

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY  
PAPERS LAID

REPORT DATE: 03 DEC 2025 DAY: Wednesday

PARLIAMENT OF KENYA LIBRARY

OF

TABLED BY: Hon. Naom/Kagoino

CLERK-AT-THE-TABLE: Crende chebet

THE AUDITOR-GENERAL

PARLIAMENT OF KENYA LIBRARY

ON

NATIONAL DEFENCE UNIVERSITY -KENYA

FOR THE YEAR ENDED 30 JUNE, 2025



---

**NATIONAL DEFENCE UNIVERSITY - KENYA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

---

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

Table of Contents.....	Page
1. Acronyms and Definition of Key Terms .....	iii
2. Key University Information and Management .....	vi
3. The Council .....	x
4. Key Management Team.....	xi
5. Chairperson’s Statement .....	xiv
6. Report of the Vice Chancellor.....	xvi
7. Statement of Performance against Predetermined Objectives for FY 2024/2025.....	xvi
8. Corporate Governance Statement .....	xix
9. Management Discussion and Analysis.....	xxv
10. Environmental and Sustainability Reporting .....	xxviii
11. Report of the Council Members .....	xxx
12. Statement of University Council Responsibilities .....	xxxi
13. Report of the Auditor General for the Financial Statements of National Defence University-Kenya....	xxxiii
14. Statement of Financial Performance for the year ended 30 June 2025.....	1
15. Statement of Financial Position as at 30 June 2025 .....	2
15. Statement of Changes in Net Assets for the year ended 30 June 2025 .....	3
16. Statement of Cash Flows for the year ended 30 June 2025 .....	4
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025 .....	5
19. Notes to the Financial Statements .....	6
20. Appendices.....	35

## 1. Acronyms and Definition of Key Terms

### A: Acronyms

ACA	Anti-Counterfeit Authority
Comd	Commander
Comdt	Commandant
DG NIS	Director General National Intelligence Service
Comd KA	Commander Kenya Army
Comd KAF	Commander Kenya Air Force
Comd KN	Commander Kenya Navy
CSSS	Centre for Security and Strategic Studies
CUE	Commission for University Education
DCHS	Defence College of Health Sciences
DEFTEC	Defence Forces Technical College
DG	Director General
ERP	Enterprise Resource Planning
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
IPSTC	International Peace Support Training Centre
JCSC	Joint Command and Staff College
KA	Kenya Army
KAF	Kenya Air Force
KDF	Kenya Defence Forces
KCB	Kenya Commercial Bank
KESRA	Kenya School of Revenue Administration
KMPDC	Kenya Medical Practitioners and Dentist Council
KN	Kenya Navy
KRAs	Key Result Areas
MoD	Ministry of Defence
MoH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
NCK	Nursing Council of Kenya
NDC	National Defence College

<b>Table of Contents.....</b>	<b>Page</b>
1. Acronyms and Definition of Key Terms.....	iii
2. Key University Information and Management.....	vi
3. The Council.....	x
4. Key Management Team.....	xi
1. KEY MANAGEMENT TEAM.....	xi
5. Chairperson’s Statement.....	xiv
6. Report of the Vice Chancellor.....	xvi
7. Statement of Performance against Predetermined Objectives for FY 2024/2025.....	xvii
8. Corporate Governance Statement.....	xix
9. Management Discussion and Analysis.....	xxv
10. Environmental and Sustainability Reporting.....	xxviii
11. Report of the Council Members.....	xxx
12. Statement of University Council Responsibilities.....	xxxi
13. Report of the Auditor General for the Financial Statements of National Defence University-Kenya....	xxxiii
14. Statement of Financial Performance for the year ended 30 June 2025.....	1
15. Statement of Financial Position as at 30 June 2025.....	2
15. Statement of Changes in Net Assets for the year ended 30 June 2025.....	3
16. Statement of Cash Flows for the year ended 30 June 2025.....	4
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025.....	5
19. Notes to the Financial Statements.....	6
20. Appendices.....	35

## **1. Acronyms and Definition of Key Terms**

### **A: Acronyms**

ACA	Anti-Counterfeit Authority
Comd	Commander
Comdt	Commandant
DG NIS	Director General National Intelligence Service
Comd KA	Commander Kenya Army
Comd KAF	Commander Kenya Air Force
Comd KN	Commander Kenya Navy
CSSS	Centre for Security and Strategic Studies
CUE	Commission for University Education
DCHS	Defence College of Health Sciences
DEFTEC	Defence Forces Technical College
DG	Director General
ERP	Enterprise Resource Planning
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
IPSTC	International Peace Support Training Centre
JCSC	Joint Command and Staff College
KA	Kenya Army
KAF	Kenya Air Force
KDF	Kenya Defence Forces
KCB	Kenya Commercial Bank
KESRA	Kenya School of Revenue Administration
KMPDC	Kenya Medical Practitioners and Dentist Council
KN	Kenya Navy
KRAs	Key Result Areas
MoD	Ministry of Defence
MoH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
NCK	Nursing Council of Kenya
NDC	National Defence College

**National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.**

---

NDU-K	National Defence University-Kenya
NIRUC	National Intelligence and Research University College
NIRU	National Intelligence and Research University
NIS	National Intelligence Service
NITA	National Industrial Training Authority
NSSF	National Social Security Fund
OSHA	Occupational Safety and Health Act
PFMA	Public Finance Management Act
PS	Principal Secretary
RISS	Research Innovation and Security Studies
SDHER	State Department for Higher Education and Research
SRC	Salaries and Remuneration Commission
VCDF	Vice Chief of the Defence Forces
WIBA	Work Injury Benefits Act

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization.

**Comparative Year-** Means the prior period.

## **2. Key University Information and Management**

### **a. Background Information**

The National Defence University Kenya (NDU-K) is the first institution established under Section 24 of the Universities Act, 2012 (Revised 2020) as a specialized degree-awarding research institution of national strategic importance and was chartered on 27<sup>th</sup> May, 2021. More specifically, the University is established as a center of excellence in training, education and research in national security and strategy.

The University comprises seven (7) colleges which are currently domiciled in the Ministry of Defence. National Intelligence and Research University Service (NIRU) which was chartered on 5<sup>th</sup> November, 2024 was a constituent college of the University. The colleges are:

- (1) National Defence College (NDC) - Karen, Nairobi;
- (2) Joint Command and Staff College (JCSC) - Karen, Nairobi;
- (3) Kenya Military Academy (KMA) - Lanet, Nakuru.
- (4) Defence Forces Technical Education College (DEFTEC)- Embakasi, Nairobi;
- (5) International Peace Support Training Centre (IPSTC) - Karen, Nairobi;
- (6) Defence College of Health Sciences (DCHS)-Mbagathi Road, Nairobi; and  
Constituent College;
- (7) Defence Intelligence Academy (DIA) – Embakasi, Nairobi.

### **b. Principal Activities**

The core business of the University as provided by the University Charter:

- (1) Advancing knowledge through training of students to transform themselves;
- (2) Promoting learning in the student body, train and retrain higher level professionals to build capacity for government;
- (3) Providing directly, or in collaboration with other institutions of higher learning, facilities for technological, professional, and scientific education;
- (4) Contributing to industrial and technological development of society in collaboration with industry and other organizations;
- (5) Equipping students with critical analytical skills for management and decision making at all levels;
- (6) Providing a multi-level system of education and training that is relevant to the needs of the community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between educational levels;

**Key University Information and Management (Continued)**

- (7) Facilitating student mobility between programmes of study at different training institutions;
- (8) Acting as a focal point and national think tank on national security matters by collaborating with like-minded institutions and agencies for national development;
- (9) Providing a forum for national strategic thinking and address the gap in training for formulation of national security policy and strategy;
- (10) Being a focal point for agencies on national strategic security research and development and dissemination for policy making;
- (11) Promoting the highest standards in, and quality of, teaching and research;
  - i) Conducting examinations for, and grant such, academic awards as may be provided for in the Statutes and
  - ii) To syndicate examinations for awards at other institutions as may be approved by the Senate;
- (12) Developing and offering courses of instruction to military personnel, public servants and students on security and related areas of study;
- (13) Developing the content of academic and research programmes;
- (14) Providing adequate equipment and facilities necessary for quality higher education, research, innovation and extracurricular activities; and
- (15) Providing appropriate policies, infrastructure, institutional framework and other resources necessary for promoting quality teaching, research, innovation, industry linkages and community outreach.

University's strategic anchoring is as follows:

**(a) Vision**

A centre of excellence in training, education and research in National Security and Strategy.

**(b) Mission**

To advance human intellectual capacity in management of national security through the pursuit of education, research, innovation, development and community outreach to produce graduates of honour and integrity, capable of securing the country and enhancing national performance.

## Key University Information and Management (Continued)

### (c) Philosophy

To contribute to training and education, research, leadership development and practice in national security and strategy for the transformation of Kenya.

### (d) Guiding Principles

The University activities and decisions are underpinned by the following principles:

- i. Academic freedom
- ii. Diversity, flexibility and open inquiry
- iii. Honesty and excellence
- iv. Discipline and integrity
- v. Institutional and personal responsibility
- vi. Collaboration

### (e) Key Management

The following organs are responsible for university governance and management:

- i. University Council;
- ii. University Management Board; and
- iii. The Senate.

### (f) Fiduciary Management

The key governance and management personnel who held office during the accounting period ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility are shown on pages x – xiii and the Audit and Risk Committee of council.

### (g) Fiduciary Oversight Arrangements

The University Council is responsible and accountable to the Government through the Ministry of Defence and the Ministry of Education for ensuring that the University complies with the Universities Act, 2012 (Revised 2020), the University Statutes (2022) and adheres to the highest standards of corporate governance as prescribed in

**Key University Information and Management (Continued)**

the State Corporations Act, 2010 (Revised 2012) and the University Charter. The Council consists of thirteen members; the Chairperson and twelve other members holding strategic leadership positions in the National Security Organs including the Principal Secretary Ministry of Defence, Principal Secretary State Department for University Education and Research under the Ministry of Education, Principal Secretary the National Treasury, academia and private sector whilst the Vice-Chancellor, is the Chief Executive Officer and Secretary to the Council.

