. Anne Nangulu, Phd**  
**Deputy Commission Secretary**  
**Quality Audits and Standards**



**Prof. Walter Oyawa, Phd**  
**Deputy Commission Secretary**  
**Administration and Finance**

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**CHAIRMAN'S STATEMENT**



**Prof. Chacha Nyaigotti-Chacha**  
**Chairman**

Ladies and Gentlemen, it gives me great pleasure once again to present to you the Commission for University Education Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2019. Let me first appreciate the fact that the University Regulator's performance has been on an upward trend due to a favorable economic environment, facilitated by the Government of Kenya.

During the year under review, the University Regulator undertook a broad spectrum of activities and functions. Key among them, conducting institutional Quality Audit of Universities countrywide as stipulated in the Commission's mandate and functions. As you are aware, Quality Audit is premised on commitments of a university based on set Standards and Guidelines and a functional Internal Quality Assurance System.

The Regulator also undertook the nationwide stakeholder fora to map out strategic direction for university education in Kenya. The fora deliberated on among other issues: aligning university academic programmes to national development goals, preparing universities for the competence-based curriculum transition, charting ways in which varsities can cultivate and effectively provide good governance and management systems and practices to foster quality education, follow up on the Tenure track system of employment for university academic staff and assessment of the role of the Commission in ensuring quality university education.

The regulator, through the universities, also spearheaded the formation of an inter-university taskforce in preparation for the paradigm shift from 8-4-4 to Competence-Based Curriculum (CBC). This indeed corroborated with one of the findings of the *CUE Survey on the Programmes Aligned to Development Goals and Job Market Needs, 2018* in which sensitization, training and preparedness for the competency Based Curriculum was found to be rather low. Consequently, as a start and urgent short-term measure, CUE directed all universities to re-orient their schools/faculties of education in particular to review teaching curriculum and pedagogical approaches in order to adequately equip teachers to handle learners transitioning to competency based curriculum.

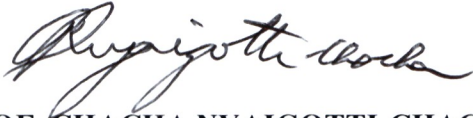
The Commission also hosted its 2<sup>nd</sup> biennial international conference on the State of university Education in Kenya as part of its strategic engagement with stakeholders. The conference gave the Commission an opportunity to reflect on how best to align university education to the development needs of our country.

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Just like other sectors, the university sector has had a fair share of challenges. As the university regulator, we continue to operate in an unpredictable and challenging regulatory environment across the region. From the Commission's end, the scaling down of funding has been a major setback for universities.



**PROF. CHACHA NYAIGOTTI-CHACHA**  
**CHAIRMAN**

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**REPORT OF THE CHIEF EXECUTIVE OFFICER**



**Prof. Mwenda Ntarangwi, PhD**  
**Commission Secretary/CEO**

I am delighted to present to you the highlights of the Commission for University Education's Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2019.

During the financial year under review, the Commission set out varied interventions and strategic engagements which have lent themselves favourably to addressing the myriad challenges confronting the sector, with a view to seeking viable and sustainable solutions.

Further, the University Regulator made major strides in enhancing its operationalization structures. The Commission undertook Quality Audit Inspections in a number of universities across the country with the sole purpose of ascertaining that Internal Quality Assurance Systems work as intended, produce useful and relevant information for improvement of the University's operations, and result in effective improvement measures. This is also a major milestone as it prepares CUE to be audited by The International Network for Quality Assurance Agencies in Higher Education (INHAAHE).

The Commission's transition to ISO 9001:2015 is also a major milestone which will serve to equip us with standards against which it can be measured for conformity to globally acceptable and sound management practices and product features. As best benchmark practice, this gives CUE an objective standard of measurement that organizations can use to compare themselves to their counterparts globally.

In addition to the financial year under review, the Commission continually engaged stakeholders. Among our key achievements was conducting the nationwide stakeholder workshops and the 2<sup>nd</sup> Biennial conference on the Status of University Education. This indeed are clear indications of how the Commission adapts a collegiate and stakeholder-oriented approach to the challenges and opportunities within the sector.

The Commission has also reviewed its strategic plan for 2019-2020 to provide strategic direction for the next four years.



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**CORPORATE GOVERNANCE STATEMENT**

Corporate Governance is central to the Commission's approach toward the enhancement of stake holder value. The Commission ("Board") recognizes that the maintenance and consistent practice and application of good corporate governance practices is key to the long-term success of the Commission's business and will enable it to deliver sustainable value to its publics.

During the 2018/2019 Financial Year, the Commission enhanced regulatory and risk management guidelines. The Commission fully embraced the changes and remains at the forefront in adopting best practices in corporate and risk management in the rapidly evolving university landscape.

The Board and management of the Commission continue to comply with the Corporate Governance Guidelines. The Board achieves such success by setting appropriate corporate strategy and overseeing delivery against the set strategy as stipulated in the Strategic Plan 2019-2023. It ensures that the Board manages risks effectively and monitors financial performance and reporting.

**Functions of Commission**

- a) To administer the property and funds of the Commission, donations, endowments, gifts, grants or other monies and to make legitimate disbursements there from;
- b) To provide for the welfare of the staff of the Commission;
- c) To generate and raise funds for the purposes of the Commission from within and outside the country;

**Committees of the Commission**

The following are the Committees of the Commission:

1. Strategy;
2. Human Resource Administration and Finance;
3. Audit Risk and Compliance Committee;
3. Quality Assurance Committee.

**Internal Controls**

The Commission has defined procedures and financial controls to ensure the reporting of true and fair representation of 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 organization remains structured to ensure appropriate segregation of duties.

# **Commission for University Education**

## **Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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### **Communication with the Commission**

The Commission 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 Commission's information and the release of notices in the media.

Periodically there are public notices, advertiser supplements and press releases informing the public on the major achievements and universities authorized to operate in the country and any other information that could be considered essential to improving understanding of the Commission's mandate.

### **Commission Members Emoluments**

The Commission members are paid sitting allowance and other travel allowances which are included in the Commission expenses detailed in this Annual Report and Financial Statements 2018/2019.

### **Board Charter**

The Board has adopted a Board Charter that clearly defines its role and how its powers and responsibilities are exercised, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter regulates the composition, the meeting process and defines the relationship and interactions between the Board and Management.

The Board Charter sets out the roles and responsibilities of the Board to include:

- i) Reviewing the strategic direction of the Commission and adopting plans proposed by Management for the achievement of the stipulated strategic direction;
- ii) Approving specific financial and non-financial objectives and policies proposed by Management.
- iii) Reviewing processes for the identification and management of risk and processes for compliance with key regulatory and legal areas.
- iv) Reviewing succession planning for the Management team and making senior executive appointments, organizational changes and high level remuneration issues;
- v) Providing oversight of performance against targets and objectives.
- vi) Providing oversight of reporting to stakeholders on the direction, governance and performance of the Commission as well as other processes that need reporting and disclosure.

### **Authority and Delegation**

The Board Charter sets out the Board authority and matters reserved for determination and approval by the Board. These include decisions concerning strategy and long-term objectives of the Commission, the capital, financial planning and financial budgets, significant contracts and various statutory and regulatory approvals.

Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are also Board reserve matters. To assist it in discharging these responsibilities, the Board has established Committees to give detailed consideration to key issues. Further details of the Board Committees including their respective roles, key responsibilities, composition and membership are provided later in this Statement.

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The roles and responsibilities of the Chairman and the Chief Executive Officer are separate with a clear division of responsibility between the running of the Board and the executive responsibility of running the Commission. The Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. He promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively. The Chairman plays a pivotal role in fostering constructive dialogue between stakeholders, the Board and Management. The Board, in the Board Charter, delegates responsibility for the day-to-day management of the business to the Chief Executive Officer. The Chief Executive Officer in turn delegates aspects of his own authority to members of the Management Committee. The scope of, and limitations to, these delegations are clearly documented and cover areas such as operating expenditure, capital expenditure and investments. These delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

#### **Composition of the Board**

The membership of the board is provided in The Universities Act 2012, Ammended 2018 as follows;

- (a) A chairperson appointed by the President;
- (b) The Principal Secretary in the Ministry for the time being responsible for university education;
- (c) The Principal Secretary in the Ministry for the time being responsible for national treasury;
- (d) One person appointed by the Cabinet Secretary who is a distinguished academic scholar with at least ten years' experience in management of university education;
- (e) One person nominated by the Federation of Kenya Employers and appointed by the Cabinet Secretary;
- (f) One person nominated by Chairpersons Councils of public universities in a forum of chairpersons of the Councils of public universities convened by the Cabinet Secretary for that purpose;
- (g) One person nominated by chairpersons Councils of private universities in a forum of chairpersons of the Councils of private universities convened by the Cabinet Secretary for that purpose; and
- (h) The Commission Secretary who shall be an *ex-officio* member.

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**The Board and Committee membership**

The Commission has four committees whose membership is as follows:

**Audit, Risk and Compliance Committee**

Lucy Kambuni (SC)-Chairperson

Prof. Anne Muigai

Mugambi Nyagah-Representing PS, State Department of University Education

CPA John Kiragu – Representing PS, National Treasury

**Quality Assurance Committee**

Dr. Elizabeth Muli- Chairperson

Prof. Anne Muigai

Mugambi Nyagah-Representing PS, State Department of University Education

CPA John Kiragu – Representing PS, National Treasury

**Strategy Committee**

Prof. Anne Muigai- Chairperson

Dr. Elizabeth Muli

Lucy Kambuni (SC)

Eng. David Onyango

**Human Resources & Finance Committee**

Lucy Kambuni – Chairperson(SC)

CPA John Kiragu- Representing PS, National Treasury

Mugambi Nyagah-Representing PS State Department of University Education

Eng. David Onyango

**Number of Board Meetings**

During the year the Commission held the following meetings

Full Board- 15 meetings

Audit, Risk and Compliance Committee - 4 meetings

Quality Assurance Committee - 7 meetings

Strategy Committee - 4 meetings

Human Resources & Finance Committee - 8 meetings

**Independence of Board Members and conflict of interest**

The Commission maintains a register of conflict of interest where members sign at the beginning of the meeting to indicate their interest

# Commission for University Education

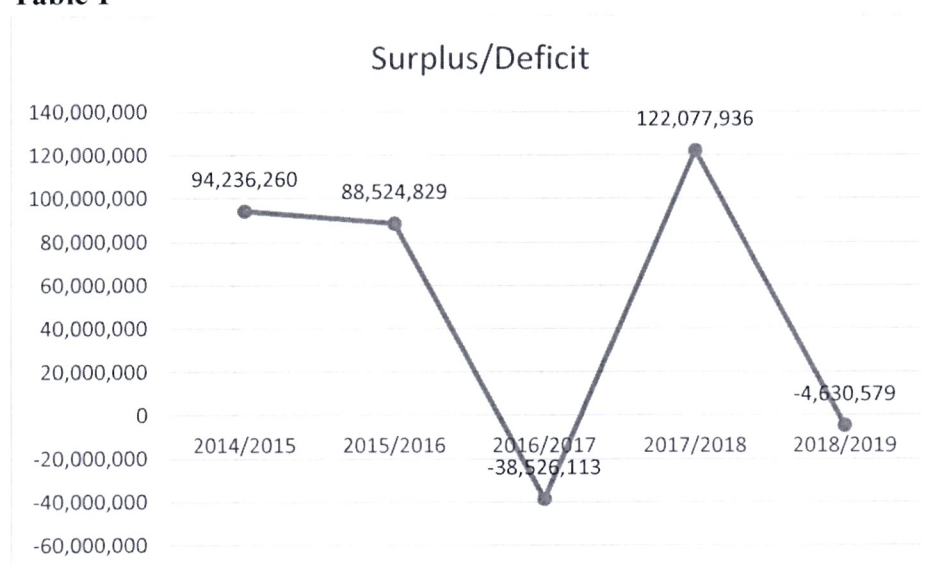
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### MANAGEMENT DISCUSSION AND ANALYSIS

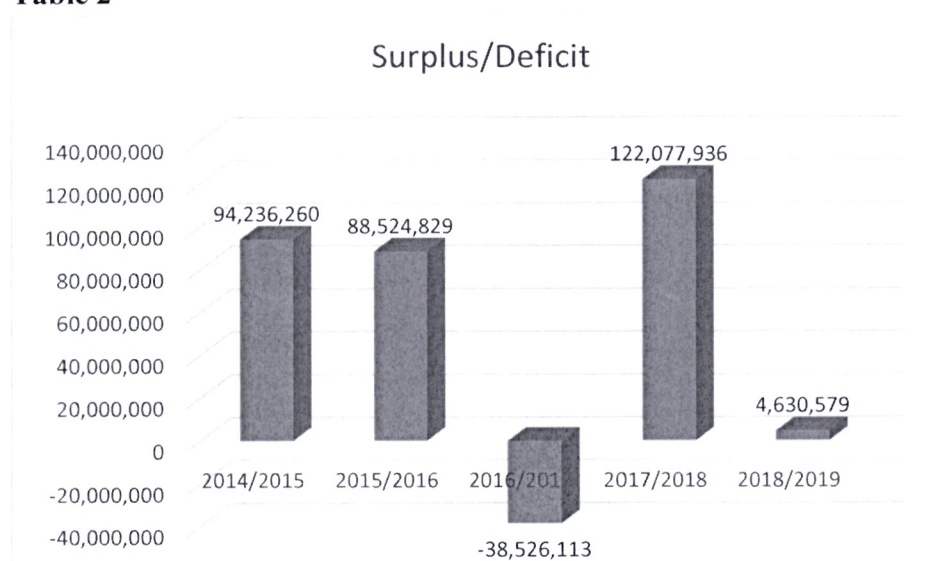
During the financial year, the Commission raised income of Kshs 371,053,593 against a budget of Kshs 379,271,077 while spending Kshs 377,918,331 against a budget of Kshs 379,271,080. The Commission recorded a deficit of Kshs 4,630,579, caused by shortfall on budgeted amount on other income(rent) following the exit of National Biosafety Authority as a tenant.

