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THE AUDITOR-GENERAL

ON

UNIVERSITIES FUND

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



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UNIVERSITIES FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2019



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

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CS	Cabinet Secretary
CSP	Corporate Strategic Plan
DUC	Differentiated Unit Cost
FY	Financial Year
GoK	Government of Kenya
HRM	Human Resource Management
ICT	Information & Communication Technology
MoE	Ministry of Education
PS	Principal Secretary
SP	Strategic Plan
GSS	Government Sponsored Students
UF	Universities Fund
UFB	Universities Funding Board
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
SAGA	Semi- Autonomous Government Agency
AGPO	Access to Government Procurement Opportunities
PPE	Property Plant and Equipment
SDUE	State Department for University Education
PFM	Public Finance Management
OAG	Office of the Auditor General
MDUC	Maximum Differentiated Unit Cost

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal activities

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

c) Key Management

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

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

d) Fiduciary Management

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

No.	Designation
1.	Chief Executive Officer
2.	Finance Officer
2.	ICT / Fund management officer

e) Fiduciary Oversight Arrangements

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

- 1) Audit and Risk Committee of the Board;
- 2) Finance Administration and General purpose Committee of the Board;
- 3) Resource Mobilization Committee of the Board;
- 4) Planning and Research Committee of the Board;
- 5) Budget Implementation Committee;

- 6) Tender Committee(Appointed from time to time);
- 7) The National Treasury; and
- 8) The Office of the Auditor General.

f) Fund Headquarters

Teleposta Towers
P.O Box 9583 – 00200
27th Floor
Nairobi. Kenya

g) Fund contacts

Telephone: 0746737935
Email: info.ufb027@gmail.com
Website: www.ufb.go.ke

h) Fund Banker

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

i) Independent Auditors

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

j) Principal Legal Adviser

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

VISION

Sustainable financing of Universities in Kenya for global competitiveness

MISSION

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

MANDATE

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

CORE VALUES

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

Professionalism – Embrace competence in all our undertakings.

Efficiency - Achieving optimum output from our resources.

Teamwork –Working together for a common purpose.

Transparency - Ensure accurate information on the board activities.

Accountability - Responsible for decisions and actions

Customer focus - Strive to meet and exceed customer expectations.

BOARD OF TRUSTEES

The Board of Trustees consisted of eight (8) members and the Chief Executive Officer as the Secretary as follows;

	<p>Prof. Kinandu Muragu joined the Board on 18th December, 2015 as the Chairperson of the Board. He holds a Ph.D. in Finance from Adam Smith Business school, University of Glasgow, UK. He also has a Masters Degree in Business administration and a Bsc Degree from University of Nairobi, He is also a CPAK. He has been a member of senior management team of the Central Bank of Kenya for 7 years, before his appointment he was the Executive Director of Kenya School of Monetary Studies. His term ended on 18th December, 2018.</p>
	<p>Mr. Paul Muinde joined the Board on 18th December 2015 as a Member of the Board. He holds a Masters Degree in Computer Science from Sheffield University (UK), BSc Degree of Electronics and Electrical Engineering from Manchester University (UK). He previously worked in Kenya Airways as Head of ICT, also worked as ICT Manager at Daystar University. Before his appointment he was an ICT Consultant. His Term ended 18th December, 2018</p>
	<p>Mr. Samuel Mugambi joined the Board on 3rd October, 2018 as a PS Representative - State Department for University Education and Research in the Board. He is the Chief Finance Officer Ministry of Education State Department for University Education and Research. CPA-K</p>
	<p>Dr. Magdalene Ngala joined the Board on 18th December 2015 as Member of the Board. She holds Ph.D in Educational Administration and Planning from the CUEA Kenya. Masters of Philosophy Degree in Economics from Moi University, Bachelors Degree in Economics and Geography. She previously worked as Assistant Lecturer CUEA, Before her appointment she was a Senior Lecturer at Strathmore University. Her Term ended 18th December, 2018</p>
	<p>Mrs. Dorcas Mugambi joined the Board on 18th December 2015 as Member of the Board. She holds Masters Degree in Business Administration and Bachelors of Commerce Marketing option from the University of Nairobi. She previously served as member of KRA income Committee. Internal Auditor Kenya Commercial Bank. Before her appointment she was head of Trade Finance Co-operative Bank of Kenya. Her Term ended 18th December, 2018</p>

