

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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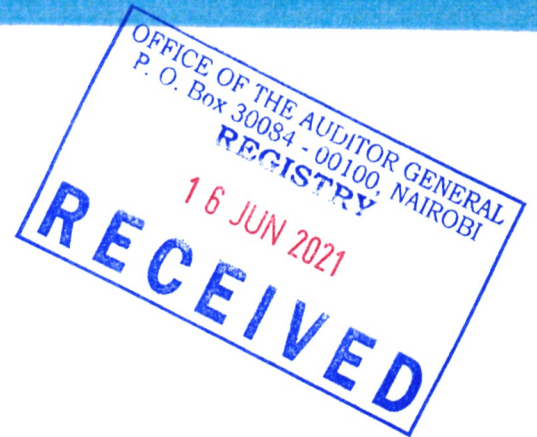
ON

UNIVERSITIES FUND

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



UNIVERSITIES FUND



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

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

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ABBREVIATIONS AND ACRONYMS

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

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal activities

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

c) Key Management

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

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

d) Fiduciary Management

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

S/No.	Designation
1.	Chief Executive Officer
2.	Senior Finance Officer
3.	Senior ICT /Ag. Senior Grants Management Officer
4.	Senior Legal Officer

e) Fiduciary Oversight Arrangements

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

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

f) Fund Headquarters

Telposta Towers
P.O Box 28237 – 00100
27th Floor
Nairobi. Kenya

g) Fund contacts

Telephone: 0746737935
Email: info@ufb.go.ke
Website: www.ufb.go.ke

h) Fund Banker

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

i) Independent Auditors

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

j) Principal Legal Adviser

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

VISION

Sustainable financing of Universities in Kenya for global competitiveness

MISSION

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

MANDATE

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

CORE VALUES

Integrity – Committed to acting in an honest and accountable manner in all our undertakings.

Professionalism – Embrace competence in all our undertakings.

Efficiency - Achieving optimum output from our resources.

Teamwork –Working together for a common purpose.

Transparency - Ensure accurate information on the board activities.

Accountability - Responsible for decisions and actions

Customer focus - Strive to meet and exceed customer expectations.

BOARD OF TRUSTEES



**Mr. Halakhe Dida Waqo,
CBS MCI Arb**

Mr. Halakhe Dida Waqo was appointed as the Board of Trustees Chairperson on 7th August, 2020.

He is the immediate former Secretary and CEO of Ethics and Anti-Corruption Commission (EACC), Kenya where he completed his term in January, 2019.

He has served as a commissioner, National Cohesion and integration commission -Kenya and also on the Great Lakes Region Genocide Prevention Committee in Kenyan Government.

He has also served in the International Development Agencies where He worked as a Global coordinator, world Initiative for sustainable pastoralism, IUCN, Horn of Africa Advisor, world council on Religion for Peace (WCRP), International Emergencies and conflict Advisor, Action Aid International, Programme Head, Oxfam GB Rwanda and Programme Coordinator, Oxfam GB Kenya.

Mr. Halakhe D. Waqo served in Various Boards of development Agencies.

He is a member of Chartered Institute of Arbitrators (CI Arb), UK and Kenya and he has over 28 years working experience in Governance and international development and has been a chair/member of various task forces.

Mr. Halakhe Waqo was awarded state honour of the chief of the order of the Burning Spear (CBS) for outstanding achievement by the President of the Republic of Kenya.



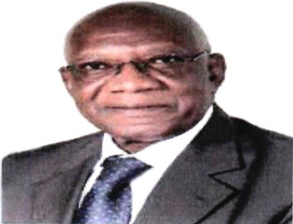

**Prof. Moses Henry
Thairu**



Prof. Moses Henry Thairu joined the Board on 1st July 2019 as a Trustee.

He is the former Director of Kenyatta University Consultancy Unit as well as the Coordinator of the School of Creative Arts, Film and Media Studies at Kenyatta University. He is also the Chairman of Governing Council of Mater Hospital from March 2018 and of Daystar University Governing Council since August 2018.





Henry Thairu has served as the Chairman, Commission for University Education from January 2014 to October 2016 and as former Vice Chancellor of Inoorero University (IU) (2008-2013). He is the founder Managing Director of JKUAT Enterprises LTD, a company wholly owned by Jomo Kenyatta University of Agriculture and Technology (2005-2006).

From 1999-2008 he served as the Chairman of the Board of Management of Kenya Education Network (KENET). He is former Chairman of the Board of Kenya Industrial Property Institute (KIPI, 2007-2010) and former Chairman of National Council of Science and Technology. His Chairmanship extended to the Chairman Radiation Protection Board (RPB) where he served for six years. He also chaired the Kenya ICT Board Innovation Grants Committee and the Kenya Private Sector Alliance (KEPSA) Higher Education, Science and Technology Sector Board (2010-2014).