The performance of the Commission for the last 5 years is as illustrated in table 1 and table 2

**Table 1**



**Table 2**



**Commission for University Education**  
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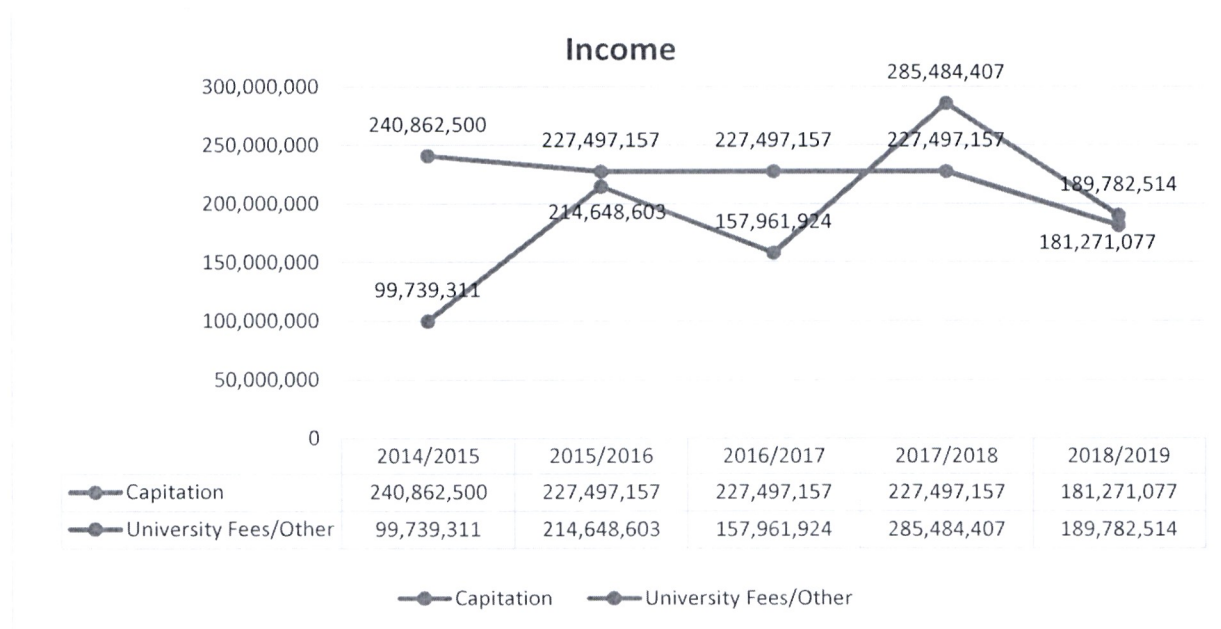
**Income**

Following the approval of the service charge collection policy by the Commission in January 2017, management continues to intensively engage the universities to ensure that they pay their dues. The concerned universities have been promptly informed that failure to pay their dues to the Commission will result in sanctions including not being offered any service by the Commission amongst others.

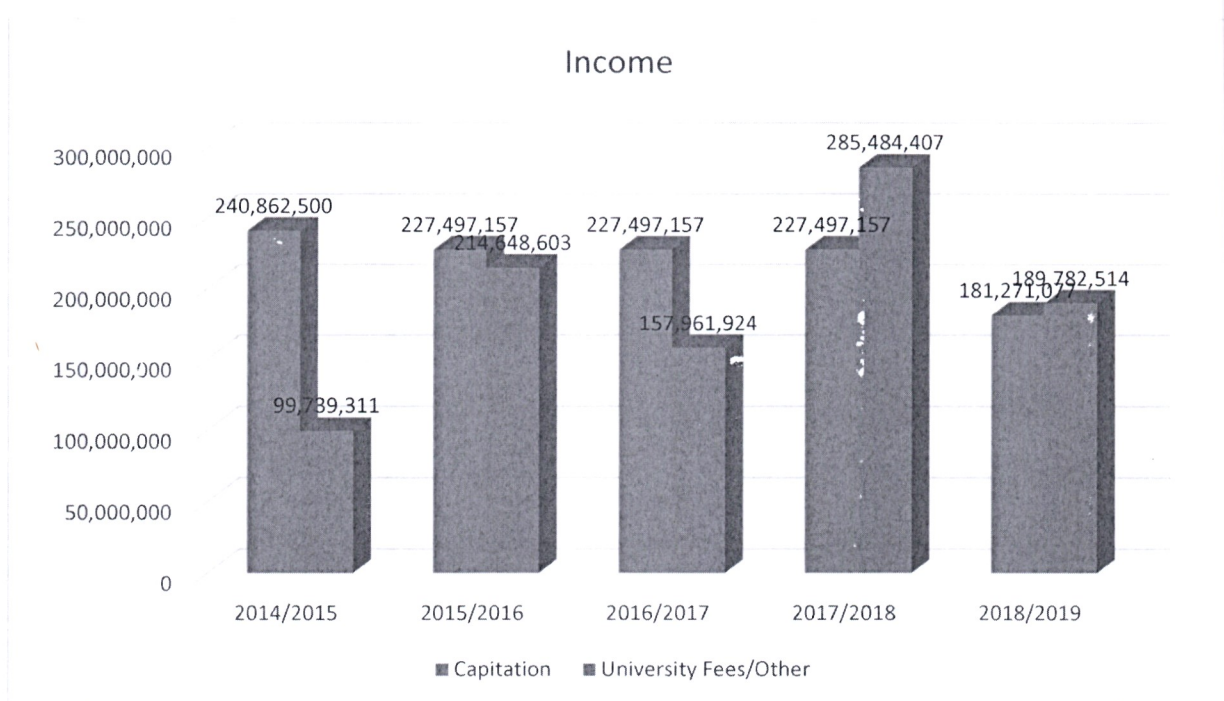
The Commission is currently pursuing the outstanding quality assurance charges debts which some universities have not yet cleared owing to cash flow challenges faced. As at the end of the financial year, the Commission was owed Kshs 1,110,807,750 on quality assurance charges.

Incomes of the Commission is as illustrated in Table 3 and Table 4. It is noted that though the Universities Act, 2012 increased the mandate of the Commission, capitation has reduced from Kshs. 259 million in 2011/2012 to Kshs.181 million in 2018/2019. This has become an impediment in advancing the mandate of the Commission.

**Table 3**



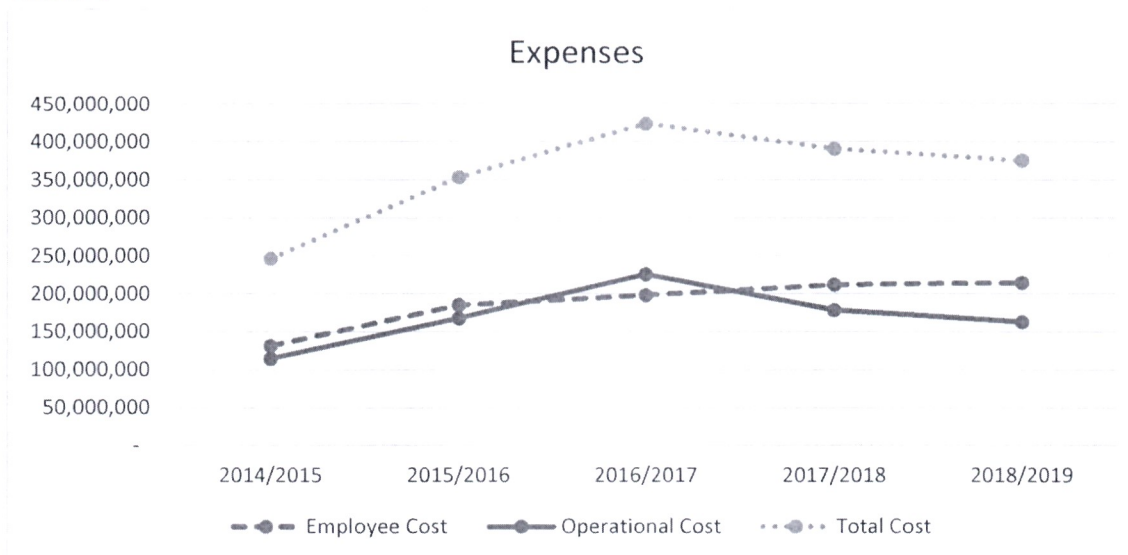
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**Expenses**

The Commission’s expenses are as illustrated in Table. Over the last 3 years the Commissions’ total expenses have increased reduced from Kshs 424 million in 2016/2017 to Kshs 378 million in 2018/2019 due to reduced capitation.