 <p>Mrs. Christine Wanjiku Tonui Independent Member</p>	<p>Mrs. Christine Wanjiku Tonui joined the Board on 18th December 2015 as Member of the Board.</p> <p>She holds Masters of Science in Management (Research and Administration) Boston University USA, Masters in Business Administration (Strategic Management) Moi University. Bachelors of Science in Environmental Health Moi University. She previously served as the chairperson of the Association of Research Administrators in Africa. Before her appointment she served as Chief of Research and Sponsored Projects Office (RSPO) - Ampath in Moi Teaching and Referral Hospital.</p> <p>Her Term ended 18th December, 2018.</p>
 <p>Dr. Asenath Kenya Maobe Independent Member</p>	<p>Dr. Asenath Kenya Maobe joined the Board on 18th December 2015 as Member of the Board.</p> <p>She holds Masters in Business Administration (Finance) from Egerton University, Bachelors of Commerce from Egerton University. She holds CPA (K). She previously worked as Relationship Officer at Commercial Bank of Africa. Accountant Baraton University, Full time Lecturer in University of East Africa and Kisii University. Before her appointment she was a lecturer at Baraton University.</p> <p>Her Term ended 18th December, 2018</p>
 <p>Dr. James Mwanzia Independent Member</p>	<p>Dr. James Mwanzia joined the Board on 18th December 2015 as Member of the Board.</p> <p>He holds Master's Degree in Public Health University of Leeds England, Bachelors degree of Surgery University of Nairobi. He holds an Award Order of the Silver Star. He previously worked as District Medical officer (DMO) Machakos District. Director of Medical Services Ministry of Health, Director Research Development (DRD) Ministry of Science and Technology. Before his Appointment he was Chief of Party Funzo Kenya Project.</p> <p>His Term ended 18th December, 2018.</p>
 <p>Mr. Milton K. Njuki Ag. CEO-UF & Secretary to the Board of Trustees</p>	<p>Mr. Milton K. Njuki joined the Fund as the Acting Chief Executive Officer and Secretary to the Board of Trustee in the year 2016. He holds Master's Degree in Strategic Management from Kenyatta University. Bachelor's degree in Education Economics and Geography. Before his appointment he was Senior Assistant Director of Education State Department for University Education.</p>




NB/ The term of the Board ended on 18th December, 2018 and a new Board of Trustees was appointed effective 1st July 2019 as shown below:

 <p>Prof. Moses Henry Thairu</p>	<p>Prof. Moses Henry Thairu joined the Board on 1st July 2019 as a Member of the Board.</p> <p>He is the current Director of Kenyatta University Consultancy Unit as well as the Coordinator of the School of Creative Arts , Film and Media Studies at Kenyatta University. He is also the Chairman of Governing Council of Mater Hospital from March 2018. He is also the Chairman of Daystar University Governing Council since August 2018.</p> <p>Henry Thairu has served as the Chairman, Commission for University Education from January 2014 to October 2016. He is the former Vice Chancellor of Inoorero University (IU). (2008-2013). He is the founder Managing Director of JKUAT Enterprises LTD, a company wholly owned by Jomo Kenyatta University of Agriculture and Technology.(2005-2006). He is the former Chairman of the Board of Management of Kenya Education Network (KENET,1999-2008). He is former Chairman of the Board of Kenya Industrial Property Institute (KIPI,2007-2010) and former Chairman of National Council of Science and Technology. He is the former Chairman Radiation Protection Board (RPB) where he served for six years . He is the former Chairman of Kenya ICT Board Innovation Grants Committee. He is also the former Chairman and Governor of the Kenya Private Sector Alliance (KEPSA) Higher Education, Science and Technology Sector Board (2010-2014).</p>
 <p>Prof. Shem Migot Adholla</p>	<p>Prof. Migot-Adholla joined the Board on 1st July 2019 as a Member of the Board.</p> <p>He holds a PhD in Sociology of Development, Master of Arts in Sociology, both from University of California, was a Special Graduate Student in Agricultural Economics (Michigan State University) and earned a Bachelor of Arts (University of East Africa). He previously served as Vice-Chairman, Board of Directors, Kenya Wildlife Service, and was Lead Specialist on Land Policy and Administration for Africa Region in the World Bank. He has also served as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. He is currently a consultant on agriculture and rural development, land policy reform and environmental issues</p>
 <p>Mrs. Gilda Odera</p>	<p>Gilda Odera joined the Board on 1st July 2019 as a Member of the Board. She is a PhD candidate in Public Policy specializing in Management and Leadership and holds a Master of Arts in Leading Innovation and Change and a Bachelor of Arts Degree in Sociology. She has also attended various courses including Executive Business Education in Corporate Boards, Audit Committees and Compensation Committees at Harvard Business School.</p> <p>She is a pioneer in the ICT industry in Kenya and was instrumental in shaping the ICT and Business Process Outsourcing (BPO) and Impact Sourcing sector in Kenya through policy advocacy and providing advice to government in private/public sector task forces.</p>