**(h) Headquarters**

P O Box 3812-20100  
Dundori Road,  
**Nakuru, Kenya**  
Tel: (254) 051-851141  
E-mail: [info@ndu.ac.ke](mailto:info@ndu.ac.ke)  
Website: <https://ndu-k.ac.ke>

**(i) Bankers**

i. **KCB Bank Ltd**  
Nakuru Branch,  
P O Box 248-20115  
**Nakuru, Kenya**

ii. **Co-operative Bank of Kenya Ltd**  
Nakuru Branch  
P O Box 2982-20100  
**Nakuru, Kenya**

**(j) Independent Auditors**

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

**(k) Principal Legal Advisor**

The Attorney General  
Sheria House Harambee  
P O Box 40112-00100  
**Nairobi, Kenya**

### **3. The Council**

The following are NDU-K Council members:

- |                                  |  |
|----------------------------------|--|
| a. Gen C M Kahariri              | - Chairperson                                  |
| b. Lt Gen J M Omenda             | - VCDF   |
| c. Mr N Haji                     | - DG NIS                                       |
| d. Lt Gen D K Ketter             | - Comd KA (30 June 2025)                       |
| e. Lt Gen D K C Tarus            | - Comd KA (July 24 - 29 June 2025)             |
| f. Maj Gen B Waliaula            | - Comd KAF (30 June 2025)                      |
| g. Maj Gen F G Ahmed             | - Comd KAF (July 24 - 29 June 2025)            |
| h. Maj Gen P O Otieno            | - Comd KN                                      |
| i. Dr Beatrice Muganda Inyangala | - PS SDHER                                     |
| j. Dr Patrick Mariru             | - PS Defence                                   |
| k. FCPA G M Malombe              | - PS National Treasury Rep                     |
| l. Prof Isaac M Mbeche           | - Member (Jul 2024 - Nov 24)                   |
| m. Mr John Ngugi Kariuki         | - Member (13 <sup>th</sup> Dec 24 to date)     |
| n. Mr Charles O Ogalo            | - Private Sector                               |
| o. Dr Constansia Mumma-Martinon  | - Member (Jul 2024- 13 <sup>th</sup> Dec 24)   |
| p. Prof Paul M Kisau             | - Member (17 <sup>th</sup> January 25 to date) |
| q. Lt Gen D K C Tarus            | - VC/Secretary (30 June 2025)                  |
| r. Lt Gen J L Mutai              | - VC/Secretary (July 24 – 29 June 2025)        |

#### **4. Key Management Team**

##### **1. KEY MANAGEMENT TEAM**

###### **A. UNIVERSITY MANAGEMENT BOARD (UMB)**

The NDU-K UMB members are:

a. Lt Gen D K C Tarus	VC	- Chairperson (30 June 25)
b. Lt Gen J L Mutai	VC	- Chairperson (Jul 24-29 Jun 25)
c. Lt Gen J S Mwinyikai	Comdt NDC	- Member
d. Maj Gen E M Kinuthia	Comdt JCSC	- Member
e. Maj Gen J M M'arimi	Comdt KMA	- Member (30 June 25)
f. Brig P M Kimondiu	Ag. Comdt KMA	- Member (Sept 24 - 29 June 25)
g. Maj Gen A M Kiugu	Comdt KMA	- Member (Jul 2024- Sept 24)
h. Maj Gen W K Shume	DVC RISS	- Member
i. Maj Gen T N Ng'ang'a	DVC F & A	- Secretary
j. Prof A W T Muigai PhD	DVC ASA	- Member
k. Maj Gen C L Mwazighe	Director IPSTC	- Member (30 June 25)
l. Brig J Sitienei	Director IPSTC	- Member (Jul 24 - 29 Jun 25)
m. Brig M D Ali	Principal DEFTEC	- Member
n. Maj Gen J C Sitienei	DVC CSSS	- Member (30 June 25)
o. Brig P S Chelimo	Director CSSS	- Member (Jul 24-29 Jun 25)
p. Brig D O Odeny	Head of Legal	-Member (30 Jun 2025)
q. Col J M Ngatia	Head of Legal	- Member (Jul 24-29 Jun 25)
r. Col M Wambui	Principal DCHS	- Member (Aug 2024- to date)
s. Col H Kamotho	Principal DCHS	- Member (July 2024)
t. Dr S N Mailu	University Registrar	- Member
u. CPA M N Nginga	Director of Fin&Accts-	Member

**B. University Senate**

The NDU-K Senate members are:

a. Lt Gen D K C Tarus	VC	- Chairperson (30 June 25)
b. Lt Gen J L Mutai	VC	- Chairperson (Jul 24 -29 Jun 25)
c. Lt Gen J S Mwinyikai	Comdt NDC	- Member
d. Maj Gen E M Kinuthia	Comdt JCSC	- Member
v. Maj Gen J M M'arimi	Comdt KMA	- Member (30 June 25)
e. Brig P M Kimondiu	Ag. Comdt KMA	- Member (Sept 24 to 29 Jun 25)
f. Maj Gen A M Kiugu	Comdt KMA	- Member (Jul 2024- Sept 24)
g. Maj Gen W K Shume	DVC RISS	- Member
h. Maj Gen T N Ng'ang'a	DVC F & A	- Member
i. Prof A W T Muigai PhD	DVC ASA	- Secretary
j. Maj Gen C L Mwazighe	Director IPSTC	- Member (30 June 25)
k. Brig J C Sitienci	Director IPSTC	- Member (Jul 24-29 Jun 25)
l. Brig M D Ali	Principal DEFTEC	- Member
m. Maj Gen J C Sitienci	DVC CSSS	- Member (30 June 25)
n. Brig P S Chelimo	Director CSSS	- Member (Jul 24-June 25)
o. Brig D O Odeny	Head of Legal	-Member (30 Jun 2025)
p. Col J M Ngatia	Head of Legal	- Member (Jul 24-Jun 25)
q. Col M Wambui	Principal DCHS	- Member (Aug 2024- to date)
r. Col H Kamotho	Principal DCHS	- Member (July 2024)
s. Dr S N Mailu	University Registrar	- Member

**C. University Public Finance Management Standing Committee**

The NDU-K PFMSC members are:

- |    |                       |               |                                   |
|----|-----------------------|---------------|-----------------------------------|
| a. | Lt Gen D K C Tarus    | VC            | - Chairperson (30 June 25)        |
| b. | Lt Gen J L Mutai      | VC            | - Chairperson (Jul 24 -29 Jun 25) |
| c. | Maj Gen W K Shume     | DVC RISS      | - Member                          |
| d. | Maj Gen T N Ng'ang'a  | DVC F & A     | - Secretary                       |
| e. | Prof A W T Muigai PhD | DVC ASA       | - Member                          |
| f. | Maj Gen J C Sitienei  | DVC CSSS      | - Member (30 June 25)             |
| g. | Brig P S Chelimo      | Director CSSS | - Member (Jul 24-June 25)         |

## **5. Chairperson's Statement**

National Defence University-Kenya (NDU-K) was awarded a charter on 27 May 2021 and gazetted as an institution of national strategic importance vide Kenya Gazette Notice No 95 dated 4 June 2021, making the commencement of mandate implementation in Financial Year (FY) 2021/22. To this end, implementation of the Strategic Plan 2023 - 2027 is on course. Indeed, in the year ended 30<sup>th</sup> June 2025, the University accomplished several milestones hence enabling operationalization of governance, management, administrative and academic functions. With regard to physical infrastructure, the construction of Phase 1 Administration Complex was completed in September 2023.

### **Financial Performance**

In FY 2023/24, NDU-K operated under the mentorship of the Ministry of Defence through which financial support was extended. However, the budget for FY 2024/25 of Ksh. 389,100,000 was approved by the National Treasury. It is expected that the Government will continue to allocate resources for capacity building and development of physical infrastructure and ICT infrastructure.

### **Strategic Direction**

The Strategic Plan 2023 -2027 will continue to be implemented guided by the following three (3) Strategic Objectives/ Issues and 3 Key Result Areas which shall inform resource allocation priorities during the 5-year implementation period. The Strategic Issues are fundamental policy concerns that demand attention and resolution for the National Defence University-Kenya (NDU-K) to successfully accomplish its vision and mission.

These are as follows:

**Strategic Objective 1:** Provision of Quality University Education, Training and Learning. NDU-K is built to empower professionals in the security sector with adequate knowledge and skills to enable them to respond to contemporary and emerging defence and security challenges. NDU-K has therefore identified the need for quality education and the development of astute security managers capable of safeguarding the national interest. The contemporary security environment is increasingly complex and multifaceted hence calling for a higher degree of mission readiness. The attainment of strategic Objective no 1 will ensure that security practioners develop a common understanding of national security, the national interests and how different actors in the realm of security and private sector can optimally work together for the national good. The NDU-K therefore will provide

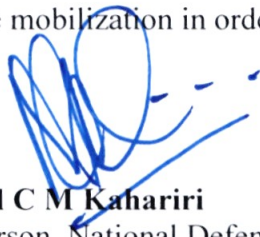
professional training to up-coming leaders to sharpen their ability to think critically, innovatively and futuristically. This will be achieved within an environment of fluid missions, practices and capabilities that tap into the wealth of individual specialisation within a multi-agency framework.

**Strategic Objective 2: Sustainable Research, Innovation and Technology** The defence sector is credited with ground-breaking technological inventions, from the internet and computers to drones and space technology. Indeed, countries have enhanced investment in Research and Development (R&D) to keep ahead of competition in security and development. It is in furtherance of this universal aspiration that NDU-K has focused on Sustainable Research, Innovation and Technology as its Strategic Objective no 2. The key requirement in its accomplishment will be the enhancement of intellectual capacity to facilitate development of new technologies that cope with changes in the operating environment. The NDU-K Strategic Plan is therefore focused on the design and development of pragmatic and result-oriented education programmes. There is the requirement for enhanced capacity for research, innovation and development to enable the country prevail in peace, war and in the face of regional and global competition.