**Table 4**



The Commission will continue to steer the agenda of university education in Kenya to produce manpower required to drive the big 4 agenda.

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**REPORT OF THE COMMISSIONERS**

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Commission's affairs.

**Principal activities**

The principal activities of the Commission are to regulate and assure quality university education by setting standards & guidelines and monitoring compliance to achieve global competitiveness.

**Results**

The results of the entity for the year ended June 30, 2019 are set out on page 1.

**Directors**

The members of the Board of Directors who served during the year are shown on page vii to viii.

During the year no Commissioners retired/ resigned and no new Commissioners were appointed.

**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 entity did not make any surplus during the year (FY 2018/19 Nil) and hence no remittance to the Consolidated Fund.

**Auditors**

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

By Order of the Commission.



Prof. Mwenda Ntarangwi  
Commission Secretary  
Nairobi  
Date:

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Universities Act, 2012 section 33, Section 81 of the Public Finance Management Act, 2012 and section 14(2) of the State Corporations Act, require the Commissioners to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2019, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

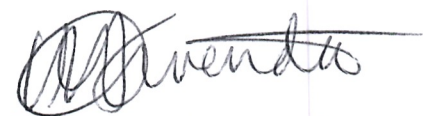
The Commission's financial statements were approved by the Commission on 30<sup>th</sup> September 2019 and signed on its behalf by:



Prof. Chacha Nyaigotti-Chacha  
Chairman



Eng. David Onyango, HSC  
Commissioner



Prof. Mwenda Ntarangwi  
Commission Secretary

# REPUBLIC OF KENYA

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



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON COMMISSION FOR UNIVERSITY EDUCATION FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Commission for University Education set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2019, and 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Commission for University Education as at 30 June, 2019, 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**

##### **Long Outstanding Receivables**

The statement of financial position reflects receivables from exchange transactions of Kshs.1,055,950,862 as at 30 June, 2019. Included in this balance is an amount of Kshs.1,045,795,218 relating to quality assurance - exchange receivables due from Universities. Examination of the aging analysis of the receivables revealed that an amount of Kshs.990,751,219 of the receivables related to financial year 2017/2018 and earlier years. Management has not availed, for audit review, confirmations from respective universities acknowledging the debts.

In the circumstances, the accuracy of the receivables balance could not be confirmed and full recoverability of the receivables amount of Kshs.990,751,219 is doubtful.

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

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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**

### **Financial Performance**

The Commission's financial performance deteriorated in the year under review from a surplus of Kshs.122,077,937 in financial year 2017/2018 to a deficit of Kshs.4,630,579 representing 103% decrease. Should the Commission fail to put strategies in place to reverse the trend, the Commission may experience financial difficulties in future.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform 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. 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.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

**12 July, 2021**

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments – gifts and services-in-kind	6	181,271,077	227,497,163
		<b>181,271,077</b>	<b>227,497,163</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	7	142,723,627	238,505,332
Rental revenue from facilities and equipment	8	1,936,200	7,138,688
Finance income - external investments	9	44,607,983	39,233,072
Other income	10	514,706	607,315
		<b>189,782,516</b>	<b>285,484,407</b>
<b>Total revenue</b>		<b>371,053,593</b>	<b>512,981,570</b>
<b>Expenses</b>			
Use of goods and services/Bulk purchases of water & electricity	11	3,052,736	2,888,375
Employee costs	12	214,870,356	212,285,469
Remuneration of Commissioners	13	17,183,420	12,240,368
Depreciation and amortization expense	14	18,529,869	21,383,156
Repairs and maintenance	15	2,363,672	2,087,978
Contracted services	16	41,120,209	44,672,245
General expenses	17	78,563,910	95,346,042
<b>Total expenses</b>		<b>375,684,172</b>	<b>390,903,633</b>
<b>Surplus/( deficit) for the period</b>		<b>(4,630,579)</b>	<b>122,077,937</b>


The notes set out on pages 6 to 29 form an integral part of these Financial Statements


**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**


**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2018-2019	2017-2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	639,539,398	601,785,955
Receivables from exchange transactions	19	1,055,950,862	1,131,055,958
		<b>1,695,490,260</b>	<b>1,732,841,913</b>
<b>Non-current assets</b>			
Property, plant and equipment	21	467,664,061	461,160,086
<b>Total assets</b>		<b>2,163,154,321</b>	<b>2,194,001,999</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	27	67,307,000	98,399,449
<b>Total liabilities</b>	27	<b>67,307,000</b>	<b>98,399,449</b>
<b>Net assets</b>		<b>2,095,847,321</b>	<b>2,095,602,550</b>
Capital Funds	24	197,449,724	197,449,724
Accumulated surplus	23	1,608,546,231	1,613,176,810
Revaluation Reserves	22	289,851,366	284,976,016
<b>Total net assets and liabilities</b>		<b>2,095,847,321</b>	<b>2,095,602,550</b>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

  
 Commission Secretary/CEO  
 Prof. Mwenda Ntarangwi

  
 Head of Finance  
 Linah Kiptoo

  
 Chairman of the Board  
 Prof. Chacha Nyaigotti Chacha

Date... 30/9/2019

ICPAK Member No: 4426  
 Date... 30/9/2019

Date... 30/9/2019

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Capital Funds</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 1 July 2017</b>	<b>197,449,724</b>	<b>287,181,716</b>	<b>1,491,098,873</b>	<b>1,975,730,313</b>
Surplus/(deficit) for the period	-	-	122,077,937	<b>122,077,937</b>
Depreciation on revaluation	-	(2,205,700)	-	(2,205,700)
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	<b>197,449,724</b>	<b>284,976,016</b>	<b>1,613,176,810</b>	<b>2,095,602,550</b>
<b>Balance as at 1 July 2018</b>	<b>197,449,724</b>	<b>284,976,016</b>	<b>1,613,176,810</b>	<b>2,095,602,550</b>
Surplus/(Deficit) for the period			(4,630,579)	(4,630,579)
Depreciation on revaluation		(3,874,650)		(3,874,650)
Revaluations		8,750,000		8,750,000
<b>Balance as at 30 June 2019</b>	<b>197,449,724</b>	<b>289,851,366</b>	<b>1,608,546,231</b>	<b>2,095,847,321</b>