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 Prof. Mwanda O. Walter	<p>Prof. Mwanda O. Walter joined the Board on 1ST July 2019 as a Member of the Board. He holds a Degree of Doctor of Medicine University of Nairobi, Postgraduate course in Epidemiology and Biostatistics in Clinical Epidemiology and Bio Statistics of John Hopkins University, Maryland USA. Postgraduate training in Haematology and Blood transfusion at Kenyatta National Hospital. He previously served as Chairman Department of Human Pathology, Syllabus and Curriculum Development from Medicine University of Nairobi. Before his appointment he was the Director University of Nairobi Institute of Tropical and Infectious Disease.</p>
 Mr. Samuel Mugambi PS-Representative SDUE&R	<p>Mr. Samuel Mugambi joined the Board on 3rd October, 2018 as a PS Representative - State Department for University Education and Research in the Board. He is the Chief Finance Officer Ministry of Education State Department for University Education and Research. CPA-K</p>
 Mr. Milton K. Njuki Ag. CEO-UF & Secretary to the Board of Trustees	<p>Mr. Milton K. Njuki joined the Fund as the Acting Chief Executive Officer and Secretary to the Board of Trustee in the year 2016. He holds Master's Degree in Strategic Management from Kenyatta University. Bachelor's degree in Education Economics and Geography. Before his appointment he was Senior Assistant Director of Education State Department for University Education.</p>

MANAGEMENT TEAM

	<p>Mr. Milton K. Njuki joined the Fund as the Acting Chief Executive Officer and Secretary to the Board of Trustee in the year 2016. He holds Master’s Degree in Strategic Management from Kenyatta University. Bachelor’s degree in Education Economics and Geography. Before his appointment he was Senior Assistant Director of Education State Department for University Education.</p>
 <p>Mr. Titus Macharia Finance Officer</p>	<p>Mr. Titus M.Wangeci is the Finance Officer of the Universities Fund. He holds a Bachelor degree in commerce Business Management – Finance. He has also pursued a Higher Diploma in Human Resource Management and CPA. He previously worked with the Ministry of Education-State Department for University Education in salaries Section.</p>
 <p>Miss. Mercy Gikonyo ICT Officer /Ag. Fund Management Officer</p>	<p>Miss Mercy Gikonyo is the Universities Fund ICT officer /Ag. Fund Management Officer. She holds a Bachelor degree in ICT and Management and has also pursued a Diploma in ICT and Management. She previously worked at Mustek East Africa Ltd as I.T Technician, Bytech Engineering as I.T Technician and at Africa Biosystems Ltd as a System Administrator.</p>

CHAIRMAN'S STATEMENT

The establishment of the Universities Fund (UF) in 2016 was a major milestone in financing of universities in Kenya. The Fund is managed by a Board of Trustees whose functions are but not limited to; finance Universities in Kenya, mobilize resources and receive funds from the Government, donors, and from any other source. The Fund is also required to develop transparent and fair criteria for allocation of funds to universities.

The UF operates within a dynamic environment which will continue to present new challenges and opportunities. A focused strategic direction is therefore key to enable the UF achieve its mandate and its desired goals under such environment.

Education and training is one of the social tenements identified by the Vision 2030 aimed to improve the quality of life for all Kenyans. The Constitution of Kenya (2010) emphasizes the need for equity, access, transparency and accountability on education and training. The development of the Maximum Differentiated Unit Cost (MDUC) for the undergraduate programmes offered in Kenyan universities has ensured transparency and fair allocation of funds to Universities. In addition to ensuring equal access to quality and relevant university education, the Fund puts in consideration enhancing funding to support the programmes under the Big 4 Agenda in Universities.