 <p>Prof. Shem Migot Adholla</p>	<p>Prof. Migot-Adholla joined the Board on 1st July 2019 as a Member of the Board.</p> <p>He holds a PhD in Sociology of Development, Master of Arts in Sociology, both from University of California, was a Special Graduate Student in Agricultural Economics (Michigan State University) and earned a Bachelor of Arts (University of East Africa). He previously served as Vice-Chairman, Board of Directors, Kenya Wildlife Service, and was Lead Specialist on Land Policy and Administration for Africa Region in the World Bank. He has also served as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. He has also served as a consultant on agriculture and rural development, land policy reform and environmental issues.</p>
 <p>Mrs. Gilda Odera</p>	<p>Gilda Odera joined the Board on 1st July 2019 as a Member of the Board.</p> <p>She is a pioneer in the ICT industry in Kenya and was instrumental in shaping the ICT and Business Process Outsourcing (BPO) and Impact Sourcing sector in Kenya through policy advocacy and providing advice to government in private/public sector task forces.</p> <p>Gilda is the 1st National Deputy president of the Federation of Kenya Employers and is a consultant Director in All About Marketing Ltd.</p> <p>She is a PhD candidate in Public Policy specializing in Management and Leadership and holds a Master of Arts in Leading Innovation and Change and a Bachelor of Arts Degree in Sociology. She has Vast board experience and has also attended various courses including Executive Business Education in Corporate Boards, Audit Committees and Compensation Committees at Harvard Business School.</p>
 <p>Prof. Mwanda O. Walter</p>	<p>Prof. Mwanda O. Walter joined the Board on 1ST July 2019 as a Member of the Board. He holds a Degree of Doctor of Medicine University of Nairobi, a bachelors of medicine and surgery (MB ChB), Royal College of Pathologists, Postgraduate course in Epidemiology and Biostatistics in Clinical Epidemiology and Bio Statistics of John Hopkins University, Maryland USA. Postgraduate training in Haematology and Blood transfusion at Kenyatta National Hospital and he is a full professor of haematology and blood transfusion. He previously served as Chairman Department of Human Pathology, Syllabus and Curriculum Development School of Medicine University of Nairobi.</p> <p>Prof. Mwanda O. Walter was awarded an Elder of the Order of the Burning Spear (EBS) and he is also a member of several professional bodies nationally and also internationally. Before his appointment he was the Director University of Nairobi Institute of Tropical and Infectious Disease.</p>

 <p>Mr. Samuel Mugambi PS-Representative SDUE&R</p>	<p>Mr. Samuel Mugambi joined the Board on 3rd October, 2018 as a PS Representative - State Department for University Education and Research in the Board. He is the Chief Finance Officer State Department for University Education and Research. He is the alternate member representing the Principal secretary State Department for University Education and Research.</p>
 <p>Mr. Milton K. Njuki Ag. CEO-UF & Secretary to the Board of Trustees</p>	<p>Mr. Milton K. Njuki joined the Fund as the Acting Chief Executive Officer and Secretary to the Board of Trustee in the year 2016. He is currently pursuing a PhD in Strategic management at Kenyatta University. He holds Master's Degree in Strategic Management from Kenyatta University. Bachelor's degree in Education Economics and Geography. Mr. Milton K. Njuki has worked with Teachers Service Commission (TSC) for over 11 years, Ministry of Lands for 4 years and he has also served in various universities councils and as a board member and PTA Chair in various schools. Before his appointment he was Senior Assistant Director of Education State Department for University Education.</p>

MANAGEMENT

 <p>Mr. Milton K. Njuki Ag. CEO</p>	<p>Mr. Milton K. Njuki joined the Fund as the Acting Chief Executive Officer and Secretary to the Board of Trustee in the year 2016. He is currently pursuing a PhD in Strategic management at Kenyatta University. He holds Master's Degree in Strategic Management from Kenyatta University. Bachelor's degree in Education Economics and Geography. Mr. Milton K. Njuki has worked with Teachers Service Commission (TSC) for over 11 years, Ministry of Lands for 4 years and he has also served in various universities councils and as a board member and PTA Chair in various schools. Before his appointment he was Senior Assistant Director of Education State Department for University Education.</p>
 <p>Mr. Titus Macharia Senior Finance Officer</p>	<p>Mr. Titus M. Wangeci is the Finance Officer of the Universities Fund. He holds a Bachelor degree in commerce Business Management–Finance. He has also pursued a Higher Diploma in Human Resource Management and CPA.</p>
 <p>Miss. Mercy Gikonyo Senior ICT Officer /Ag. Senior Grants Management Officer</p>	<p>Miss Mercy Gikonyo is the Universities Fund ICT officer /Ag. Fund Management Officer. She holds a Bachelor degree in ICT and Management and has also pursued a Diploma in ICT and Management.</p>
 <p>Miss Mary Kimani Senior Legal Officer</p>	<p>Miss Mary Kimani is the Universities Fund Legal Officer. She holds a Bachelor of Law degree and a post graduate Diploma in Law.</p>

CHAIRMAN'S STATEMENT

Introduction

I feel honoured and delighted to present to our stakeholders the Annual Report and Financial Statements of the Universities Fund for the Period ended June 30, 2020. This annual report helps us to reflect on our performance for the year giving us an opportunity to celebrate our success and at the same time identify areas of improvement. The Board of trustees have great responsibility to ensure The Fund continues to grow and progressively work towards achieving its mandate.

General Overview of the Economic Year

The 2019-2020 Financial Year has placed Kenya as one of the fastest growing economies in Sub-Saharan Africa averaging a 5.7% economic growth. However, the economy has also experienced a fair share of supply and demand shocks on external and domestic fronts suffering a devastating blow by the COVID -19 pandemic. The decelerated economic growth towards the end of this Financial Year has hugely affected the poor, vulnerable and marginalised households who mainly rely on informal employment and businesses.

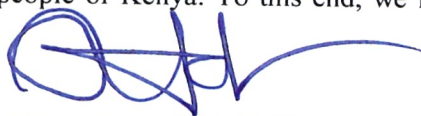
The Fund is established under Section 53 of the Universities Act, 2012. It was established in the year 2016 and was mandated to finance universities' in Kenya as per section 42 of the Universities act, 2012. The Universities Fund, Board of Trustees adopted the Differentiated Unit Cost (DUC) as a fair and transparent criterion to apportion funds to universities. The Trustees acknowledge the inadequacy of resources and will continue to engage the National Treasury, donors and other stakeholders to seek increased budgetary allocation to ensure sustainable financing of universities in Kenya for global competitiveness. To further the Board's mandate of resource mobilization, the Fund has developed a draft Resource Mobilization Strategy.