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019	2017-2018
<b>Cash flows from operating activities</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Receipts</b>			
Surplus/(Deficit) for the year		<b>(4,630,579)</b>	<b>122,077,937</b>
<b>Adjusted for:</b>			
Depreciation	21	18,529,869	21,383,156
Gain on disposal of motor vehicle			(599,175)
<b>Working capital adjustment</b>		<b>13,899,290</b>	<b>20,783,981</b>
Increase/(Decrease) in payables	27	(31,092,449)	(6,013,364)
(Increase)/Decrease in receivables	19	75,105,096	(14,642,762)
<b>Net cash flows from operating activities</b>		<b>57,911,937</b>	<b>(20,656,126)</b>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(20,158,494)	(12,538,283)
Disposal of Motor Vehicle			815,100
<b>Net cash flows used in investing activities</b>		<b>(20,158,494)</b>	<b>(11,723,183)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>37,753,443</b>	<b>110,482,610</b>
Cash and cash equivalents at 1 JULY	18	601,785,955	491,303,345
<b>Cash and cash equivalents at 30 JUNE</b>	<b>18</b>	<b>639,539,398</b>	<b>601,785,955</b>

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage variance
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Government grants and subsidies	184,970,000	(3,698,923)	181,271,077	181,271,077	0	0
Rendering of services	156,000,000	-	156,000,000	145,174,532	(10,825,468)	-6.9 %
Finance Income	42,000,000	-	42,000,000	44,607,983	2,607,983	6.2 %
<b>Total income</b>	<b>382,970,000</b>	<b>(3,698,923)</b>	<b>379,271,077</b>	<b>371,053,592</b>	<b>(8,217,485)</b>	
<b>Expenses</b>						
Compensation of employees	246,600,000	-	215,764,288	214,870,355	893,933	0.4 %
Goods and services	136,330,000	-	163,506,792	160,813,817	2,692,975	1.6 %
Finance Cost	-	-	-	-	-	
<b>Total expenditure</b>	<b>382,930,000</b>	<b>-</b>	<b>379,271,080</b>	<b>375,684,172</b>	<b>3,586,908</b>	
<b>Surplus/(Deficit) for the period</b>	<b>40,000</b>	<b>-</b>	<b>3</b>	<b>(4,630,579)</b>	<b>(4,630,579)</b>	

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Commission is established by and derives its authority and accountability from Universities, No. 42 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate, coordinate and assure quality university education in Kenya.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.  The standard has no impact on the Commission

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard has no impact on the Commission</p>

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

Standard	Effective date and impact:
<b>IPSAS 42:</b> Social Benefits	<b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> The standard has no impact on the Commission

**iii. Early adoption of standards**

The Commission did not early-adopt any new or amended standards in year 2019.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Fees & Charges**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii) Revenue from exchange transactions**

**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

***Rendering of services***

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

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

***Sale of goods***

The Commission does not engage in the sale of goods. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

***Interest income***

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

***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. The Commission does not have investment properties.

**b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance

**c) Taxes**

***Current income tax***

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Commission for University Education**  
**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**e) Financial instruments**

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

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

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

**f) Provisions**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Annual Reports and Financial Statements for the Year Ended 30 June, 2019**

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***Contingent liabilities***

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

***Contingent assets***

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

**g) Changes in accounting policies and estimates**

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

**h) Employee benefits**

**Retirement benefit plans**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**i) Foreign currency transactions**

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

**j) Borrowing costs**

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

**k) Related parties**

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

**l) Service concession arrangements**

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**m) Cash and cash equivalents**

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

**n) Stocks**

The Commission stock is made up of consumables, largely in form of stationeries and as such stocks are expensed in the year of purchase

**o) Subsequent events**

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

**p) Depreciation**

Assets of the Commission are maintained at cost and depreciated using straight line method using the following rates:

<b>Asset Type</b>	<b>Depreciation Rates</b>
Motor Vehicles	25%
Equipment	12.5%
Furniture	12.5%
Buildings	2.5%
Computers	30%

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

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

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**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provision of Kshs 1,450,000 has been made in relation to Loresho unpaid rent by the previous tenant dating back to the period prior to the year 2011, the matter is a court case.

**6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund.	Total grant income during the year	2018-2019	2017-2018
	KShs	KShs	KShs	Kshs	KShs
MOHEST Ministry/State Department	181,271,077	-	181,271,077	181,271,077	227,497,163
<b>Total</b>	181,271,077	-	181,271,077	181,271,077	<b>227,497,163</b>

**7. RENDERING OF SERVICES**

The Commission renders services to universities, agencies, and to those who seek Equation of Qualification

Description	2018-2019	2017-2018
	KShs	KShs
Quality Assurance Charge	72,157,000	159,551,00
Equation of Qualification	17,456,218	16,067,660
Programme Accreditation & Student Recruitment Agency charge	53,110,409	62,886,672
<b>Total revenue from the rendering of services</b>	<b>142,723,627</b>	<b>238,505,332</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Commission for University Education**  
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**8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

The Commission Rents out space to other parties

Description	2018-2019	2017-2018
	KShs	KShs
Rent from leasing office space	1,936,200	7,138,688

**9. FINANCE INCOME - EXTERNAL INVESTMENTS**

Description	2018-2019	2017-2018
	KShs	KShs
Cash investments and fixed deposits	44,607,983	39,233,072

**10. OTHER INCOME**

Description	2018-2019	2017-2018
	KShs	KShs
Prequalification Income		2,110
Miscellaneous	514,706	6,030
Gain on Disposal of Motor Vehicle		599,175
<b>Total other income</b>	<b>514,706</b>	<b>607,315</b>

**11. USE OF GOODS AND SERVICES**

Description	2018-2019	2017-2018
	KShs	KShs
Electricity	2,976,150	2,874,181
Water	76,586	14,194
<b>Total good and services</b>	<b>3,052,736</b>	<b>2,888,375</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Commission for University Education**  
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**12. EMPLOYEE COSTS**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	107,849,790	104,678,619
Employee related costs - contributions to pensions	22,961,920	22,289,809
Transport Allowance	14,933,373	15,131,936
Housing benefits and allowances	42,653,163	42,811,734
Medical Expense	17,402,712	17,123,228
Other Allowances	9,069,398	10,250,143
<b>Employee costs</b>	<b>214,870,356</b>	<b>212,285,469</b>

**13. REMUNERATION OF COMMISSIONERS**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
Chairman's Honoraria	960,000	960,000
Commission sitting Allowance	7,280,000	5,220,000
Mileage allowances	106,468	541,132
Lunch Allowance	266,000	211,140
Air Tickets	1,448,715	772,470
Per Diem	5,531,312	3,392,696
Telephone/Internet	382,872	984,210
Medical Insurance/training	1,208,053	158,720
<b>Total director emoluments</b>	<b>17,183,420</b>	<b>12,240,368</b>

**14. DEPRECIATION AND AMORTIZATION EXPENSE**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	18,529,869	21,383,156
<b>Total depreciation and amortization</b>	<b>18,529,869</b>	<b>21,383,156</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. REPAIRS AND MAINTENANCE**