The 2018/2019 financial year marked a significant moment in the operations of the Fund in the implementation of Differentiated Unit Cost. The Trustees were able to allocate Funds to universities using these criteria which for the first time in decades ensured transparency and equity in allocation of funds to universities. The Trustees acknowledges the inadequacy of resources and will continue to engage the National Treasury and other stakeholders to seek increased budgetary allocation to ensure sustainable financing of universities in Kenya for global competitiveness.



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

REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the management and staff of the Universities Fund (UF), I am delighted to present the first annual report and an overview of the Fund's activities for the year ended 30th June, 2019. The financial performance for the year under review was mainly impacted by the Government, since the Fund depended fully on the Government of Kenya Grants for its operations during the year under review.

Since the establishments of the Fund vide the Universities Act, 2012, there has been tremendous achievement and more so during the 2018/2019 review period. The Fund operated under the State Department for University Education and Research with its allocation as a budgetary line in the department up to 2017/2018 Financial year. In the financial year 2018/2019 the Fund opened an account with Kenya Commercial Bank where its allocation was channeled on quarterly basis.

During the year under review, the Fund approved Budget was **Kes 28,825,812**, however amount disbursed was **Kes 29,338,356** leading to over disbursement of **Kes 512,544**.

The expenditure for the year 2018/2019 was KES.28, 770,307 which was 99.8% absorption of the Fund's actual appropriation.

During the year under review the following operational documents were developed and approved:

- 1) The Universities Fund Strategic Plan;
- 2) The Universities Fund Human Resource Manual;
- 3) Universities Fund Career Guidelines;
- 4) Universities Fund Staff Establishment, Grading Structure and Organogram; and
- 5) Universities Fund Salaries and Allowances Manual.

The following documents were developed and are awaiting approval by the Board:

- 1) The Universities Act, 2012 (draft Regulations);
- 2) Funding framework;
- 3) Risk Management Policy and Framework;
- 4) Audit Charter, Audit Manuals & Audit and Risk Board Committee Charter; and
- 5) HIV/AIDS Workplace Policy.

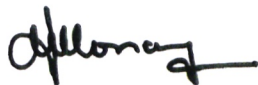
The Fund intends to develop its Finance Policy Manual in 2019/2020 financial period.

Term of Board members

The term of the Board is outlined by the Appointing Gazette Notice which provides that the members shall serve for a term three (3) years.

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

Thank You.



Mr. Geoffrey Monari
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

a) Board of Trustees Committees

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

Each Board Committee has its own Terms of Reference setting forth the purposes, goals and responsibilities of the Committee, procedures for Committee member appointment and removal, Committee structure, operations and reporting procedures.

These Committees are as follows:

(i) Audit and Risk Committee

The committee is authorized by the Board to:

- Investigate any activity within its terms of reference;
- Obtain outside expertise at the University Fund expense if it considers the expertise or the experience necessary;
- Seek any information that it requires from the employees of the University Fund.

Duties

The duties of the Audit and Risk committee are:

1) Financial reporting

To review, and challenge where necessary the actions and judgments of the management in relation to the Universities Fund's financial statement, operating and financial review, interim reports and related formal statements before submission to, approval by, the board and before clearance by the auditors. Particular emphasis should be paid to:

- Critical accounting policies and practices, and any changes in them
- Decisions requiring a significant element of judgment
- The extent to which financial statements are affected by any unusual transactions in the year and how they are disclosed
- The clarity of financial disclosures
- Significant adjustments resulting from the audit
- The going concern assumption
- Compliance with accounting standards.

2) Internal control and risk management

- to review the University Fund's procedures for detecting fraud and whistle blowing and ensure arrangements are in place allowing the staff to raise concerns about possible improprieties in matters regarding financial reporting/control;
- review management's and the internal auditor's reports on the effectiveness of the systems of internal financial controls and financial reporting;
- to monitor the integrity of the University Fund's internal financial controls;
- to review the statement in the annual report and accounts on the Fund's internal controls and risk management framework; and
- Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

3) Internal audit

- To consider annually the need for internal audit function;
- To review the internal audit programme and ensure the internal audit department is adequately resourced;
- To ensure the internal auditor has direct access to the Chairman of the Board and to the Audit and Risk Committee and is accountable to the Audit and Risk Committee;
- To receive a report on the results from the internal auditor's work on a periodic basis;
- To monitor and review the management's responsiveness to the internal auditor's findings and recommendations;
- To monitor and assess the effectiveness of the internal audit function in the overall management of the University Fund's risk management; and
- To appoint or dismiss the head of internal audit.