During the period under review, the Board has ensured that the Fund is in compliance with all statutory financial requirements by ensuring that all the quarterly Financial Report and Statements are approved and forwarded as per the Public Finance Management Act, No. 83 of 2012.

The Fund is committed to ensuring equal access to quality and relevant university education as well as enhancing funding to support the programmes under the Big 4 Agenda in Universities.

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

Finally, I wish to thank most sincerely my fellow Board members whose invaluable insights and contribution was key during the year and also the staff of the Universities Fund whose contribution on a daily basis helps us to execute the strategy set out by the Board. As a Board, we continue to build an organization that is responsive to the needs of its stakeholders and that can achieve the mandate placed on it by the people of Kenya. To this end, we look forward to a prosperous new Financial Year in 2020/2021.



Mr. Halakhe Dida Waqo, CBS MCI Arb
Chairman, Universities Fund, Board of Trustees

REPORT OF THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present the annual report and financial statements and an overview of the Fund's activities for the Financial Year ended June 30, 2020, on behalf of the management and staff of the Universities Fund (UF).

The Financial year 2019/2020 had its own unique challenges including Covid-19 pandemic. However, through the dedicated Board of Trustees and the entire staff of the Universities Fund, the challenges were surmountable.

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

During the Period under review, the Fund received a total disbursement of **KES 25,436,752**. In the Financial Year 2019/2020 the Fund received an approved budget of **Kshs.26,525,812** which was reduced by **Ksh.1,089,060** in the third quarter. The Fund's expenditure amounted to **KES 22,332,757** which was **87.7%** absorption of its disbursement. The under expenditure was affected mainly by the pandemic which disrupted the planned activities. It is gratifying to note that the Universities Fund does not have pending bills from the reporting period and this is expected to be sustained.

During the period the Fund was able to develop Policies in adherence of Performance Contract guidelines and to enhance the policy framework of the Fund. These policies have improved the efficiency of the operations of the Universities Fund.


To build the capacity of the Universities Fund, the Fund also initiated resource mobilization through the preparation of the following Grants proposals:

- Data Management System for the Universities Fund;
- Monitoring and evaluation framework; and
- Capacity building proposal.

These proposals will be at the forefront of discussions with potential partners. These initiatives complement the Fund's Strategic Plan by mobilizing the resources required to implement the Fund's mandate. They are aligned to the National Education Sector Plan (2018-2022) and the University Sector resource requirements and utilization.

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

Thank You.



Geoffrey Monari
Chief Executive Officer, Universities Fund

REVIEW OF FUND'S PERFORMANCE FOR THE FINANCIAL YEAR 2019/2020

Strategic Plan, Annual Work Plan and Budget

The Head of the Secretariat prepares the strategic plan, annual work plans and budget after consulting the relevant Board Committees, for consideration and approval by the Board. The Board submits the Fund's budget to the National Treasury for consideration in the National Budget. Quarterly, financial statements are submitted to the Directorate of Accounting Services and Quality Assurance in the National Treasury. The annual work plan is prepared from the strategic plan in order to address the strategic objectives of the Fund.

Financial Sustainability

The allocations during the year under review were insufficient to allow the Fund to undertake all its core activities which include recruitment of substantive members of staff. Any further reductions in the allocation would mean the Fund would need to curtail its core activities. The Universities Fund is conscious of expenditure control and complied with requirements to rationalise its expenditure to budgetary allocation.

Compliance with Presidential Directive

The Fund aligned its procurement policies with the Constitution 2010, the PFM Act 2012 and Regulations, and the Procurement and Asset Disposal Act, 2015 and Regulations.

➤ Access to Government Procurement Opportunities

The Fund ensures transparency in procurement of goods and services and that 30% of the procurement is awarded to AGPO suppliers (Women, people with disabilities and the youth).

➤ Payment pending bills

Following presidential directive on the payments of all pending bills which was meant to support and deepen the positive economic growth to provide tangible opportunities and benefits to the people; The Fund remained steadfast in settling all its pending bills. It is gratifying to note that during the Financial Year 2019/2020 the Fund had no Pending bills and will work towards maintaining a clean slate as regards to pending bills.

➤ TAX adjustment

The new tax law amended several statutes to cushion the economy and Kenyans against the effects of the COVID-19 pandemic as announced by the President. The Amendment Bill, which was published on March 30, amended tax-related laws in Kenya including the Income Tax Act (CAP 470), and the Value Added Tax Act of 2013. The Universities Fund has complied with this directive by adjusting the tax rates to the new rates.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

a) Board of Trustees Committees

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

The Board Committees operate under set terms of reference.

These Committees are as follows:

(i) Audit and Risk Committee

Functions of the Committee are;

- To participate in the recruitment & selection process of the HIA.
- To drive the assessment of the performance of the HIA.
- To examine internal and external audit reports and recommendations after management response to ensure that action is taken.
- To facilitate implementation of all the recommendations from the Parliamentary Audit Committee and the Public Investment Committee.