**Commission for University Education**  
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Description	2018-2019	2017-2018
	KShs	KShs
Property	1,486,255	1,309,017
Equipment	877,417	778,961
<b>Total repairs and maintenance</b>	<b>2,363,672</b>	<b>2,087,978</b>

**16. CONTRACTED SERVICES**

Description	2018-2019	2017-2018
	KShs	KShs.
Resource Persons	32,748,801	33,591,707
Professional fees	8,371,408	11,080,538
<b>Total contracted services</b>	<b>41,120,209</b>	<b>44,672,245</b>

**17. GENERAL EXPENSES**

Description	2018-2019	2017-2018
	KShs	KShs
Travelling & accommodation	26,764,695	37,534,574
Transport & Generator operating costs	6,597,781	6,663,149
Audit fees	1,000,000	990,000
Conferences and Seminars	5,633,763	4,468,497
Insurance	1,182,334	1,288,450
Advertising	1,804,040	3,646,752
Library Expense	272,650	270,000
Hiring charges	3,223,125	3,961,899
Postage	228,190	228,000
Printing, photocopying & stationery	3,866,122	4,732,208
Office expenses	7,265,255	9,649,050
Rent & Rates	602,593	308,225
Telephone & Internet	5,662,976	6,004,650
Training	14,150,632	14,023,552
Other	309,754	1,577,036
<b>Total general expenses</b>	<b>78,563,910</b>	<b>95,346,042</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18. CASH AND CASH EQUIVALENTS**

**Commission for University Education**  
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Description	2018-2019	2017-2018
	KShs	KShs
Main Account-KCB A/C No. 1108031625	32,431,033	18,813,143
NICHE Euro account-KCB A/C No. 1150742135	554,976	15,750,101
NICHE Kshs account-KCB A/C No.1173967656	1,088,654	4,949,994
Fixed Deposit KCB-Car loan KCB- Moi Avenue Branch	11,181,535	10,969,664
Fixed Deposit-KCB KCB- Moi Avenue Branch	-	51,978,553
Treasury Bills	594,283,200	499,324,500
<b>Total cash and cash equivalents</b>	<b>639,539,398</b>	<b>601,785,955</b>

**19. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019	2017-2018
	KShs	KShs
<b>Current receivables</b>		
Staff Debtors/Imprest	717,900	3,425,057
Prepayments	3,333,380	3,938,282
Exchange Receivables	1,045,795,218	1,109,357,750
Accrued Dues	6,104,364	14,334,869
<b>Total current receivables</b>	<b>1,055,950,862</b>	<b>1,131,055,958</b>

*Exchange in receivables relate to invoicing of quality assurance charges from FY2014/2015 to date*

**Commission for University Education**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. INVESTMENTS**

Description	2018-2019	2017-2018
		KShs
<b>a) Investment in Treasury bills and bonds</b>		
<b>-Financial institution</b>		
CBK	594,283,200	499,324,500
CBK		-
<b>Sub- total</b>	<b>594,283,200</b>	<b>499,324,500</b>
<b>b) Investment with Financial Institutions/ Banks</b>		
KCB-Moi Avenue	-	51,978,553
<b>Sub- total</b>	<b>-</b>	<b>51,978,553</b>
<b>c) Equity investments (specify)</b>		
Equity/ shares	-	-
<b>Sub- total</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>594,283,200</b>	<b>551,303,053</b>

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**21. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Furniture and fittings	Equipment	Computers	Motor vehicles	Intangible Assets	Work-In-Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	49,380,000	144,927,570	26,025,749	14,130,139	27,937,415	41,833,446	7,565,515		311,799,834
Revaluations 2009/2010	264,620,000	23,623,251	-	-	-	-	-		288,243,251
Additions	-	-	-	1,073,187	3,112,345	6,797,600			10,983,132
Revaluations					(1,565,520)				(1,565,520)
Transfer/adjustments						(863,697)			(863,697)
<b>At 30<sup>th</sup> June 2018</b>	<b>314,000,000</b>	<b>168,550,821</b>	<b>26,025,749</b>	<b>15,203,326</b>	<b>29,484,240</b>	<b>47,767,349</b>	<b>7,565,515</b>		<b>608,597,000</b>
Additions	-	-	1,996,217	622,580	2,640,500	7,082,000	370,000	7,447,200	20,158,497
Revaluation/Cost Reversal						(15,783,471)			(15,783,471)
Revaluation	-	-	-	-	-	8,750,000			8,750,000
<b>At 30<sup>th</sup> June 2019</b>	<b>314,000,000</b>	<b>168,550,821</b>	<b>28,021,966</b>	<b>15,825,906</b>	<b>32,124,740</b>	<b>47,815,878</b>	<b>7,935,515</b>	<b>7,447,200</b>	<b>621,722,026</b>
At 1 July 2017	-	45,530,284	14,529,897	10355273	23,737,368	24,343,015	99,973		126,061,352
Depreciation	-	3,623,189	2,688,157	880,265	3,764,854	10,326,718			13,653,502
Disposal	-	-	-	-	(1,565,520)	(647,772)			(2,213,292)
Depreciation on Revaluation	-	590,581	-	-	-	1,615,119			2,205,700
<b>At 30 June 2018</b>	<b>-</b>	<b>49,744,054</b>	<b>17,218,054</b>	<b>11,235,538</b>	<b>26,036,675</b>	<b>35,637,080</b>	<b>7,565,515</b>	<b>-</b>	<b>147,436,916</b>
Depreciation	-	3,623,189	2,390,474	879,030	2,856,278	8,669,898	111,000		18,529,869
Depreciation Reversal	-	-	-	-	-	(15,783,471)			(15,783,471)
Depreciation on Revaluation		590,581				3,284,069			3,874,650
<b>At 30<sup>th</sup> June 2019</b>	<b>-</b>	<b>53,957,825</b>	<b>19,608,528</b>	<b>12,114,568</b>	<b>28,792,980</b>	<b>31,807,576</b>	<b>7,776,488</b>		<b>154,057,965</b>
Net book values									-
At 30 <sup>th</sup> June 2019	314,000,000	114,592,996	8,413,438	3,711,338	3,331,760	16,008,302	159,027	7,447,200	467,664,061
At 30 <sup>th</sup> June 2018	314,000,000	118,806,766	8,807,695	3,967,790	3,447,566	12,130,269			461,160,086

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. REVALUATION RESERVES**

	<b>2018-2019</b>	<b>2017-2018</b>
Balance B/F	284,976,016	287,181,716
Depreciation	(3,874,650)	( 2,205,700)
Revaluations	8,750,000	
Balance C/F	<u><b>289,851,366</b></u>	<u><b>284,976,016</b></u>

**23. ACCUMULATED SURPLUS**

	<b>2018-2019</b>	<b>2017-2018</b>
Balance B/F	1,613,176,810	1,491,098,874
Surplus for the year	(4,630,579)	122,077,936
Balance C/F	<u><b>1,608,546,231</b></u>	<u><b>1,613,176,810</b></u>

**24. Capital Funds**

	<b>2018-2019</b>	<b>2017-2018</b>
Balance	197,449,724	197,449,724

**25. PROVISIONS**

The commission did not set any provision for bad debts during the year

**26. TAXATION**

The commission does not pay tax on surplus since it's a non-profit making entity.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	KShs
Audit Fees	990,000	980,000
Research Funds	11,045,195	11,045,195
McCormack Partnership A	2,112,000	2,112,000
Other Funds-Needs Assessment/Charter Award/ 1st Biennial	10,797,220	32,377,398
Biennial Conference	3,501,152	
Exhibition by Kenyan Universities	2,662,905	2,662,905
Sundry Creditors	14,997,140	15,636,551
Creditors Control	3,650,980	7,772,602
NICHE Project	16,350,408	21,338,746
Rent Deposit-Touchstone	225,000	225,000
Rent Deposit-Amin Nanji	225,000	225,000
Rent Deposit-National Biosafety	750,000	750,000
Payroll Liability	-	3,274,052
<b>Total Trade and Other Payables</b>	<b>67,307,000</b>	<b>98,399,449</b>

28. FINANCIAL RISK MANAGEMENT

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

(i) **Credit risk**

The entity 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

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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

company's management based on prior experience and their assessment of the current economic environment.