**Strategic Objective 3: Organizational Efficiency and Effectiveness in Service Delivery** The NDU-K has recognized that a key requirement for success is an organization that is efficient and effective in-service delivery. Emphasis will therefore be laid on the development of a robust organizational culture that is focused on the management of NDU-K Strategic Plan 2023-2027. In addition, values, expectations and experiences are critical in developing a strong organisation for posterity. NDU-K will therefore entrench the appropriate organization cultural traits for corporate success. The KDF with its virtues that are founded on discipline, industriousness, teamwork, professional ethics, agile problem-solving skills, integrity and precision has been identified as worth emulating.

### **Future Outlook**

As NDU-K continues to implement its Strategic Plan 2023-2027, its focus is directed towards resource mobilization in order to create additional revenue.



**General C M Kahariri**  
Chairperson, National Defence University-Kenya Council

## **6. Report of the Vice Chancellor**

In the period ending 30<sup>th</sup> June 2025, the University remained focused on the attainment of its vision and mission as a centre of excellence in training, education and research in national security and strategy. Accordingly, human, financial and material resources were directed towards establishing a robust foundation to facilitate quality academic programmes, service delivery, and research outputs through enhanced stakeholder collaboration.

### **Education, Training and Research**


The University has seven (7) Ministry of Defence colleges and had one (1) constituent college under the National Intelligence Service upto 5<sup>th</sup> November, 2024 when the constituent college was chartered to a University. In this context, twenty-four (25) programmes have been accredited by the Commission of University Education whilst a number of new programmes have been submitted for validation and accreditation. Furthermore, the University is keen on growing the number of colleges and programmes in response to changes in fields of Defence and security as well as contribution towards national development.

### **Other Activities**

The construction of an Administration Complex for the University Seat and acquisition of an Enterprise Resource Planning (ERP) Phase I is complete while Phase II is projected in next financial year, FY 2025/26. Moreover, the recruitment of senior civilian management staff and full-time lecturers was completed whilst that of support staff is on course. Student admission stands at 1195 students.

### **Financial Performance**

We are thankful for the financial support provided by the Ministry of Defence which enabled achievement of the set goals in the period ending 30<sup>th</sup> June, 2025. A lean budget allocation for FY 2024/25 was optimized to enable seamless operations and service delivery to NDU-K stakeholders in the financial year.



**Lieutenant General D K C Tarus**  
Vice-Chancellor

## **7. Statement of Performance against Predetermined Objectives for FY 2024/2025**

The 2023-2027 Strategic Plan was launched. This plan is being implemented through the following 3 strategic goals/Objectives and 3 Key Result Areas which shall inform resource allocation priorities during the 5-year implementation period. The Strategic Issues are fundamental policy concerns that demand attention and resolution for the National Defence University-Kenya (NDU-K) to successfully accomplish its vision and mission.

These are as follows:

**Strategic Objectives 1:** Provision of Quality University Education, Training and Learning NDU-K is built to empower professionals in the security sector with adequate knowledge and skills to enable them to respond to contemporary and emerging defence and security challenges. The NDU-K has therefore identified the need for quality education and the development of astute security managers capable of safeguarding the national interest. The contemporary security environment is increasingly complex and multifaceted hence calling for a higher degree of mission readiness. The attainment of strategic Objective no 1 will ensure that security practitioners develop a common understanding of national security, the national interests and how different actors in the realm of security and private sector can optimally work together for the national good. The NDU-K therefore will provide professional training to up-coming leaders to sharpen their ability to think critically, innovatively and futuristically. This will be achieved within an environment of fluid missions, practices and capabilities that tap into the wealth of individual specialisation within a multi-agency framework.

**Strategic Objective 2:** Sustainable Research, Innovation and Technology The defence sector is credited with ground-breaking technological inventions, from the internet and computers to drones and space technology. Indeed, countries have enhanced investment in Research and Development (R&D) to keep ahead of competition in security and development. It is in furtherance of this universal aspiration that NDU-K has focused on Sustainable Research, Innovation and Technology as its Strategic Objective no 2. The key requirement in its accomplishment will be the enhancement of intellectual capacity to facilitate development of new technologies that cope with changes in the operating environment. The NDU-K Strategic Plan is therefore focused on the design and development of pragmatic and result-oriented education programmes. There is the requirement for enhanced capacity for research, innovation and development to enable the country prevail in peace, war and in the face of regional and global competition.

**Strategic Objective 3:** Organizational Efficiency and Effectiveness in Service Delivery The NDU-K has recognized that a key requirement for success is an organization that is efficient and effective in-service delivery. Emphasis will therefore be laid on the development of a robust organizational

culture that is focused on the management of NDU-K Strategic Plan 2023-2027. In addition, values, expectations and experiences are critical in developing a strong organisation for posterity. NDU-K will therefore entrench the appropriate organization cultural traits for corporate success. The KDF with its virtues that are founded on discipline, industriousness, teamwork, professional ethics, agile problem-solving skills, integrity and precision; has been identified as worth emulating.

The University has identified three (3) Key Result Areas (KRAs) in which implementation will be carried out, performance measured and results communicated or reported during the planning period. These areas are:

**Key Result Area 1:** Quality Teaching, Training and Learning Sustainable Research, Innovation and Technology Enhanced Research and Innovation

**Key Result Area 2:** Research and Innovation Development Organizational Efficiency and Effectiveness in Service Delivery Enhance Organizational Efficiency and Effectiveness

**Key Result Area 3:** Strengthened Institutional Capacity

## **8. Corporate Governance Statement**

The University Council is responsible and accountable to the Government of Kenya through the Ministry of Defence and the Ministry of Education for ensuring that the University complies with the Universities Act, 2012, National Defence University Kenya Statutes and adheres to the highest standards of corporate governance as prescribed in the State Corporations Act and the University Charter.

### **Roles and Functions of the Council**

The functions of the Council are:

- a. Making and approving the University Statutes in accordance with the Universities Act;
- b. Determining, recruiting, appointing and promoting employees of the University who are not members of the National Security Organs;
- c. Approving terms and conditions of service for employees of the University who are not members of the National Security Organs;
- d. Requesting and accepting the secondment and transfer of service of public officers from relevant public agencies with the concurrence of the relevant appointing authority;
- e. Approving the reports from Senate;
- f. Recommending the annual budget of the University to the Ministry responsible for Defence and the National Treasury;
- g. Enter into association and collaboration or linkages with other bodies or organizations within or outside Kenya as the University may consider desirable or appropriate and in furtherance of the purpose for which the University is established;
- h. Open a banking account or accounts for the funds of the University;
- i. Receiving on behalf of the University, donations, endowments, gifts, grants or other moneys and make legitimate disbursements where from;
- j. Approving, monitoring, and evaluating the implementation of strategies, policies and the management criteria and plans of the University;
- k. Ensuring that the University complies with the Constitution, other relevant laws, regulations, governance practices, accounting and auditing standards;
- l. Recommend to the Ministry responsible for Defence, the purchase, lease or hire or acquisition and holding of any land, buildings, easements or inheritances of any tenure and any other freehold or lease hold property, and construction or provision of any buildings, works, stores,

plant and equipment which may from time to time be deemed requisite for any of the purposes of the University.

- m. Performing such other duties as may be contained in the Statutes and may have such other powers as contained in the Act.

### **Committees of the Council**

The Committees of the Council have delegated authority to assist the Council effectively carry out its obligations. The University Council and its Committees are supported by the University Management Board and the Senate.

The Council had three committees in the year namely:

- a. Finance, Planning and Human Resource Committee
- b. Audit, Risk and Compliance Committee
- c. Academic and Research Committee

The Terms of Reference for the Committees of Council are:

#### **a. Audit, Risk and Compliance Committee**

The Committee ensures compliance to internal control processes, accurate preparation of financial results reporting, operations and statements in compliance with legal and statutory requirements and standards, ensures the University complies with internal and external audit requirements, develops risk management strategies, monitors institutional governance, and monitors compliance with performance contract targets, and quality assurance.

#### **b. Finance, Planning and Human Resource Committee**

The Committee recommends to the Council for its approval the annual report and financial statements, annual estimates and expenditure, recommend policies on financial management. The Committee oversees planning and mobilization of financial resources for the development of the University, advocates on behalf of the University and ensures the marketing of the University locally and internationally, provides advice and assistance to the management with respect to corporate sponsorship and private funds raising and refers matters of major importance to Council for further direction. The Committee oversees formulation and subsequent monitoring as well as review of policies and strategies on employment of university staff, including policies on recruitment and selection, staff development and training performance management and salaries and other terms of service. The Committee reviews and monitors the implementation and effectiveness of the University's employment policies through regular reports provided by the University Management Board; reviews and recommends to Council the terms and conditions of service for university staff, remuneration, salaries, allowances and other staff payments as well as hears and deals with appeals from disciplinary or grievances processes handled by the University Management Board.

**National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.**

**c. Academic and Research Committee**

The Committee advises on the development and implementation of academic and research programmes and policies, makes recommendations for the sourcing, administration and distribution of scholarships, oversees a reward scheme for excellence in teaching, research and extension, receives regular reports from management on policy development and procedures relating to academic programmes and research and considers and reports any matter referred to it by the University Management Board and Senate.