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

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

- 1) Prof. Mwanda O. Walter - Chairperson
- 2) Prof. Shem Migot Adholla - Member
- 3) PS Representative, Treasury - Member
- 4) Mrs. Gilda Odera - Member

(ii) Finance, Administration and General-Purpose Committee

Functions of the Committee are;

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

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

- 1) Mrs. Gilda Odera - Chairperson
- 2) Prof. Moses Henry Thairu - Member
- 3) PS Representative, University Education - Member
- 4) PS Representative, Treasury - Member
- 5) Prof. Mwanda O. Walter – Member

(iii) Planning, Research and Resource Mobilization Committee

Functions of the Committee are;

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

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

- 1) Prof. Moses Henry Thairu - Chairperson
- 2) Prof. Shem Migot Adholla - Member
- 3) PS Representative, University Education - Member
- 4) Prof. Mwanda O. Walter – Member

b) Board of Trustees Composition

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

	Members	Full Board	Audit & Risk	Finance, Administration & General-Purpose	Planning, Research and Resource Mobilization
1	Prof. Henry Moses Thairu	√		√	√*
2	Mrs. Gilda Odera	√	√	√*	
3	Prof. Shem Migot Adholla	√	√		√
4	Prof. Mwanda O Walter	√	√*	√	√
5	Mr. Samuel Mugambi-PS Representative, SDUE&R	√		√	√
6	PS National Treasury	√	√	√	
7	Mr. Milton K. Njuki	√		√	√

*Chairperson of the Board/Committee

a) Board of Trustees attendance

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

Sno	Names	Number of meetings during the year	Number of meetings Attended
1	Prof. Henry Moses Thairu	10	9 of 10
2	Mrs. Gilda Odera	10	10 of 10
3	Prof. Shem Migot Adholla	10	6 of 10
4	Prof. Mwanda O Walter	10	10 of 10
5	Mr. Samuel Mugambi-PS Representative, SDUE&R	10	9 of 10
6	PS National Treasury	10	None
7	Mr. Milton K. Njuki	10	10 of 10

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

i) Audit and Risk Committee

Members	Number of meetings during the year	Number of meetings Attended
Prof. Mwanda O. Walter*	4	4 of 4
Mrs. Gilda Odera	4	4 of 4
Prof. Shem Migot Adholla	4	4 of 4
PS Rep National Treasury	4	None

*Chairperson to the committee

ii) Finance Administration and General-Purpose Committee

Members	Number of meetings during the year	Number of meetings Attended
Mrs. Gilda Odera*	6	6 of 6
Prof. Henry Moses Thairu	6	5 of 6
Prof Mwanda O. Walter	6	6 of 6
Mr. Samuel Mugambi-PS Representative, SDUE&R	6	6 of 6
PS. Rep National Treasury	6	None
Milton K. Njuki	6	6 of 6

*Chairperson to the committee

iii) Planning, Research and Resource Mobilization Committee

Members	Number of meetings during year	Number of meetings attended
Prof. Henry Moses Thairu*	1	1
Prof. Shem Migot Adholla	1	1
Prof.Mwanda O. Walter	1	1
Mr. Samuel Mugambi-PS Representative, SDUE&R	1	1
Milton K. Njuki	1	1
*Chairperson to the committee		

Compliance to laws and other legal requirements

The Fund as a Semi-Autonomous Government Agency is alive to the tenets of the Constitution of Kenya and is fully compliant with the provisions of the Universities Act, 2012 under which the Fund is established. The Board of Trustees also ensures that the Fund complies with the provisions of the Public Finance Management (PFM) Act, 2012.

Board remuneration

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

Conflict of interest and Declaration of interest

The Board members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Fund. All transactions with all parties, Board of Trustees or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether direct or indirect. During every Board meeting, an agenda item exists which requires members to make a declaration of any conflict of interest they may have in the business to be discussed.

External Audit

The Office of the Auditor General (OAG) is the external auditor of the Fund. No non-audit services were provided by the external auditors.

MANAGEMENT DISCUSSION AND ANALYSIS

Universities Fund Operational and Financial Performance

The Universities Fund is a Semi-Autonomous Government Agency (SAGA) established by section 53 of the Universities Act No 42 of 2015. The Fund’s mandate is to provide funds for financing universities in Kenya. The Fund’s source of funds is the Government of Kenya through the Ministry of Education, State Department of University education and research as well as any other source as prescribed by the Act. The Fund has been experiencing moderate financial performance as indicated by its financial statements. The financial performance has been analysed below as follows

i. Statement of Financial Performance

Receipts

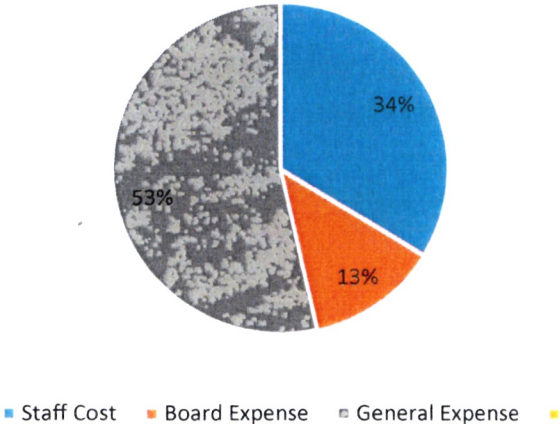
The Fund is supported by the National Government through the National Treasury by way of transfer of funds for operational use. These funds are channeled to the Fund through its bank account and are thereafter budgeted for and approved by the Board of Trustees. During the year under review, the National Treasury through the State Department for University Education and Research transferred a total of KES 25,436,752. The Fund utilizes close to 100% of its allocated Funds.

Expenditures

During the period under review, Capital expenditure amounted to **KES 548,200** which constituted purchase of furniture and computers.

Recurrent expenditure amounted to **KES 21,607,590** which includes board expense amounting to **KES 2,752,319**, staff cost amounting to **KES 7,291,689** and general expenses amounting to **KES 11,563,586**. The figure below shows the percentage (%) of the recurrent expenses for the Period under review.