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 recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**(ii) Liquidity risk management**

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

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

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2019</b>				
Trade payables	2,374,359	397,553	879,071	3,650,983
<b>Total</b>	<b>2,374,359</b>	<b>397,553</b>	<b>879,071</b>	<b>3,650,983</b>
<b>At 30 June 2018</b>				
Trade payables	4,176,398	2,587,386	1,008,817	7,772,601
<b>Total</b>	<b>4,176,398</b>	<b>2,587,386</b>	<b>1,008,817</b>	<b>7,772,601</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Capital Risk Management**

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

	<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>
Revaluation reserve	289,851,366	284,976,016
Retained earnings	1,606,312,071	1,613,176,810
Capital reserve	197,449,724	197,449,724
<b>Total funds</b>	<b>2,093,613,161</b>	<b>2,095,602,550</b>
Total borrowings	-	-
Less: cash and bank balances	639,718,478	601,785,955
Net debt/(excess cash and cash equivalents)	(639,718,478)	(601,785,955)
<b>Gearing</b>	<b>100%</b>	<b>100%</b>

**29. RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Commission, holding 100% of the Commission's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**RELATED PARTY BALANCE (Continued)**  
**Government of Kenya (Continued)**

- i) The National Government;
- ii) Ministry of Education;
- iii) Key management;
- iv) Commissioners;

	2018-2019	2017-2018
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to related parties	-	-
Sales of services to related parties	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Grants from the Government</b>		
Grants from National Govt	181,271,077	227,497,162
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>181,271,077</b>	<b>227,497,162</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Key management compensation</b>		
Commissioners' emoluments	17,183,420	12,652,305
Compensation to the CEO	10,155,120	9,214,560
Compensation to key management	21,694,380	19,104,073
<b>Total</b>	<b>49,032,920</b>	<b>40,970,938</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The Commission had the following court cases.

	<b>CASE NUMBER AND NAME</b>	<b>FIRM AWARDED</b>	<b>COMMENCEMENT DATE</b>	<b>STATUS</b>	<b>PRINCIPAL AMOUNT OF AWARD (KSHS.)</b>	<b>LEGAL FEES PAID</b>
1	NAIROBI ELRC NO. 144 OF 2019 UNIVERSITIES ACADEMIC STAFF UNION V CS, MINISTRY OF EDUCATION & OTHERS	MATTER FORWARDED TO AG FOR HANDLING	JULY 2018	ONGOING	-	-
2	NAIROBI COURT OF APPEAL C.A. NO. 55 OF 2019 KELVIN MBWAYA & OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	MATTER FORWARDED TO AG FOR HANDLING	JUNE 2019	ONGOING	-	-
3	NAIROBI HCCC NO. 192 OF 2019 ROBINSON KIOKO V CS, MINISTRY OF EDUCATION & OTHERS	MATTER FORWARDED TO AG FOR HANDLING	JUNE 2019	ONGOING	-	-
4	NAIROBI ELRC NO. 43 OF 2019 UNIVERSITIES ACADEMIC STAFF UNION V MACHAKOS UNIVERSITY & ANOTHER	KARANJA-NJENGA ADVOCATES	FEB 2019	ONGOING	<b>430,000</b>	<b>215,000</b>
5	NAIROBI HCCC NO. 69 OF 2019 ADRIAN KAMOTHO V C.S MINISTRY OF EDUCATION & ANOTHER	KARANJA-NJENGA ADVOCATES	FEB 2019	ONGOING	<b>275,000</b>	<b>168,000</b>
6	NAIROBI HCPT NO. 387 OF 2018 ADAN MUKHTARE BARE V ALI BUNOW KORANE & OTHERS	MUHORO & GITONGA ADVOCATES	DEC 2018	ONGOING	<b>178,000</b>	-
7	NAIROBI COURT OF APPEAL NO. 119 OF 2018 KELVIN MBWAYA & OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	GITONGA MUREITH & CO. ADVOCATES	MAY 2018	ONGOING	<b>145,000</b>	-
8	NAIROBI HCPT NO. 116 OF 2018 THOMAS NZIOKA KIVASU & OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	GITONGA MUREITH & CO. ADVOCATES	APRIL 2018	ONGOING	<b>400,000</b>	-
9	NAIROBI HCPT NO. 596 OF 2017 VICTOR ANDOLLA OBOCK & 74 OTHERS V ATTORNEY GENERAL & 5 OTHERS	CM MAINA & CO. ADVOCATES	DECEMBER 2017	ONGOING	<b>150,000</b>	-
10	NYERI E&L NO.332 OF 2017 KUDHEIA V COMMISSION FOR UNIVERSITY EDUCATION	FEDERATION FOR KENYA EMPLOYERS	OCTOBER 2017	FINALISED	<b>330,000</b>	<b>330,000</b>
11	GARSEN HCPT NO. 1 OF 2017 MOHAMED DADO HATU V DHADDO GODDAE GODHANA & 3 OTHERS	MUHORO & GITONGA ADVOCATES	OCTOBER 2017	FINALISED	<b>440,000</b>	<b>440,000</b>
12	NAIROBI HCPT NO. 307 OF 2017 GEORGE OMONDI V IEBC & 6 OTHERS	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	ONGOING	<b>185,000</b>	-
13	NAIROBI HCPT NO. 90 OF 2017 STEPHEN MACHARIA GITAU V COMMISSION FOR UNIVERSITY EDUCATION & KNEC	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	FINALISED	<b>185,000</b>	<b>185,000</b>
14	NAIROBI HCPT NO. 49 OF 2017 COUNCIL OF LEGAL EDUCATION V ATTORNEY GENERAL & 2 OTHERS	TOM OJIENDA & ASSOCIATES	FEBRUARY 2017	ONGOING	<b>680,000</b>	-
15	NAIROBI HCPT NO. 37 OF 2017 KENYA MEDICAL LABORATORY	TOM OJIENDA & ASSOCIATES	FEBRUARY 2017	ONGOING		