4) Reporting

- The Audit and Risk Committee Secretary shall circulate minutes of the meeting of the committee to all members of the Board and the Chairperson of the Committee shall at a minimum attend the Board meetings where the accounts are approved;
- The Audit and Risk Committee shall annually review its terms of reference and its own effectiveness and recommend to the Board any necessary changes;
- The Audit and Risk Committee shall prepare a report on its roles and responsibilities and actions taken to discharge those responsibilities in the annual report of accounts. Such a report shall include:
 - A summary of the role of the Audit and Risk Committee;
 - The names and qualifications of all members of the Committee during the period;
 - The number of Committee meetings and attendance by each member; and
 - And the way the Committee has discharged its responsibilities.

Members of the committee were:

- 1) Dr. Asenath Kenyanya Maobe – Chairperson
- 2) Dr. James Mwanzia - Member
- 3) PS National Treasury - Member

(ii) Finance, Administration and General-Purpose Committee

The Committee shall act under general direction of the Board of Trustees, to review financial and administration affairs of the Universities Fund. The Committee shall further perform such duties as may be assigned to it from time to time by the Board of Trustees.

The terms of reference of the Committee are:

- 1) Review and recommend the annual budgets for the Universities Fund to the Board of Trustees for approval;
- 2) Review the Universities Fund budgetary performance on quarterly basis;

- 3) Review the Universities Fund annual report and financial statements;
- 4) Review the Universities Fund Annual Procurement Plans which should be aligned to the annual budget;
- 5) Ensure establishment of procurement policies that promote sustainability, ethical standards and best practice in accordance with the laws of Kenya;
- 6) Review the Universities Fund capital projects and monitor and evaluate their implementation;
- 7) Review the implementation of the Universities Fund strategic plan;
- 8) Review the staff establishment structures and their operational activities that will facilitate the running of the Universities Fund; and
- 9) Report quarterly to the full Board with their recommendations for ratification.

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

- 1) Christine Tonui – Chairperson
- 2) Dorcas Mugambi – Member
- 3) Dr. Magdalene Ngala - Member
- 4) Samuel Mugambi/ Ezra Magati – PS Representative (State Department for University Education and Research)

(iii) Resource Mobilization Committee

Mandate and responsibilities of this committee are:

- 1) To work with the secretariat to develop a resource mobilization plan policy, objectives and guidelines;
- 2) To work with the secretariat to develop and investment policy, objectives and guidelines;
- 3) To identify and recommend to the Board potential multi-lateral donors, bilateral donors, foundations, development agencies and industry partners;
- 4) To develop and recommend mechanisms which support public private partnerships;
- 5) To develop proposals for the Board to work with specific universities in support of their resource mobilization and investment initiatives;
- 6) To explore and recommend potential capital /equity investment and any other investment opportunities for purposes of the Universities Fund;
- 7) To lead the Board’s outreach resource mobilization efforts;
- 8) To oversee the endowments grants and gifts from whatever source that is designated for the Fund; and
- 9) To provide guidance and appropriate investments and ensure the Board’s investment objectives, policies and guidelines are consistent and also comply with existing legislations.

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

- 1) Dr. James Mwanzia – Chairperson
- 2) Christine Tonui - Member
- 3) Paul Muinde - Member

(iv) Planning and Research committee

Mandate and responsibilities of this committee are:

- 1) To work with the Secretariat to formulate and review the development strategies and work plans;
- 2) To work with the Secretariat to develop research policies and guidelines;
- 3) To provide leadership on formulation of the Trustees Research and Innovation agenda;
- 4) To collect, disseminate and maintain data on University funding in Kenya (knowledge management);
- 5) To coordinate the development of strategic plan;
- 6) Develop performance targets for top officials of the Universities Fund; and
- 7) Evaluate performance of senior staff of the Fund.