Reccurent Expenditures



Board expense accounted for 13% of the total expenses while staff costs accounted for 34%. General expense accounted for the largest proportion of 53% since it includes all other expenses.

The Fund reported a surplus of KES 3,591,856 in the FY 2018/2019 and **KES 3,374,338** in the FY 2019/2020.

Operations have however been reduced in order to fit the budget and this could limit the growth of the Fund. The Fund is still developing a Resource Mobilization policy in order to increase revenues and improve the overall performance of the Fund.

ii. Statement of Financial Position

An analysis of the statement of financial position shows that the Fund's total assets have increased from KES 3,591,856 in the FY 2018/2019 to KES 6,966,194 in the FY 2019/2020. This shows an increase of KES 3,374,298 which was mainly contributed to by the assets acquired during the Period, cash and cash equivalent and prepayment made. There were zero current and non-current liabilities reported in the reported financial years.

iii. Statement of Cash Flows

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

The Fund has net cash flow from operating activities of KES 3,674,695 in FY 2019/2020 and KES 3,591,856 in FY 2018/2019.

Net cash flows from the financing activities were zero in all the reported periods.

Investing activities amounted to KES 2,868,597 in the FY 2018/2019 and KES 548,200 in the FY 2019/2020. The value was attributed to purchase of office furniture and computers.

iv. Statement of comparison of budget and actual performance

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

Summary of financial results against the budget

	Budget 2019/2020 KES	Actual 2019/2020 KES	Utilization 2019/2020 %
Receipts	26,525,812	25,459,252	
Payments	26,525,812	22,332,757	87.7%

The Fund received 95.9% of the approved budgeted revenue from Government grants. The utilization was 87.7% of the actual receipts. The 12.3% of the actual receipts was not utilized because most of 3rd and 4th quarter activities didn't take place due to the COVID-19 pandemic

which affected most of the planned activities, the amount budgeted for the board of trustees chairperson was also not utilized since the Chairperson was not appointed and also changes in the market prices of some goods and services budgeted for in the Procurement Plan.

Compliance to laws and other legal requirements

The Fund as a Semi-Autonomous Government Agency is alive to the tenets of the Constitution of Kenya and is fully compliant with the provisions of the Universities Act, 2012 under which the Fund is established. The Board of Trustees also ensures that the Fund complies with the provisions of the Public Finance Management (PFM) Act, 2012.

Entity's compliance with statutory requirements

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

Major risks facing the entity

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

i. Fiduciary risk

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

ii. Liquidity risk management

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

iii. Market risk

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

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

iv. Foreign currency risk

The Fund has no transactional currency exposures.

Board remuneration

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

The entity's financial probity and serious governance issues

There are no any major financial improbity situations as reported by both the internal auditor and Board audit and risk committee.

Entity's compliance with statutory requirements

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

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2010. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of Trustees of the Fund has ensured preparation and presentation of the financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year ended on June 30, 2020. These Financial Statements are set out from page 1 to 5. The Board of Trustees ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund as well as safeguarding the assets of the Fund.

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

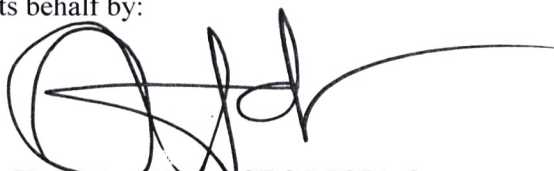
- (i) Maintenance of adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintenance of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) The designing,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

The Board of Trustees accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board of Trustees are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Board of Trustees further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____, 2020 and signed on its behalf by:



Mr. Halakhe Waqo, CBS MCI Arb
Chairman, Board of Trustees



Geoffrey Monari
Chief Executive Office

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITIES FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Universities Fund set out on pages 1 to 20, which comprise the statement of the financial position as at 30 June, 2020, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Universities Fund as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and the provisions of Universities Act, 2012 of the laws of Kenya and Public Finance Management Act, 2012

Basis for Qualified Opinion

Exclusion of Assets in the Financial Statements

The statement of financial position reflects an amount of Kshs.2,939,473 in respect of property, plant and equipment. However, the amount excludes various assets valued at Kshs.7,190,100 which were bought when the organization was operating under the State Department for University Education. The assets were officially transferred to the Fund in 2019. Although the assets are in use, their values have not been incorporated in the Fund's books of accounts and no valuation had been done on the assets.

In the circumstances it has not been possible to ascertain the accuracy and completeness of property, plant and equipment balance of Kshs.2,939,473 as at 30 June, 2020.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Universities Fund Management in

accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Compliance with the Universities Act, 2012

Whereas the Universities Fund was established for the object and purpose of providing funds for financing universities, a review of the records of the Fund during the year under review indicates the Fund has not been allocating funds to the public universities as required by Section 53 (1) & (2) of the Universities Act, 2012. The Fund had adopted the Differentiated Unit Cost (DUC) criteria for allocating funds to public Universities in 2016 as provided for in the Universities Act, 2012 and which has been operational since the financial year 2017/2018.

However, the State Department for University Education has been directly financing all state Universities contrary to the law. The Fund has only been advising the State Department for University Education on how to allocate and disburse the funds to the public universities.