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	TECHNICIANS AND TECHNOLOGIES BOARD & 5 OTHERS V ATTORNEY GENERAL & 2 OTHERS					
16	NAIROBI HCPT NO. 106 OF 2017 ENGINEERS BOARD OF KENYA V ATTORNEY GENERAL & ANOTHER	PROF. TOM OJIENDA & ASSOCIATES	MARCH 2017	ONGOING	<b>484,000</b>	-
17	NAIROBI HCPT NO. 17 OF 2017 WERE SAMWEL & 14 OTHERS V ATTORNEY GENERAL & 2 OTHERS	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	FINALISED	<b>180,000</b>	<b>180,000</b>
18	NYAMIRA HCPT NO. 3 OF 2017 CHARLES M. NYAMIOBO & ANOTHER V KISII UNIVERSITY & ANOTHER	MAGARE MUSUNDI & CO. ADVOCATES	JANUARY 2017	FINALISED	<b>383,625</b>	<b>383,625</b>
19	NAIROBI HCPT NO. 150 OF 2017 ABDALLA JUMA V ALI HASSAN JOHO & 7 OTHERS	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	FINALISED	<b>145,000</b>	<b>145,000</b>
20	NAIROBI HCPT NO. 321 OF 2017 GEORGE OKOTH OMONDI V ORANGE DEMOCRATIC MOVEMENT & 5 OTHERS	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	ONGOING	<b>130,000</b>	-
21	ELDORET HCPT NO. 14 OF 2017 JUSTUS KIMELI ROTICH V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	MAGARE MUSUNDI & CO. ADVOCATES	FEBRUARY 2017	FINALISED	<b>330,000</b>	-
22	NAIROBI HCPT NO. 161 OF 2017 HUMAN RIGHTS AFRICA V RAILA AMOLLO ODINGA & 5 OTHERS	CM MAINA & CO. ADVOCATES	FEBRUARY 2017	FINALISED	<b>180,000</b>	-
23	NAIROBI HCPT NO. 222 OF 2017 PATU OLE NAIKUNI V COMMISSION FOR UNIVERSITY EDUCATION & 5 OTHERS	CM MAINA & CO. ADVOCATES	FEBRUARY 2017	ONGOING	<b>180,000</b>	-
24	NAIROBI HCPT NO. 511 OF 2016 KIRWA BITOK & 4 OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	PATRICK TEDDY & COMPANY ADVOCATES	DECEMBER 2016	ONGOING	<b>900,000</b>	<b>450,000</b>
25	ELDORET HCPT NO. 18 OF 2016 SIOKWEI TARITA LIMITED V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	MAGARE MUSUNDI & CO. ADVOCATES	DECEMBER 2016	FINALISED	<b>330,000</b>	<b>330,000</b>
26	ELDORET HCPT NO. 13 OF 2016 SOLOMON CHEMJOR & OTHERS L V COMMISSION FOR UNIVERSITY EDUCATION	MAGARE MUSUNDI & CO. ADVOCATES	AUGUST 2016	FINALISED	<b>168,000</b>	<b>168,000</b>
27	NAIROBI HCPT NO. 176 OF 2016 GENCO UNIVERSITY V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	CHEGE KIBATHI & CO. ADVOCATES	MAY 2016	FINALISED	<b>340,000</b>	<b>340,000</b>
28	NAIROBI HCPT NO. 177 OF 2016 MOUNT KENYA UNIVERSITY V COUCL FOR LEGAL EDUCATION & ANOTHER	PATRICK TEDDY & COMPANY ADVOCATES	MAY 2016	FINALISED	<b>290,000</b>	<b>290,000</b>
29	NAIROBI HCPT NO. 132 OF 2016 ALICE WANJIRU NJIRU V KENYA SCHOOL OF LAW & OTHERS	PATRICK TEDDY & COMPANY ADVOCATES	MAY 2016	FINALISED	<b>290,000</b>	<b>290,000</b>
30	NAIROBI HCPT NO. 117 OF 2016 V COUNCIL FOR LEGAL EDUCATION & ANOTHER V MOUNT KENYA UNIVERSITY	TOM OJIENDA & ASSOCIATES	MAY 2016	ONGOING	-	-
31	NAIROBI HCPT NO. 116 OF 2016 V COUNCIL FOR LEGAL	TOM OJIENDA & ASSOCIATES	MAY 2016	FINALISED	-	-

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	EDUCATION & ANOTHER V MOUNT KENYA UNIVERSITY					
32	NAIROBI HCPT NO. 354 OF 2016 KELVIN MBWAYA & 55 OTHERS V ATTORNEY GENERAL & 5 OTHERS	LM KAMBUNI & CO. ADVOCATES	MAY 2016	FINALISED	464,000	464,000
33	NAIROBI HCPT NO. 149 & HCPT NO. 148 OF 2016 COUCIL FOR LEGAL EDUCATION & ANOTHER V MOUNT KENYA UNIVERSITY	TOM OJIENDA & ASSOCIATES	APRIL 2016	FINALISED	700,000	-
34	NAIROBI HCPT NO. 425 OF 2015 MOI UNIVERSITY V COUNCIL OF LEGAL EDUCATION & OTHERS	TOM OJIENDA & ASSOCIATES	OCTOBER 2015	FINALISED	680,000	=
35	NAIROBI HCPT NO. 377 OF 2015 NABULIME MIRIAM & OTHERS V COUNCIL OF LEGAL EDUCATION & OTHERS	TOM OJIENDA & ASSOCIATES	OCTOBER 2015	FINALISED	700,000	
36	NAIROBI HCPT NO. 93 OF 2015 PETER NGATIA MATU V SPEAKER OF THE NATIONAL ASSEMBLY	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED	3,750,000  ALL INC.	
37	NAIROBI HCPT NO. 28 OF 2015 ELSEK AND ELSEK CONSTRUCTION V PUEA & ANOTHER	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED		
38	NAIROBI HCPT NO. 132 OF 2015 KENAPCO V ATTORNEY GENERAL & 3 OTHERS	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED		
39	NAIROBI HCPT NO. 138 OF 2015 REP V CS, MOE & OTHERS	LM KAMBUNI & CO. ADVOCATES	MAY 2015	FINALISED		
40	NAIROBI HCCC NO 504 OF 2011 CUE V TOUCHSTONE DEVELOPERS LTD	MWANIKI GACHOKA & CO ADVOCATES	2011	ONGOING		153000

**31. EVENTS AFTER THE REPORTING PERIOD**

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

**32. ULTIMATE AND HOLDING ENTITY**

The Commission is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**33. CURRENCY**

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

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The Commission had no outstanding matters from the previous audit

**APPENDIX II: PROJECTS IMPLEMENTED BY THE COMMISSION**

**Projects**

Projects implemented by the Commission partially funded by development partners-NICHE

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. MIS		NICHE	18/10/2018	Partial	Yes	Yes

**Status of Projects completion**

Summary of the Project Completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	MIS	45,761,000	7,445,000	30%	38,317,000		Donor & A-in-A

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**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>	Commission For University Education		
	<b>Break down of Transfers from the State Department of University Education</b>			
	<b>FY 18/19</b>			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/08/2018	46,242,621	FY 18/19
		09/01/2019	42,543,212	FY 18/19
		25/02/2019	47,167,474	FY 18/19
		02/05/2019	45,317,770	FY 18/19
		<b>Total</b>	<b>181,271,077</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>	-	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>	-	

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

Head of Finance  
 Commission for University Education

Head of Accounting Unit  
 Ministry of Education

Sign 

Sign-----

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment/Other	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education	Various	Recurrent	181,271,077	1	-	-	-	-	181,271,077
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
<b>Total</b>			<b>181,271,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,271,077</b>