**Council and Council Committee Meetings Attendance - 1<sup>st</sup> July 2024 to 30<sup>th</sup> June 2025:**

REGULAR COUNCIL MEETING					
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETING 2	MEETING 3
			DATE	DATE	DATE
			26/07/2024	31/10/2024	2/4/2025
1	Gen C M Kahariri	CDF-Chairperson	X	X	X
2	Lt Gen J M Omenda	VCDF	O	X	X
3	Dr. P Mariru	PS MOD	X	X	O
4	Dr. B M Inyangala	PS SDHER	X	O	O
5	Mr Geoffrey Malombe	PS National Treasury Rep	O	X	X
6	Lt Gen D K C Tarus	Comm KA	X	X	X
7	Maj Gen F G Ahmed	Comm KAF	X	X	X
8	Maj Gen P O Otieno	Comm KN	X	X	X
9	Prof Isaac Mbeche	Senior Academician (July 2024-November 2024)	X	X	O
10	Prof Paul M Kisau	Senior Academician (January 2024-June 2025)	O	O	X
11	Mr Charles Ogalo	Private Sector	O	X	X
12	Dr. Constansia Mumma-Martinon	Diplomat (July 2024-December 2024)	X	X	O
13	Mr John N Kariuki	Diplomat (December 2024-June 2025)	O	O	X
14	Dr James K Kibon	NIS Rep	O	O	X
15	Ms Agnes Shikuku	NIS Rep	X	X	O
16	Lt Gen J L Mutai	VC-Secretary	X	X	X

**National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.**

REGULAR FINANCE, PLANNING AND HUMAN RESOURCE COUNCIL COMMITTEE						
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETING 2	MEETING 3	MEETING 4
			DATE	DATE	DATE	DATE
			14/10/2024	24/01/2025	24/03/2025	12/6/2025
1	Mr Charles Ogalo	Private Sector	X	X	X	X
2	Lt Gen K C Tarus	Comm KA	O	O	O	X
3	Maj Gen M Hassan	Deputy Comm KA	O	O	X	O
4	Dr James K Kibon	NIS Rep	O	X	X	X
5	Dr. C K Chumba	NIS Rep	X	O	O	O
6	Geoffrey Malombe	PS National Treasury Rep	X	X	X	X
7	Lt Gen J L Mutai	VC-Secretary	X	X	X	X

SPECIAL FINANCE, PLANNING AND HUMAN RESOURCE COUNCIL COMMITTEE			
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1
			DATE
			14.05.2025
1	Mr Charles Ogalo	Private Sector	X
2	Mr Geoffrey Malombe	PS National Treasury Rep	O
3	Dr James K Kibon	NIS Rep	X
4	Dr. C K Chumba	NIS Rep	O
5	Lt Gen D K Tarus	Comm KA	O
6	Maj Gen M Hassan	Deputy Comm KA	X
7	Lt Gen J L Mutai	VC-Secretary	X

**National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.**

<b>REGULAR ACADEMIC AND RESEARCH COMMITTEE</b>					
<b>S/NO</b>	<b>COUNCIL MEMBER</b>	<b>OFFICE</b>	<b>MEETING 1</b>	<b>MEETING 2</b>	<b>MEETING 3</b>
			<b>DATE</b>	<b>DATE</b>	<b>DATE</b>
			<b>22/10/2024</b>	<b>6/3/2025</b>	<b>11/6/2025</b>
1	Dr. C A Martinon-Mumma	Diplomat (July 2024-December 2024)	X	O	O
2	Mr John N Kariuki	Diplomat (December 2024-June 2025)	O	X	X
3	Mr Charles Ogalo	Private Sector	X	X	X
4	Maj Gen F G Ahmed	Comm KAF	O	X	X
5	Dr. B M Inyangala	PS SDHER	O	O	X
6	Lt Gen J L Mutai	VC-Secretary	X	X	X

<b>REGULAR AUDIT RISK AND COMPLIANCE COMMITTEE</b>					
<b>S/NO</b>	<b>COUNCIL MEMBER</b>	<b>OFFICE</b>	<b>MEETING 1</b>	<b>MEETING 2</b>	<b>MEETING 3</b>
			<b>DATE</b>	<b>DATE</b>	<b>DATE</b>
			<b>17/05/2024</b>	<b>28/10/2024</b>	<b>7/3/2025</b>
1	Prof Isaac Mbeche	Senior Academician (July 2024-November 2024)	X	X	O
2	Prof Memo Kisau	Senior Academician (January 2024-June 2025)	O	O	X
3	Dr Patrick Mariru	PS MOD	O	O	X
4	Dr. Beatrice Inyangala	PS SDHER	X	X	O
5	Maj Gen F G Ahmed	Comm KAF	X	X	X
6	Maj Gen P O Otieno	Comm KN	X	X	O
7	CPA Abdi Ali	Internal Auditor - MOD- Secretary	O	X	O
8	CPA James Mbogo	Deputy Internal Auditor - MOD- Secretary	X	O	O
9	CPA Kwamboka	Principal Auditor - MOD- Secretary	O	O	X
10	G Malombe	PS National Treasury Rep	O	O	X

### **Appointment, Removal from Office and Succession Plan**

The appointment of Council members is prescribed in the NDU-K Charter Part III para 15 and 16 (Legal Notice No. 95 dated 4<sup>th</sup> June 2021).

### **Council Remuneration**

Council members are remunerated as per guidelines set out in State Corporations Advisory Committee circulars and the National Treasury directives as well as guidance of the Salaries and Remuneration Commission (SRC) in respect to sitting allowances, mileage and accommodation costs.

## 9. Management Discussion and Analysis

### Section A

#### Operational and Financial Performance

That the University has prepared the financial year's Annual Report and Financial Statements for the period ended 30<sup>th</sup> June 2025 in conformity with Section 81 of the Public Finance Management Act (Chapter 412A of the Laws of Kenya). The report ending 30<sup>th</sup> June 2025 highlights are:

#### a. Revenue

The revenues of the University have been as shown in table 1 below over the last year. The MOD Grants are in kind during the period. Ksh. 1,286,000 donations were received in the year to support graduation expenses and CSSS training.

Type of Income	FY24/25	FY23/24
GoK Recurrent Capitation Grant	354,100,000	306,000,000
Partner Recurrent Grants -MOD Grants	422,867,764	377,988,516
Donations	1,286,000	2,050,000
Tuition and Related Fees	19,316,060	24,284,720
Other Services Rendered-CSSS	24,239,517	19,022,825
<b>Total</b>	<b>821,809,341</b>	<b>729,346,061</b>

#### b. Expenses

Table 2 indicate the expenditure trends over the period:

Type of Expenditure	FY24/25	FY23/24
Staff Costs	456,901,199	421,146,998
Council Expenses	5,132,370	3,747,242
Insurance and Medical Expenses	1,708,377	3,911,727
Contracted Services	-	2,682,937
Use of Goods and Services	67,524,218	46,097,582
Administrative and Central Services	158,340,800	147,070,876
Repairs and Maintenance Expenses	17,050,902	19,263,994
Depreciation Expenses	15,204,367	11,993,390
<b>Total</b>	<b>721,862,234</b>	<b>655,914,746</b>

**c. Assets**

The MoD assets allocated to the Seat have not been vested to the University however the process is on course. The University has recorded **Kshs 69,801,808** assets in its books as at the end of the period.

**d. Current Assets**

Table 3 indicate the trends over the period:

<b>Table 3 - Components of Current Assets as at the end of FY 2024/25 and FY 2023/24</b>		
<b>Type of Current Assets</b>	<b>FY24/25</b>	<b>FY23/24</b>
Cash at Bank	141,856,228	67,899,052
Prepaid Medical Insurance Expenses	2,743,156	-
Prepaid Group Life WIBA Expenses	673,599	-
Student Debtors-IPSTC-Individual Students	13,299,652	12,182,012
Rent Deposit	240,000	-
Staff Imprests	483,766	-
CSSS Debtors-Head of Public Service	3,271,974	6,720,000
<b>Total</b>	<b>162,568,375</b>	<b>86,801,064</b>

**e. Current Liabilities**

Table 4 indicate the trends over the period:

<b>Table 4 - Components of Current Liabilities as at the end of FY 2024/25 and FY 2023/24</b>		
<b>Type of Current Liability</b>	<b>FY24/25</b>	<b>FY23/24</b>
Student Payables-Caution Money	195,000	144,000
Student Payables-Commission of University Education	23,000	-
Student Prepayments	2,699,031	1,588,301
Accrued Expenses	24,381,995	47,463,477
<b>Total</b>	<b>27,299,025</b>	<b>49,195,778</b>

**Section B**

**Compliance with Statutory Requirements**

The University endeavoured to comply with all statutory requirements during the period under review.

**Section C**

**Key Projects and Investment Decisions**

The ERP system Phase 1 is completed and Phase 2 which is scheduled for in FY2025/26 MTEF budget.

## **Section D**

### **Major Risks Facing the Entity**

The University is concluding the preparation of its risk management framework.

## **Section E**

### **Material Arrears in Statutory / Financial Obligations**

The University has no pending bills. However, the University has outstanding LPOs amounting to **Ksh.11,396,005.48**.

## **Section F**

### **The University's Financial Probity and Serious Governance Issues**

The University has no major financial improbity as reported by internal/audit committee/external auditors or other National Government Agencies providing oversight; nevertheless, none of the board members has serious governance issues including conflict of interest.

## 10. Environmental and Sustainability Reporting

National Defence University-Kenya exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the University's policies and activities that promote sustainability.

### a. Sustainability Strategy and Profile

The University management is focused in automation in order to manage its wage bill for sustainability.

### b. Environmental Performance

The University has participated in greening agenda. The University has managed to plant 1000 trees in collaboration with Equity, KCB banks and other entities. The University supported Egerton University in the Run for Mau Marathon in the period.

### c. Employee welfare

The University has a Public Service Commission approved Human Resource Policy and Procedures Manual (2025). The manual provides a chapter on recruitment, selection, appointment, promotions and transfers/deployment of employees. The University is an equal opportunity employer and does not discriminate on any basis its recruitment and selection. The University also through this policy has provided for employee training and development to improve skills and work efficiency as well as the existence of a performance management system. Through this policy, the University is also compliant with the Occupational Safety and Health Act of 2007 (OSHA) by maintaining a safe physical environment conducive for all employees.

### d. Market place practices

The University has made efforts to:

#### (1) Responsible competition practice

Ensure responsible competition practices with issues of anti-corruption, responsible political involvement, fair competition and respect for competitors.

#### (2) Responsible Supply chain and supplier relations

Maintain good business practices; treat own suppliers responsibly by honouring contracts and respecting payment practices.

#### (3) Responsible marketing and advertisement

Maintain ethical marketing practices.

#### (4) Product stewardship

Safeguard consumer rights and interests.

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

Engage communities in Mau and Ngorika Forest’s greening by planting 35,000 indigenous trees and 5,000 exotic trees. The University has also engaged in support of the local community through Israel Children’s home in Lanet.

**11. Report of the Council Members**

The Council members submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the University's affairs.

**a. Principal activities**

The principal activities of the University are shown on pages vi-vii.

**b. Results**

The results of the University performance for the year ended June 30, 2025, are set out on pages 1-5.