In the circumstances it has not been possible to confirm whether the Fund has been carrying out its mandate as required by the Universities Act, 2012.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of Management and the Board of Trustees

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

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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 Fund's 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

22 November, 2021

STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 30 June, 2020

	Note	FY 2019/2020 KES	FY 2018/2019 KES
Revenue from non-exchange transactions			
Transfers from the Ministry	6	25,436,752	29,338,356
Other incomes	7	<u>22,500</u>	-
Total revenue		<u>25,459,252</u>	<u>29,338,356</u>
Expenses			
Staff costs	8	7,291,688	9,676,419
Board allowances	9	2,752,316	5,258,792
General expenses	10	11,563,586	10,811,289
Depreciation	11	<u>477,324</u>	-
Total expenses		<u>22,084,914</u>	<u>25,746,500</u>
Other gains/losses			
Gain/loss on disposal of assets		-	
Surplus/(deficit) for the period		<u>3,374,338</u>	<u>3,591,856</u>

STATEMENT OF FINANCIAL POSITION
As at 30 June, 2020

	Notes	FY 2019/2020 KES	FY 2018/2019 KES
ASSETS			
Current assets			
Cash and cash equivalents	12	3,694,543	568,049
Prepayments	13	185,000	50,000
Receivables	14	48,533	
Inventories	17	98,645	105,210
<u>Total Current Assets</u>		<u>4,026,721</u>	<u>723,259</u>
Non-current assets			
Property Plant & Equipment	15	2,939,473	2,868,597
TOTAL ASSETS		<u>6,966,194</u>	<u>3,591,856</u>
LIABILITIES			
Current liabilities			
		-	-
Total current liabilities		=	=
Non-current liabilities			
Financed by;			
Acc Surplus		6,966,194	3,591,856
TOTAL LIABILITIES		<u>6,966,194</u>	<u>3,591,856</u>

Mr. Halakhe Waqo, CBS MCI Arb
Chairman, Board of Trustees

Geoffrey Monari
Chief Executive Officer

Mr. Titus M. Wangeci
Senior Finance Officer

STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended 30 June, 2020

	Accumulated surplus	Total
	KES	KES
Balance as at 1 July 2018	-	-
Surplus/(deficit) for the period	3,591,856	3,591,856
Funds received during the year	-	-
Balance as at 30 June 2019	<u>3,591,856</u>	<u>3,591,856</u>
Balance as at 1 July, 2019	3,591,856	3,591,856
Surplus/(Deficit) for the period	<u>3,374,338</u>	<u>3,374,338</u>
Funds Received during the year	=	=
Balance as at 30 June, 2020	<u>6,966,194</u>	<u>6,966,194</u>

STATEMENT OF CASHFLOWS
For the Year Ended 30 June, 2020

	Note	FY 2019/2020 KES	FY 2018/2019 KES
Cash flows from operating activities			
Receipts			
Transfers from the Ministry		25,436,752	29,338,356
Other incomes		22,500	
Total Receipts		25,459,252	29,338,356
Payments			
Staff costs		7,340,221	9,676,419
Board allowances		2,752,316	5,258,792
General expenses		11,692,020	10,966,499
Total Payments		21,784,557	25,901,710
Net cash flows from operating activities	16	<u>3,674,695</u>	<u>3,436,646</u>
Cash flows from investing activities			
Property Plant and Equipment		548,200	2,868,597
Net cash flows used in investing activities		548,200	2,868,597
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		3,126,495	568,048
Cash and cash equivalents at beginning of the period	12	<u>568,048</u>	-
Cash and cash equivalents at End of the period	12	<u>3,694,543</u>	<u>568,048</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
For the Year Ended 30 June, 2020

Details	ORIGINAL Budget KES	ADJUSTMEN TS KES	FINAL BUDGET KES	ACTUALS KES	VARIANCE KES	%
REVENUE						
Transfers from SDUE.	26,525,812	-1,089,060	25,436,752	25,436,752		
Total Revenue	<u>26,525,812</u>	<u>-1,089,060</u>	<u>25,436,752</u>	<u>25,436,752</u>	-	-
EXPENDITURE						
Staff Costs	8,013,312	-	8,013,312	7,291,688	721,624	9
Board allowances	5,808,000	-2,200,000	3,608,000	2,752,316	855,684	23.7
Membership Subscriptions	100,000	-60,000	40,000	37,500	2,500	6.3
Communications, Supplies & Services	156,000	-76,000	80,000	77,064	2,936	3.7
Daily travel & Subsistence Allowances (Secretariats)	4,578,040	2,417,400	6,995,440	6,378,525	616,915	8.8
Office General Supplies & Services	745,460	4,540	750,000	617,913	132,087	17.6
Transport Costs	100,000	200,000	300,000	258,430	41,570	13.9
Printing & Publishing	500,000	-	500,000	437,434	62,566	12.5
Hospitality Expenses	500,000	100,000	600,000	550,000	50,000	8.3
Fuel, Oils & Lubricants	800,000	-	800,000	683,498	116,502	14.5
Conferences and Seminars	1,500,000	-	1,500,000	1,120,860	379,140	25.3
Training Expenses	1,200,000	-600,000	600,000	505,184	94,816	15.8
Secretariats Committee Expenses	500,000	-	500,000	404,375	95,625	19.1
Routine maintenance vehicle and other transport facilities	300,000	100,000	400,000	388,303	11,697	2.9
Maintenance pf ICT equipment and accessories	100,000	-80,000	20,000	-	20,000	100
Maintenance of furniture and other general equipment	100,000	-80,000	20,000	-	20,000	100
Bank commission and Charges	100,000	10,000	110,000	104,500	5,500	5
Total Operating Expenses	<u>25,100,812</u>	<u>-264,060</u>	<u>24,836,752</u>	<u>21,607,590</u>	<u>3,229,162</u>	
Operating Surplus	<u>1,425,000</u>	<u>-825,000</u>	<u>600,000</u>	<u>3,829,162</u>		
LESS: Capital Expenditure						
Purchase of Furniture and other General Equipment	700,000	-600,000	100,000	63,000	37,000	37
Purchase of Computers, Printers and other IT Equipment	725,000	-225,000	500,000	485,200	14,800	2.9
Total Capital Expenditure	<u>1,425,000</u>	<u>-825,000</u>	<u>600,000</u>	<u>548,200</u>	<u>51,800</u>	
Surplus for the Period				<u>3,280,962</u>	<u>3,280,962</u>	-
Depreciation				477,324		