**c. Council Members**

The Council members who served during the year are shown on page x. During the year nine Council members retired/ resigned and were replaced with effect from the dates shown on page x.

**d. Surplus remission**

The University is neither a regulatory authority nor is it commercial and therefore has not made remittances to the Consolidated Fund.

**e. Auditors**

The Auditor-General is responsible for the statutory audit of the University in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2025.

By Order of the Board

  
.....  
**Lieutenant General D K C Tarus**  
Secretary to the Council

## **12. Statement of University Council Responsibilities**

Section 83 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Council members to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Council members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council members are also responsible for safeguarding the assets of the University.

The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (c) 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; (d) Safeguarding the assets of the University; (e) Selecting and applying appropriate accounting policies; and (f) Making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the University'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, 2012 and the State Corporations Act. The Council members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2025, and of the University's financial position as at June 30, 2025. The Council members further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

**National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.**

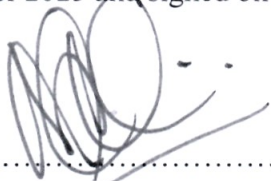
---

In preparing the financial statements, the Council members have assessed the University's ability to continue as a going concern.

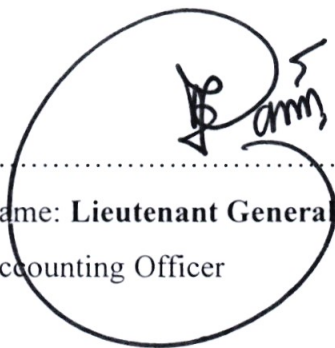
Nothing has come to the attention of the Council members to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The University's financial statements were approved by the Council on 13<sup>th</sup>  
November 2025 and signed on its behalf by:



.....  
Name: **General C M Kahariri**  
Chairperson of the Council



.....  
Name: **Lieutenant General D K C Tarus**  
Accounting Officer

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON NATIONAL DEFENCE UNIVERSITY- KENYA FOR THE YEAR ENDED 30 JUNE, 2025

---

### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Defence University-Kenya set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2025, and 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 effects 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 National Defence University-Kenya as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

### **Basis for Qualified Opinion**

#### **Undisclosed Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment net book balance of Kshs.41,639,995 as disclosed in Note 19 (a) to the financial statements. However, as reported previously, the balance excludes land and buildings of undetermined value where the University's Headquarters sits. Further, land ownership documents in form of title deed, certificate of lease or undertaking from the Ministry of Defence allocating land to the University were not provided for audit. In addition, the cost of implementing the University's ICT infrastructure (ERP-Phase 1) funded by Ministry of Defence was not determined and included in the financial statements.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.41,639,995 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Defence University-Kenya Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. Except for the effect of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

#### **Other Information**

The Management is responsible for the Other Information set out on page vi to xxxii which comprise of Key University Information and Management, The University Council,

Management Team, Chairperson's Statement, Report of the Vice Chancellor, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Council Members, and Statement of University Council Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **Delay in Implementation of Enterprise Resource Planning System**

Review of the University records revealed that the Ministry of Defence procured ICT infrastructure - Enterprise Resource Planning (ERP) system - for use by the University in the year 2022. Phase I of the project was expected to be completed on 30 June, 2023 at a contract sum of Kshs.54,647,600 while Phase 2 was to be completed on 30 June, 2024 at a contract sum of Kshs.81,206,467 all totalling Kshs.135,854,067. It was noted that the vendor had completed contractual milestones for Phase 1. However, the contract for Phase 2 which comprises critical University management modules; human resource management, finance and accounting and procurement had not been implemented forcing the University to rely on a manual system in managing its financial, procurement, human resource and students' records.

Lack of ERP in critical management modules affects the University ability to effectively and efficiently meet its mandate.

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

### **Responsibilities of the Management and University Council**

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

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

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

**Nairobi**

**27 November, 2025**

National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.

14. Statement of Financial Performance for the year ended 30 June 2025

Particulars	Notes	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
<b>Revenue from Non-Exchange Transactions</b>			
GoK Recurrent Capitation Grant	6.a	354,100,000	306,000,000
Partner Recurrent Grants - MOD Grants in Kind	6 b	422,867,764	377,988,516
Donations	7	1,286,000	2,050,000
<b>Total Revenue from Non-Exchange Transactions</b>		<b>778,253,764</b>	<b>686,038,516</b>
<b>Revenue from Exchange Transactions</b>			
Revenue - Tuition and Related Fees	8	19,316,060	24,284,720
Revenue - Other Services Rendered-CSSS	9	24,239,517	19,022,825
<b>Total Revenue from Exchange Transactions</b>		<b>43,555,577</b>	<b>43,307,545</b>
<b>Total Revenue</b>		<b>821,809,341</b>	<b>729,346,061</b>
<b>Expenditure</b>			
Staff Costs	10	456,901,199	421,146,998
Council Expenses	11	5,132,370	3,747,242
Insurance and Medical Expenses	12	1,708,377	3,911,727
Contracted Services	13	-	2,682,937
Use of Goods and Services	14	67,524,218	46,097,582
Administrative and Central Services	15	158,340,800	147,070,876
Repairs and Maintenance Expenses	16	17,050,902	19,263,994
Depreciation Expenses	19 b	15,204,367	11,993,390
		<b>721,862,234</b>	<b>655,914,746</b>
<b>Other Gains/(Losses)</b>			
(Decrease)/increase in Provision for bad debts		-	-
<b>Surplus for the Period</b>		<b>99,947,107</b>	<b>73,431,315</b>
<b>Attributable to:</b>			
Owners of the controlling entity		<b>99,947,107</b>	<b>73,431,315</b>

The notes set out on pages 6-34 form an integral part of these Financial Statements. The Financial Statements set out on pages 1-5 were signed on behalf of the Council by:

Lt Gen D K C Tarus  
Vice-Chancellor

CPA M N Nginga  
Director Finance & Accounts  
ICPAK M/No. 7505

Gen C M Kohariri  
Chairman of the Council

Date:

Date:

11.11.25

Date:

13.11.25


National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.

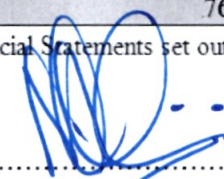
15. Statement of Financial Position as at 30 June 2025

Particulars	Notes	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash in Bank and in Hand	17	141,856,228	67,899,052
Receivables from Exchange Transactions	18	20,712,147	18,902,012
		<b>162,568,375</b>	<b>86,801,064</b>
<b>Non Current Assets</b>			
Property, Plant & Equipment	19 a	41,639,995	39,356,950
		<b>41,639,995</b>	<b>39,356,950</b>
<b>Total Assets</b>		<b>204,208,370</b>	<b>126,158,014</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	20 a	2,917,031	1,732,301
Provisions and Accruals	20 b	24,381,995	47,463,477
		<b>27,299,025</b>	<b>49,195,778</b>
<b>Non Current Liabilities</b>			
Bank Loans		-	-
<b>Total Liabilities</b>		<b>27,299,025</b>	<b>49,195,778</b>
<b>Net Assets</b>		<b>176,909,345</b>	<b>76,962,236</b>
Capital Fund		-	-
Accumulated Surplus		176,909,345	76,962,236
<b>Total Capital and Liabilities</b>		<b>176,909,345</b>	<b>76,962,236</b>

The notes set out on pages 6-34 form an integral part of these Financial Statements. The Financial Statements set out on pages 1-5 were signed on behalf of the Council by:

  
Lt Gen D K C Tarus  
Vice-Chancellor

  
CPA M N Nginga  
Director Finance & Accounts  
ICPAK M/No. 7505

  
Gen C M Kahariri  
Chairman of the Council

Date:

11.11.25

Date:

11.11.25

Date:

13.11.25

16. Statement of Changes in Net Assets for the year ended 30 June 2025

Particulars	Capital Reserves	Revenue Reserves	Cumulative 2024-2025 Total Kshs.
At July 1, 2023	-	3,530,921	3,530,921
Capital Grants	-	-	-
Surplus from Operations	-	73,431,317	73,431,317
<b>At June 30, 2024</b>	<b>-</b>	<b>76,962,238</b>	<b>76,962,238</b>
At July 1, 2024	-	-	-
Capital Grants	-	-	-
Surplus from Operations	-	99,947,107	99,947,107
<b>At June 30, 2025</b>	<b>-</b>	<b>176,909,345</b>	<b>176,909,345</b>

17. Statement of Cash Flows for the year ended 30 June 2025

Particulars	Notes	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Operating Activities			
Surplus for the year		99,947,107	73,431,317
Adjustments for			
Provision for Depreciation	19 b	15,204,367	11,993,390
Movement in Provisions for accrued expenses for the year	20 b	(23,081,482)	34,693,800
Movement in Deferred Income for the Year	20 c	-	(3,729,810)
		92,069,993	116,388,697
Changes in Working Capital			
(Increase) Decrease in Receivables		(1,810,135)	(12,203,562)
Increase (Decrease) in Payables		1,184,730	(10,136,519)
		(625,405)	(22,340,081)
Cash Generated from Operations		91,444,588	94,048,616
Investing Activities			
Purchase of Property, Plant and Equipment	19 a	(17,487,411)	(48,933,457)
Net Cash from Investing Activities		(17,487,411)	(48,933,457)
Financing Activities			
Net Cash from Financing Activities		-	-
Net Increase (Decrease) in Cash and Cash Equivalents		73,957,177	45,115,159
Cash and Cash Equivalents at the start of the Period		67,899,052	22,783,893
Cash and Cash Equivalents at the Close of the Period	17	141,856,229	67,899,052

National Defence University-Kenya  
Annual Report and Financial Statements  
for the year ended June 30, 2025.

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Particulars	Note	Original Budget	Adjustments	Final Budget	Actual on	Performance	Performance	% of Utilization
		2024/2025 Kshs.	2024/2025 Kshs.	2024/2025 Kshs.	Comparable basis 2024/2025 Kshs.	Difference 2024/2025 Kshs.	Difference 2024/2025 %	
<b>Revenue from Non-Exchange Transactions</b>								
GoK Recurrent Capitation Grant	6	354,100,000	-	354,100,000	354,100,000	-	0%	100%
Partner Recurrent Grants - Student Payables	6 b	-	-	-	8,000	-	-	-
Partner Recurrent Grants - MOD Grants- Salaries	6 b	-	376,820,916	376,820,916	376,820,916	-	0%	100%
Partner Recurrent Grants - MOD Grants- Graduation S	6 b	-	21,457,448	21,457,448	21,457,448	-	0%	100%
Partner Recurrent Grants - MOD Grants- Mess Annex	6 b	-	24,581,400	24,581,400	24,581,400	-	0%	100%
Partner Recurrent Grants - Graduation Donation	7	-	1,274,000	1,274,000	1,286,000	-	-	-
FY 2022/23 & 2024/25 Carry-over	7 b	-	39,003,319	39,003,319	39,003,319	-	0%	0%
<b>Total Revenue from Non-Exchange Transactions</b>		<b>354,100,000</b>	<b>463,137,083</b>	<b>817,237,083</b>	<b>817,257,083</b>	-	-	-
<b>Revenue from Exchange Transactions</b>								
Revenue - Tuition and Related Fees	7	25,000,000	(5,000,000)	20,000,000	19,316,060	683,940	-3%	97%
Revenue - Other Services Rendered by CSSS	8	10,000,000	15,000,000	25,000,000	24,239,517	760,483	-3%	97%
		<b>35,000,000</b>	<b>10,000,000</b>	<b>45,000,000</b>	<b>43,555,577</b>	<b>1,444,423</b>		
<b>Total Revenue</b>		<b>389,100,000</b>	<b>473,137,083</b>	<b>862,237,083</b>	<b>860,812,660</b>	<b>1,444,423</b>		
<b>Expenditure</b>								
Staff Costs	9	155,722,160	342,946,316	498,668,476	456,901,199	41,767,277	8%	92%
Council Expenses	10	8,500,000	500,000	9,000,000	5,132,370	2,867,630	36%	64%
Insurance and Medical Expenses	11	11,000,004	5,500,000	16,500,000	1,708,377	3,791,623	69%	31%
Contracted Services	12	6,000,000	6,000,000	12,000,000	-	-	0%	0%
Use of Goods and Services	13	50,508,140	29,173,233	79,681,373	67,524,218	12,157,155	15%	85%
Administrative and Central Services	14	117,469,700	86,683,324	204,153,024	158,340,800	45,812,224	22%	78%
Repairs and Maintenance Expenses	16	20,000,000	1,000,000	21,000,000	17,050,902	1,949,098	10%	90%
Depreciation	19 b	-	-	-	15,204,367	(15,204,367)	0%	0%
<b>Total Expenditure</b>		<b>369,200,004</b>	<b>445,802,873</b>	<b>815,002,873</b>	<b>721,862,234</b>	<b>108,345,007</b>		
<b>Surplus/ (Deficit) from Recurrent Budget</b>		<b>19,899,996</b>	<b>27,334,210</b>	<b>47,234,210</b>	<b>138,950,426</b>	<b>(106,900,584)</b>		
Bank Loan		-	-	-	-	-		
GoK Development Grant		-	-	-	-	-		
Capital Expenditure		19,900,000	(540,390)	19,359,610	17,487,411	1,872,199	10%	90%
<b>Surplus/ (Deficit) for the Period</b>		<b>(4)</b>	<b>27,874,600</b>	<b>27,874,600</b>	<b>121,463,015</b>	<b>(108,772,783)</b>		

## 19. Notes to the Financial Statements

### 1. General Information

National Defence University-Kenya is established by and derives its authority and accountability from Section 24 of the Universities Act No 42 of 2012 (Revised 2020) and was chartered on 27<sup>th</sup> May 2021. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is teaching, research and community outreach.

### 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 actuarial determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

a. **New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

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

b. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Standard	Effective date and impact:
IPSAS 43 Leases	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The University will apply the accounting standard once it completes the leasing process of its land.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The University will apply the accounting standard should any assets be year-marked for disposal.</p>
IPSAS 45- Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be</p>

**National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.**

Standard	Effective date and impact:
	<p>recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e. g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The University will apply the accounting standard on all its property plant and equipment.</p>
<p>IPSAS 46 Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The University will apply the accounting standard on all its property plant and equipment.</p>
<p>IPSAS 47- Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The University will apply the accounting standard on all its revenues from exchange transactions.</p>
<p>IPSAS 48- Transfer</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider</p>

**National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.**

Standard	Effective date and impact:
Expenses	<p>shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The University will apply the accounting standard should a transfer provider arise.</p>
IPSAS 49- Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The University will apply the accounting standard on reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b>Applicable 1<sup>st</sup> January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> </ol> <p>Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p>The University will apply the accounting standard should a exploration for &amp; evaluation of mineral resources arise.</p>

**c. Early adoption of standards**

The University did not early – adopt any new or amended standards in the financial year.

**Notes to the financial statements (continued)**

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Fees, taxes and fines**

The University recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University 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 University and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

**ii. Revenue from exchange transactions**

**Rendering of services**

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**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 University.

**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.

**b. Budget information**

The original budget for the Current FY was approved by the National Assembly on 21 January 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**Budget information (continued)**

on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

**c. Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The University is not rendering any taxable services. However, the University is an appointed withholding tax agent.

**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 University 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.

The annual rates used are:

Buildings	-	2.5%
Machinery & equipment	-	20%
Furniture & fittings	-	12.5%
Equipment/plant/tractors	-	10%
Motor vehicles	-	25%
Library books	-	20%
Computers and appliances	-	33.3%

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**e. Intangible assets**

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

**f. Research and development costs**

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

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

**g. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The University does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the University's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Financial instruments (Continued)**

instrument of another entity. At initial recognition, the University measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**i. Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Financial instruments (Continued)**

**Amortized cost**

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

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

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

**Fair value through surplus or deficit**

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

**Impairment**

The University assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets. The University

**ii. Financial liabilities**

**Classification**

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

**h. Inventories**

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

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

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

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**i. Provisions**

Provisions are recognized when the University 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 University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**j. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The University recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the University will incur in fulfilling the present obligations represented by the liability.

**k. Contingent liabilities**

The University 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.

**l. Contingent assets**

The University 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 University 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.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**m. Nature and purpose of reserves**

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

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

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

**o. Employee benefits**

**Retirement benefit plans**

The University provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions into Government Superannuation 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 the 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.

**p. 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.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**q. Related parties**

The University 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 University, or vice versa. Members of key management are regarded as related parties and comprise the Council members, the Vice Chancellor and the Deputy Vice Chancellors.

**r. 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.

**s. Comparative figures**

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

**t. 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, 2025.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions.**

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

**Useful lives and residual value**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

6. (a) Transfers from the Government

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
<b><u>GoK Capitation Grants</u></b>		
September	88,525,000	76,500,000
December	88,525,000	76,500,000
March	88,525,000	76,500,000
April	29,508,333	-
May	29,508,333	-
June	29,508,333	76,500,000
<b>Total GoK Recurrent Grants</b>	<b>354,100,000</b>	<b>306,000,000</b>

b) Transfers from the Ministry of Defence

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Partner Recurrent Grants -Others-MOD Student Payable	8,000	7,940,800
Partner Recurrent Grants -MOD Grants-Salaries (In Kind)	376,820,916	348,946,316
Partner Recurrent Grants -MOD Grants-Graduation Tents (In Kind)	21,457,448	-
Partner Recurrent Grants -MOD Grants-Mess Annex Rent (In Kind)	24,581,400	21,101,400
<b>Total MOD Recurrent Grants in Kind</b>	<b>422,867,764</b>	<b>377,988,516</b>

These are transfers in kind from the Ministry of Defence in support of the University.

7. Donations

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Donations for Graduation-KCB Bank	750,000	750,000
Donations for Graduation-Equity Bank	-	1,300,000
Donations for Graduation-Co-operative Bank of Kenya	300,000	-
Donations for Graduation-Pioneer Insurance	100,000	-
Donations for Graduation-Kingdom Bank	100,000	-
Donations - Others	36,000	-
<b>Total Donations</b>	<b>1,286,000</b>	<b>2,050,000</b>

These were cash donations from various institutions.

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

8. Tuition and Related Fees

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Application Fees	72,000	231,000
Tuition Fees	12,762,600	16,187,230
Registration Fees	295,000	432,000
Orientation Fees	23,000	79,000
ICT Charges	406,000	571,000
Library Fees	290,000	385,000
Student I/D	69,000	141,000
Activity Fees	58,000	77,000
Examination Fees	903,000	1,347,000
Material Development	261,000	346,500
Online Subscription Fees	630,460	836,990
Thesis Examination	1,050,000	900,000
Research Project Examination	-	120,000
Project Processing	-	18,000
Convocation Fees	210,000	312,000
Hire of Academic Dress	140,000	218,000
Thesis Processing	280,000	400,000
CUE	-	41,000
Insurance	116,000	142,000
Field Trips	-	1,500,000
Field Attachment	1,750,000	-
<b>Total Tuition and Related Fees</b>	<b>19,316,060</b>	<b>24,284,720</b>

9. Rendering of Services by Centre for Strategic and Security Studies (CSSS)

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
CSSS-MOH-Public Health	2,162,978	3,729,810
CSSS-MOH-KMPDC	1,860,905	-
CSSS-HOPs	3,130,144	7,280,000
CSSS-MOH&UD-Digital Solution for Climate Resilience Services Pro	13,804,000	-
CSSS-BIOVAX	3,281,490	-
CSSS-KESRA	-	5,818,800
CSSS-ACA	-	2,194,215
<b>Total Revenue-Other Services Rendered</b>	<b>24,239,517</b>	<b>19,022,825</b>

The Centre for Security and Strategic Studies (CSSS), a research unit in National Defence University (NDU-K), is a link to diverse stakeholders in government, industry and private sector to deepen security awareness in safeguarding national interests. The Unit carries out short sensitization programs that earn the University an income as the stakeholders are charged a facilitation fee.