DISCLOSURES

1. The total receipt for the Period under review from the State Department for University Education and Research was **KES 25,436,752** which was less **KES 1,089,060** off the approved budget.
 The amount was deducted to recover an excess amount disbursed to the Fund during the Financial Year 2018/2019.
2. Material variances between actual and budget;
 - Board expense –the actual varies with budgeted amount by **KES 855,684**. This is because Chairperson of the board of trustee had not been appointed hence the amounts budget for the chairperson was not utilized,
 - General expense and capital expenditures variances was mainly affected by the COVID-19 Pandemic which affected the planned activities especially towards the end of the period under review and also changes in market prices.
3. The following assets were bought when the organization was operating under the state Department for University Education. Handing over has taken place via a letter but the assets have not been transferred to The UF books of accounts since they are awaiting documentation and re-evaluation.

Brand/make	Description of the Asset
Laser jet	Printer
Laser jet	Printer
Toyota corolla (GK 971S)	Motor vehicle
HP Intel core	Computer Desktop
HP Intel core	Computer Desktop
HP Intel core	Computer Desktop
HP	Laptop
HP	Laptop
HP	Laptop
Office partitioning	Fixtures and Fittings
Epson	Multi Media projector
Four shelved	Steel cabinet
Four shelved	Steel cabinet
Ramtons	Bottled water Dispenser
Fellowes Pulsare'300	Binding machine

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019</p> <p>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.</p> <p>The Universities Fund had no business combinations in the period under review.</p>

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</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 the Fund'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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The Fund did not hold any financial instruments in the financial period ended June 2020</i></p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>The Fund has no social benefits scheme in the year under review</p>

iii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities in order to conclude the final budget.

The entity's budget is prepared on a same basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

c) 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.

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

e) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The Fund currently provides for accumulated surplus reserve which is meant to be utilized in line with the Fund's mandate.

f) Changes in accounting policies and estimates

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

g) Related parties

The Fund 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the Board of Trustees, the CEO and senior managers.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and cash at bank. Bank account balances include amounts held at the Kenya commercial bank at the end of the financial year.

i) Comparative figures

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

j) 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, 2020.

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future

developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	FY	FY
	2019-2020	2018-2019
	KES	KES
State Department for University Education and Research	25,436,752	29,338,356
Total	<u>25,436,752</u>	<u>29,338,356</u>

7. OTHER INCOMES

Description	FY	FY
	2019/2020	2018/2019
	KES	KES
Income from sale of tender documents	22,500	=
Total other income	<u>22,500</u>	<u>=</u>

8. STAFF COST

Description	FY	FY
	2019/2020	2018/2019
	KES	KES
Salaries and wages	4,601,408	9,676,419
House Allowances	1,403,000	
Commuter Allowances	351,000	
Social Security Contributions	33,600	
Other Staff costs	902,680	=
Total	<u>7,291,688</u>	<u>9,676,419</u>

9. BOARD ALLOWANCES

Description	FY	FY
	2019/2020	2018/2019
	KES	KES
Chairman's Honoraria	-	510,000
Sitting Allowances	2,306,888	1,780,000
Mileage	49,628	420,460
DSA and other allowances	<u>395,800</u>	<u>2,548,332</u>
Total	<u>2,752,316</u>	<u>5,258,792</u>

10. GENERAL EXPENSES

Description	FY	FY
	2019/2020	2018/2019
	KES	KES
Membership Subscription	37,500	
Communication, supplies and services	77,064	
Daily travel & Subsistence Allowances	6,378,525	6,169,980
Office general supplies & services	617,913	503,549
Transport cost	258,430	
Printing and publishing	437,434	300,000
Hospitality	550,000	500,000
Fuel, oils & Lubricants	683,498	632,700
Conferences and Seminars	1,120,860	2,409,560
Training	505,184	
Secretariat Committee expenses	404,375	290,000
Maintenance of Motor Vehicle	388,303	5,500
Bank Commissions & Charges	<u>104,500</u>	
Total	<u>11,563,586</u>	<u>10,811,289</u>

11. DEPRECIATION

Description	FY	FY
	2018/2019	2018/2019
	KES	KES
Furniture and fittings	287,324.00	-
Computers and accessories	<u>190,000.00</u>	-
Total	<u>477,324.00</u>	-

12. i) CASH AND CASH EQUIVALENT

Description	FY	FY
	2019/2020	2018/2019
	KES	KES
Current Account (KCB Kipande House)	3,504,343	554,605
Cash in hand	<u>190,200</u>	<u>13,443</u>
Total cash and cash equivalents	<u>3,694,543</u>	<u>568,048</u>

ii) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENT

Financial institution	Account number	FY	FY
		2019/2020	2018/2019
		KES	KES
a) Current account			
Kenya Commercial bank	1226783481	3,504,343	554,605
Sub- total		<u>3,504,343</u>	<u>554,605</u>
b) Others(specify)			
Cash in hand		190,200	13,443
M-Pesa		-	-
Sub- total		<u>190,200</u>	<u>13,443</u>
Grand total		<u>3,694,543</u>	<u>568,048</u>

13. PREPAYMENT

Particulars	FY	FY
	2019/2020	2018/2019
	KES	KES
Prepayments for the Period (Fuel)	<u>185,000</u>	<u>50,000</u>
Total Prepayments	<u>185,000</u>	<u>50,000</u>

14. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Particulars	FY	FY
	2019/2020	2018/2019
	KES	KES
Salary advance	<u>48,533</u>	=
TOTAL	<u>48,533</u>	=

15. PROPERTY PLANT AND EQUIPMENT

VALUATION	Furniture and Fittings 12.50%	Computers 33.33%	Totals
Cost	KES	KES	
At 1st July 2018	2,298,597	570,000	2,868,597
Additions	-	-	-
Disposals	-	-	-
Transfers/adjustments	=	=	=
At 30th June 2019	<u>2,298,597</u>	<u>570,000</u>	<u>2,868,597</u>
At 1st July 2019	2,298,597	570,000	2,868,597
Additions	63,000	485,200	548,200
Disposals	-	-	-
Transfer/adjustments	=	=	=
At 30th June 2020	<u>2,361,597</u>	<u>1,055,200</u>	<u>3,416,797</u>
Depreciation and impairment			
At 1st July 2018	-	-	-
Depreciation	-	-	-
Impairment	-	-	-
At 30th June 2019	-	-	-
At 1st July 2019			
Depreciation	287,324	190,000	477,324
Disposals	-	-	-
Impairment	-	-	-
Transfer/adjustment	-	-	-
At 30th June 2020	287,324	190,000	477,324
Net book values			
At 30th June 2019	2,298,597	570,000	2,868,597
At 30th June 2020	2,074,273	865,200	2,939,473

16. CASH GENERATED FROM OPERATIONS

	FY 2019/2020	FY 2018/2019
	KES	KES
Surplus for the period	3,374,338	3,591,856
Depreciation for the period	477,324	-
Adjusted for:		
Working Capital adjustments		
Increase/Decrease in prepayments	-135,000	-50,000
Increase/Decrease in inventory	6,566	-105,210
Increase/decrease in receivables	<u>-48,533</u>	<u>-</u>
Net cash flow from operating activities	<u>3,674,695</u>	<u>3,436,646</u>

17. INVENTORY

	FY 2019/2020	FY 2018/2019
		KES
Inventory at beginning of Period	105,210	-
Stock during the period	205,550	299,982
Inventory consumed during the period	<u>-212,115</u>	<u>-194,772</u>
Inventory as at the period End	<u>98,645</u>	<u>105,210</u>

18. FINANCIAL RISK MANAGEMENT

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

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

i) Credit risk

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

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

	Total amount Kshs	Fully performing Kshs
At 30 June 2020		
Receivables from exchange transactions	185,000	185,000
Receivables from non-exchange transactions	48,533	48,533
Bank balances	<u>3,504,343</u>	<u>3,504,343</u>
Total	<u>3,737,876</u>	<u>3,737,876</u>
At 30 June 2019		
Receivables from exchange transactions	50,000	50,000
Receivables from non-exchange transactions	-	-
Bank balances	<u>554,605</u>	<u>554,605</u>
Total	<u>604,605</u>	<u>604,605</u>

ii. Liquidity risk management

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

iii. Market risk

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

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

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

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

iv. Foreign currency risk

The Fund has no transactional currency exposures.

19. CAPITAL RISK MANAGEMENT

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

	FY 2019/2020 KES	FY 2018/2019 KES
Retained earnings	3,374,338	3,591,856
Total funds	3,374,338	3,591,856
Total borrowings	=	=
Cash and bank balances	-3,694,543	-568,048
Net debt/ (excess cash and cash equivalents)	<u>-3,694,543</u>	<u>-568,048</u>
Gearing	<u>0%</u>	<u>0%</u>

20. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include Board of Trustees, management personnel, the National Treasury and the Ministry of Education.

Government of Kenya

The Government of Kenya is the principal shareholder of the Fund, holding 100% of the Fund's equity interest. Other related parties include:

- i) The National Government;
- ii) The Ministry of Education;
- iii) The State Department for University Education;
- iv) Public Universities;
- v) Key management;
- vi) Board of Trustees;

	FY 2019/2020 KES	FY 2018/2019 KES
Transactions with related parties		
a) Grants from the Government		
Grants from State Department for University Education and Research	<u>25,436,752</u>	<u>29,338,356</u>
Total	<u>25,436,752</u>	<u>29,338,356</u>
b) Key management compensation		
Compensation to the CEO	1,785,030	1,830,120
Compensation to key management	<u>2,371,938</u>	<u>2,084,928</u>
Total	<u>4,156,968</u>	<u>3,915,048</u>

21. EVENTS AFTER THE REPORTING PERIOD

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

22. ULTIMATE AND HOLDING ENTITY

The Fund is a Semi- Autonomous Government Agency under the Ministry of Education's State Department for University Education. Its ultimate parent is the Government of Kenya.

23. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Fund had no unresolved or ongoing audit issues pending address.

Geoffrey Monari
Chief Executive Officer

Date

APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:		STATE DEPARTMENT FOR UNIVERSITY EDUCATION		
Break down of Transfers from the State Department for University Education				
FY 2019/2020				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KES)	Indicate the FY to which the amounts relate
		2 nd August,2019	6,631,453	2019/2020
		1 st November,2019	6,631,453	2019/2020
		7 th February,2020	5,542,393	2019/2020
		28 th May,2020	6,631,453	2019/2020
		Total	25,436,752	2019/2020

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

Senior Finance Officer - Universities Fund
Titus Macharia

Head of Accounting Unit - SDUE&R
Robert Asumani

Sign -----

Sign-----

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Statement of Financial Performance	Total Transfers during the Year
State Department for University Education & Research		Recurrent	25,436,752	25,436,752	25,436,752
Total			25,436,752	25,436,752	25,436,752