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

10. Personnel Emoluments

Particulars	Cumulative	Cumulative
	2024-2025	2023-2024
	Kshs.	Kshs.
Basic Salary	406,074,552	378,720,107
Other salary	5,328,401	6,097,715
House Alw	8,363,963	9,330,984
Commuter Alw	1,600,000	1,728,067
Air Time Alw	1,772,000	1,698,333
Entertainment Alw	1,564,000	1,625,200
Extraneous Alw	2,990,000	3,105,000
Responsibility Alw	2,225,000	2,385,833
Special Duty Allowance	133,472	3,355,833
Research Alw	3,339,000	-
Book Alw	445,000	430,000
Non Use Car Alw	2,929,000	2,885,833
Pension -Employer	2,462,640	1,465,152
NITA	9,050	8,000
NSSF-Employer	215,640	174,600
A.H Levy-Employer	965,714	805,878
Gratuity	11,266,961	1,241,610
Casuals	3,190,806	4,019,686
Emergency	864,000	720,000
Medical Extraneous Allowance	240,000	200,000
Non Practice Allowance	552,000	460,000
Leave allow	370,000	689,167
<b>Total Personnel Emoluments Costs</b>	<b>456,901,199</b>	<b>421,146,998</b>

KDF Staff salaries of Kshs.376,820,916.00 graded in kind has been incorporated.

11. Council Expenses

Particulars	Cumulative	Cumulative
	2024-2025	2023-2024
	Kshs.	Kshs.
Sitting Allowances	2,848,800	2,268,300
Mileage/Travel	164,170	17,292
Training Expenses	120,000	-
Chairman's Allowance	1,470,000	1,187,550
Accommodation	156,400	274,100
Telephone Expense	275,000	-
Chairman's Phone Allowance	98,000	-
<b>Total Council Expenses</b>	<b>5,132,370</b>	<b>3,747,242</b>

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

12. Insurance and Medical Expenses

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Medical Insurance	1,371,578	3,911,727
Group Life/ WIBA	336,799	-
<b>Total Insurance and Medical Expenses</b>	<b>1,708,377</b>	<b>3,911,727</b>

13. Contracted Services

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Maintenance of Ground and cleaning	-	2,682,937
<b>Total Contracted Services Expenses</b>	<b>-</b>	<b>2,682,937</b>

14. Use of Goods and Services/ Academic & Research Expenses

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Research and Development - workshops, seminars; Journal Examinations expenses	14,393,134	12,170,602
Thesis Examination	11,094,505	3,011,996
Curriculum Development - Accredn of 3 progs. & CUE Inspection	2,680,979	-
Student Admission, Certificates and Transcripts /Consumable stores	1,526,000	1,943,951
Student Lab Expenses	-	31,000
Library expenses/Research Expenses/Journal Launch	2,839,420	-
Publishing and Printing/ Discemination and Publicity	729,012	5,803,096
Training Expenses/Capacity Building/Honoraria	416,194	3,154,462
Quality Assurance	2,162,250	2,388,988
Emergency Medical Drugs	1,064,410	946,577
Student Activites	134,554	-
CSSS Expenses	3,785,106	1,213,120
<b>Total Use of Goods and Services / Academic / Research Expense</b>	<b>26,698,655</b>	<b>15,433,790</b>
	<b>67,524,218</b>	<b>46,097,582</b>

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

15. Administrative Costs

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Domestic Travel, Accomodation	18,570,951	18,712,912
Foreign Travel , Accomodation	2,337,791	2,559,722
Water & Sewarage Charges	912,617	450,084
Electricity Expenses	9,910,594	3,172,234
Purchase of Stationery	5,092,350	3,270,850
Refined Fuel , Oil & Lubs	12,496,341	11,078,370
Hospitality Supplies & Services	11,835,160	15,193,242
Telephone, Telex, Internet Expenses	6,089,287	5,270,797
Software Licences, Renewals and Connectivity	3,919,753	-
Courier & Postal Services	18,900	11,450
Newspapers & Magazines	993,779	1,249,234
Strategic Initiatives	2,374,104	4,441,796
Shows & Exhibitions Expenses	826,260	-
Corporate Communications	2,116,319	-
Seminars, Trainings, Workshops	1,210,953	1,100,729
Audit Fee	900,000	900,000
Team Building	896,358	-
Bank Charges	52,980	92,286
Cleaning Materials	1,822,691	2,937,689
Mess Annexes Rent	26,407,101	26,164,051
Mess Annexes Expenses	3,676,633	-
Fuel & Gas	1,941,250	443,040
Graduation Expenses	31,220,978	33,309,163
University Subscription to Other Bodies	200,000	-
Subscription to Professional Bodies	59,400	134,143
Laundry Expenses-Linen and Clothing	653,700	711,610
Part-time lecturers	4,412,650	10,426,306
CUE Charges	308,000	699,000
Thesis Supervision	7,083,900	4,742,167
<b>Total Administration and Central Services Expenses</b>	<b>158,340,800</b>	<b>147,070,876</b>

16. Repairs and Maintenance

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Maintenance of Equipment	1,439,903	308,489
Maintenance of Building	3,326,928	-
Maintenance Expenses- Motor Vehicles	10,585,827	11,454,589
Computer Accessories and Techstores	1,698,244	7,500,916
<b>Total Repair and Maintenance Expenses</b>	<b>17,050,902</b>	<b>19,263,994</b>

Notes to the Financial Statements (Continued)

17. Cash and Cash Equivalents

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
<b>Bank balances</b>		
Main - Bank Balances	141,856,228	67,899,052
<b>Total Bank Balances</b>	<b>141,856,228</b>	<b>67,899,052</b>
<b>Petty Cash</b>		
Main - Cash in Hand	-	-
<b>Total Cash in Hand</b>	<b>-</b>	<b>-</b>
<b>Total Cash in Bank and in Hand</b>	<b>141,856,228</b>	<b>67,899,052</b>
<b>Total Cash and Cash Equivalents</b>	<b>141,856,228</b>	<b>67,899,052</b>

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	Cumulative 2024-2025	Cumulative 2023-2024
		Kshs	Kshs
<b>Current Account</b>			
KCB Bank Kenya	1296801357	117,350,916	56,370,540
Cooperative Bank of Kenya.	01141883144800	24,505,312	11,528,512
<b>Grand Total</b>		<b>141,856,228</b>	<b>67,899,052</b>

18. Receivables from Exchange Transactions

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Outstanding Imprest	483,766	-
Prepaid Medical Insurance Expenses	2,743,156	-
Prepaid Group Life/ WIBA Expenses	673,599	-
CSSS Debtors	3,271,974	6,720,000
Rent Deposit-4 Bedroom Maisonette-Lang'ata	240,000	-
Student Debtors	13,299,652	12,182,012
<b>Net Receivables from Exchange Transactions</b>	<b>20,712,147</b>	<b>18,902,012</b>

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

19. a .Property, Plant and Equipment

Particulars	Equipments (20%)	Library Books (20%)	Furniture & Fittings (12.5%)	Computer and Appliances (33.3%)	Totals
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Cost or Valuation</b>					
As at 01/07/2024	26,916,307	-	8,881,899	16,516,191	52,314,397
Year adjustments	-	-	-	-	-
Additions During the year	7,146,253	3,130,133	5,988,325	1,222,700	17,487,411
As at 30/06/2025	34,062,560	3,130,133	14,870,224	17,738,891	69,801,808
<b>Depreciation</b>					
As at 01/07/2024	5,390,101	-	1,204,737	6,362,608	12,957,446
Year adjustments	-	-	-	-	-
Charge for the year	6,812,512	626,027	1,858,778	5,907,051	15,204,367
As at 30/06/2025	12,202,613	626,027	3,063,515	12,269,659	28,161,813
<b>NBV-30th June 2024</b>	<b>21,526,206</b>	<b>-</b>	<b>7,677,162</b>	<b>10,153,583</b>	<b>39,356,951</b>
<b>NBV-30th June 2025</b>	<b>21,859,947</b>	<b>2,504,106</b>	<b>11,806,709</b>	<b>5,469,232</b>	<b>41,639,995</b>

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

b. Depreciation Expenses

<b>19 b: Depreciation Expenses</b>		
<b>Particulars</b>	<b>Cumulative 2024-2025 Kshs.</b>	<b>Cumulative 2023-2024 Kshs.</b>
Equipments	6,812,512	5,383,261
Library Books	626,027	-
Furniture & Fittings	1,858,778	1,110,237
Computer and Appliances	5,907,051	5,499,892
<b>Total Depreciation Expenses</b>	<b>15,204,368</b>	<b>11,993,390</b>

20. a. Trade and Other Payables

<b>Particulars</b>	<b>Cumulative 2024-2025 Kshs.</b>	<b>Cumulative 2023-2024 Kshs.</b>
Caution Money	195,000	144,000
CUE Charges	23,000	-
Student Prepayments	2,699,031	1,588,301
<b>Total Trade and Other Payables</b>	<b>2,917,031</b>	<b>1,732,301</b>

b. Accruals and Provisions

<b>Particulars</b>	<b>Cumulative 2024-2025 Kshs.</b>	<b>Cumulative 2023-2024 Kshs.</b>
Accrued Expenses	24,381,995	47,463,477
<b>Total Accruals and Provisions</b>	<b>24,381,995</b>	<b>47,463,477</b>

21. Employee Benefit Obligations

The University operates a defined benefit scheme for all permanent employees. The University also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The University's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.360 and Ksh.2,160 per employee per month for permanent and employees on contract respectively. Other than NSSF the University also has a defined pension contribution scheme operated by Public Service Superannuation. Employees contribute 7.5 % while employers contribute 15 % of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

**22. Financial Risk Management**

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

**Notes to the Financial Statements (Continued)**

credit is only extended to customers with an established credit history. The University's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The University has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking-into-account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

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

Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2025</b>				
Receivables from exchange transactions	20,712,147	20,712,147	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	141,856,228	141,856,228	-	-
<b>Total</b>	<b>162,568,375</b>	<b>162,568,375</b>	-	-
<b>As at 30 June 2024</b>				
Receivables from exchange transactions	18,902,012	18,902,012	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	67,899,052	67,899,052	-	-
<b>Total</b>	<b>86,801,064</b>	<b>86,801,064</b>	-	-

**Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the University has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The University has no significant concentration of credit risk. The Council sets the University's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

Notes to the Financial Statements (Continued)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2025</b>				
Trade payables	-	2,917,031	-	2,917,031
Current portion of borrowings	-	-	-	-
Provisions for bad debts and accruals	-	24,381,995	-	24,381,995
Deferred income	-	-	-	-
<b>Total</b>	-	<b>27,299,025</b>	-	<b>27,299,025</b>
<b>As at 30<sup>th</sup> June 2024</b>				
Trade payables	-	1,657,301	75,000	1,732,301
Current portion of borrowings	-	-	-	-
Provisions for bad debts and accruals	-	47,463,477	-	47,463,477
Deferred income	-	-	-	-
<b>Total</b>	-	<b>49,120,778</b>	<b>75,000</b>	<b>49,195,778</b>

iii) **Market risk**

The University has put in place an internal audit function to assist it in assessing the risk faced by the University on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The University's Finance and Accounts 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

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

implementation of those policies. There has been no change to the University's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

The University has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The University manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments. The University has no carrying amounts of monetary assets and liabilities denominated in foreign currency.

**b) Interest rate risk**

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The University has no interest rate earning bank deposits during the period.

**iv) Capital Risk Management**

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

Notes to the Financial Statements (Continued)

Financial Risk Management

Description	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Revaluation Reserve	-	-
Retained Earnings	99,947,107	73,431,315
Capital Reserve	-	-
Total Funds	99,947,107	73,431,315
Total Borrowings	-	-
Less: Cash and Bank Balances	141,856,228	67,899,052
Net Debt/ (Excess Cash And Cash Equivalents)	- 141,856,228	- 67,899,052
Gearing	0%	0%

**23. Related Party Disclosures**

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

The Government of Kenya is the principal shareholder of the University, holding 100% of the University's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the University, both domestic and external.

Other related parties include:

**i) Ministry of Defence**

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Partner Recurrent Grants -Others-MOD Student Payable	8,000	7,940,800
Partner Recurrent Grants -MOD Grants-Salaries (In Kind)	376,820,916	348,946,316
Partner Recurrent Grants -MOD Grants-Graduation Tents (In Kind)	21,457,448	-
Partner Recurrent Grants -MOD Grants-Mess Annex Rent (In Kind)	24,581,400	21,101,400
<b>Total MOD Recurrent Grants in Kind</b>	<b>422,867,764</b>	<b>377,988,516</b>

Notes to the Financial Statements (Continued)

ii) The Council

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Sitting Allowances	2,848,800	2,268,300
Mileage/Travel	164,170	17,292
Training Expenses	120,000	-
Chairman's Allowance	1,470,000	1,187,550
Accommodation	156,400	274,100
Telephone Expense	275,000	-
Chairman's Phone Allowance	98,000	-
<b>Total Council Expenses</b>	<b>5,132,370</b>	<b>3,747,242</b>

iii) Senior management

Particulars	Cumulative 2024-2025 Kshs.	Cumulative 2023-2024 Kshs.
Basic Salary	44,634,708	40,574,108
	44,634,708	40,574,108

24. Events after the Reporting Period

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

25. Ultimate and Holding University

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

26. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.**

**20. Appendices**

**Appendix 1: Implementation Status of Auditor-General's Recommendations**

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

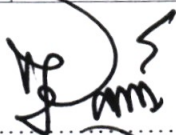
<b>Reference No. on the external audit Report</b>	<b>Issue/Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.	Undisclosed Property, Plant and Equipment	The process to have ownership of the equipment and land in question has been undertaken with the parent Ministry. Specifically, for the transfer of the University land from Ministry of Defence to the University has kicked off and the Ministry of Lands retained to do the land survey, excision and valuation. The University awaits action by the Ministry of Lands to that effect. On the issue of equipment, the University is reconciling its ledger records with Ministry of Defence Headquarters where most of the equipment were procured, sourced or donated.	Awaiting valuation of Land and other assets	Not Addressed.
2.	Lack of Approved Staff Establishment and Remuneration Structure	The Management is also engaging with the Salaries and Remuneration for advisory on the salary structure for the new organization structure that was approved by Public Service Commission.		Not Addressed.
3.	Staff Under-Establishment	The Management notes that the observation that the University is not adequately staffed to effectively execute its mandate. However, the University	MOD has recruited 8 Academic staff for the University. Further, Phase 3 of the recruitment is	Not Addressed

**National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.**

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Management and the Council has endeavored to fully operationalize the University functions and has approved the recruitment of both academic, technical and administrative staff in a phased approach.</p> <p>Phase 1&amp;2 (Recruitment of Senior Administrative and Academic staff) has been completed. However, Phases 3&amp;4 (Technical and Support Cadre) is yet to be finalized. University management has forwarded HR instruments to SRC for evaluation and approval of salaries structure and allowances. Besides, the University Council approved deployment of qualified and experienced uniformed staff to key positions in the University as a stop gap measure.</p> <p>The optimal staffing level for the University in the strategic plan 2023-2027 is three-hundred and eight (308) substantive positions. However, the University is striving to achieve at least half of the establishment by 2025/26 due to financial implications as well as the current budget cuts on recruitment.</p>	ongoing	
4.	Delay in Implementation of Enterprise Resource Planning System	<p>The University has made significant progress in implementing the various modules in the ERP. The following modules are fully operational:</p> <ul style="list-style-type: none"> <li>a. Students' registration</li> <li>b. Students' records</li> </ul>	ERP Phase I is completed and Phase 2 is under procurement process	Partly Addressed

National Defence University-Kenya  
 Annual Reports and Financial Statements  
 for the year ended June 30, 2025.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>a. Students' registration            b. Students' records            c. Admissions            d. Course Registration            e. Examination Management</p> <p>The University is at the tail end of operationalization of the following modules:            a. Fee management module            b. Lecture module            c. Student portal            d. Learning management system.</p> <p>The University has entered data into the specific modules and currently doing cleansing and validation of data before the students can access the information            Admittedly, phase 2 of the project, comprising Finance, Procurement and HR modules, has not been initiated due to budgetary constraint. A budgetary consideration has been approved in FY 25/26 MTEF to facilitate implementation of phase 2 of the project.</p>		

  
 -----  
 Lieutenant General D K C Tarus  
 Accounting Officer  
 Date: 11.11.25

**Appendix II: Projects implemented by the University**

The University has no projects funded by development partners and the Government. Phase II of the ERP's funding has been considered in the FY 2025/26 MTEF budget.

**Appendix III: Status of Projects completion**

The University has no projects funded by development partners and the Government in the financial year.

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received	Where Recorded/recognized							
	As per bank statement	Nature: Recurrent/ Development/ Others	Total Amount KES	Statement of Financial Performance	Capital Fund	Deferred Income (Received in-advance)	Receivables	Others - must be specific	Total Transfers
Ministry of Defence	16.09.2024	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	16.09.2024	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	16.09.2024	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	19.12.2024	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	19.12.2024	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	19.12.2024	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	25.03.2025	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	25.03.2025	Recurrent	29,508,335	29,508,335	-	-	-	-	29,508,335
	25.03.2025	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	23.04.2025	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
	25.05.2025	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333
18.06.2025	Recurrent	29,508,333	29,508,333	-	-	-	-	29,508,333	
<b>Total</b>			<b>354,100,000</b>	<b>354,100,000</b>	-	-	-	-	<b>354,100,000</b>

National Defence University-Kenya  
Annual Reports and Financial Statements  
for the year ended June 30, 2025.

Appendix V- Inter-Entity Confirmation Letter

Name of Transferring Entity: Ministry of Defence

Name of Beneficiary Entity: National Defence University-Kenya

<b>Confirmation of amounts received by National Defence University-Kenya as at 30th June 2025</b>					
<b>Reference Number</b>	<b>Date Disbursed</b>	<b>Recurrent (A)</b>	<b>Development (B)</b>	<b>Total (C)=(A+B)</b>	<b>Remarks</b>
6871152	16.09.2024	29,508,333	-	29,508,333	1st Allocation
6871153	16.09.2024	29,508,333	-	29,508,333	2nd Allocation
6871154	16.09.2024	29,508,333	-	29,508,333	3rd Allocation
4205483	19.12.2024	29,508,333	-	29,508,333	4th Allocation
4205484	19.12.2024	29,508,333	-	29,508,333	5th Allocation
4205485	19.12.2024	29,508,333	-	29,508,333	6th Allocation
6871223	25.03.2025	29,508,333	-	29,508,333	7th Allocation
6871225	25.03.2025	29,508,335	-	29,508,335	8th Allocation
6871227	25.03.2025	29,508,333	-	29,508,333	9th Allocation
6871260	23.04.2025	29,508,333	-	29,508,333	10th Allocation
6871468	25.05.2025	29,508,333	-	29,508,333	11th Allocation
6871481	18.06.2025	29,508,333	-	29,508,333	12th Allocation
<b>Total</b>		<b>354,100,000</b>	-	<b>354,100,000</b>	

Confirmation of amounts received by National Defence University-Kenya as at 30 June 2025

Amounts Disbursed by Ministry of Defence as at 30 June 2025

Reference Number	Date Disbursed	Recurrent (KShs) (A)	Development (KShs) (B)	Inter - Ministeria l (KShs) (C)	Total (KShs) (D)=(A+B+C)	Amount Received by National Defence University-Kenya as at 30 June 2024 (Kshs) (E)	Differences (Kshs) (D)-(E)
1	30th/Jun/25	354,100,000	0		354,100,000	354,100,000	0
<b>Total</b>		<b>354,100,000</b>	<b>0</b>	<b>0</b>	<b>354,100,000</b>	<b>354,100,000</b>	<b>0</b>

I confirm that the amounts shown above are correct as of the date indicated

Head of Accounts, Ministry of Defence

Name E. W. Wanyonyi

Signature [Signature]

Date 15.07.2025

**HEAD OF ACCOUNTING  
UNIT  
MINISTRY OF DEFENCE**

Head of Accounts, National Defence University-Kenya

Name M. N. Nginga

Signature [Signature]

Date 23.7.2025

**DIRECTOR FINANCE AND ACCOUNTS  
23 JUL 2025  
NATIONAL DEFENCE UNIVERSITY - KENYA**