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

- 1) Dr. Magdalene Ngala- Chairperson
- 2) Paul Muinde - Member
- 3) Dr. Asenath Maobe - Member
- 4) Samuel Mugambi/ Ezra Magati - PS Representative (State Department for University Education and Research)

b) Board of Trustees Composition

The following table represents the Board composition and its committees. There are four committees of the Board of Trustees. The table below shows the chairs and members of each committee of the Board during the year under review.

Sno	Members	Full Board	Audit and Risk Committee	Planning and Research Committee	Finance and General Purpose committee	Resource Mobilization Committee
1	Prof Kinandu Muragu	√*				
2	Dr. Magadaline Ngala	√		√*	√	
3	Dr. James Mwanzia	√	√			√*
4	Paul Muinde	√		√		√
5	PS Representative (Samuel Mugambi/Ezra Magati)	√		√	√	
6	Dr. Asenath Maobe	√	√*	√		
7	PS National Treasury	√	√			
8	Christine Tonui	√			√*	√
9	Dorcas Mugambi	√		√	√	
10	Milton K. Njuki	√		√	√	√

Key

*Chairperson of the Board/Committee

c) **Board of Trustees attendance**

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

Sno	Names	Number of meetings during the year	Number of meetings attended
1	Prof Kinandu Muragu	15	12 of 15
2	Dr. Magdaline Ngala	15	13 of 15
3	Dr. James Mwanzia	15	11 of 15
4	Paul Muinde	15	15 of 15
5	Samuel Mugambi	15	11 of 15
6	Dr. Asenath Maobe	15	12 of 15
7	PS National Treasury	15	-
8	Christine Tonui	15	11 of 15
9	Dorcas Mugambi	15	11 of 15
10	Milton K. Njuki	15	15 of 15

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

i) **Audit and Risk Committee**

Members	Number of meetings during the year	Number of meetings Attended
Dr. Asenath Maobe*	1	1 of 1
Dr. James Mwanzia	1	1 of 1
PS National Treasury	1	0 of 1

*Chairperson to the committee

ii) **Finance and General Purpose Committee**

Members	Number of meetings during the year	Number of meetings Attended
Christine Tonui*	6	6 of 6
Dorcas Mugambi	6	4 of 6
Dr. Magdalene Ngala	6	6 of 6
Samuel mugambi/Ezra magati	6	5 of 6
Milton K. Njuki	6	6 of 6

*Chairperson to the committee

iii) Resource Mobilization Committee

Members	Number of meetings during the year	Number of meetings Attended
Dr. James Mwanzia*	3	3 of 3
Paul Muinde	3	3 of 3
Christine Tonui	3	3 of 3
Milton K. Njuki	3	3 of 3
*Chairperson to the committee		

iv) Planning and Research Committee

Members	Number of meetings during year	Number of meetings attended
Dr. Magdalene Ngala*	9	6 of 9
Paul Muinde	9	9 of 9
Dr. Asenath Maobe	9	6 of 9
Samuel Mugambi/Ezra Magati	9	5 of 9
Milton K. Njuki	9	9 of 9
*Chairperson to the committee		

Compliance to laws and other legal requirements

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

Board remuneration

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

Conflict of interest and Declaration of interest

The Board members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Fund. All transactions with all parties, Board of Trustees or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether

direct or indirect. During every Board meeting, an agenda item exists which requires members to make a declaration of any conflict of interest they may have in the business to be discussed.

External Audit

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

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Plan, Annual Work Plan and Budget

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

Financial Sustainability

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

Compliance with Presidential Directive

The Fund aligned its procurement policies with the Constitution 2010, the PFM Act 2012 and Regulations, and the Procurement and Asset Disposal Act, 2015 and Regulations. The Fund ensures transparency in procurement of goods and services and that 30% of the procurement is awarded to AGPO suppliers (Women, people with disabilities and the youth).

Summary of financial results against the budget

	Budget	Actual	Utilization
	2018/19	2018/19	2018/19
	KES	KES	%
Receipts	28,825,812	29,338,356	
Payments	28,825,812	28,770,307	99.8%

The Fund received 101.8% of the approved budgeted revenue from Government grants. The utilization was 99.8% of the approved budget. The 0.2% of the approved budget was not utilized because of unutilized Board expenses (some of the board members did not attend all the scheduled meetings) and variances in the market prices of some goods and services budgeted for in the Procurement Plan.

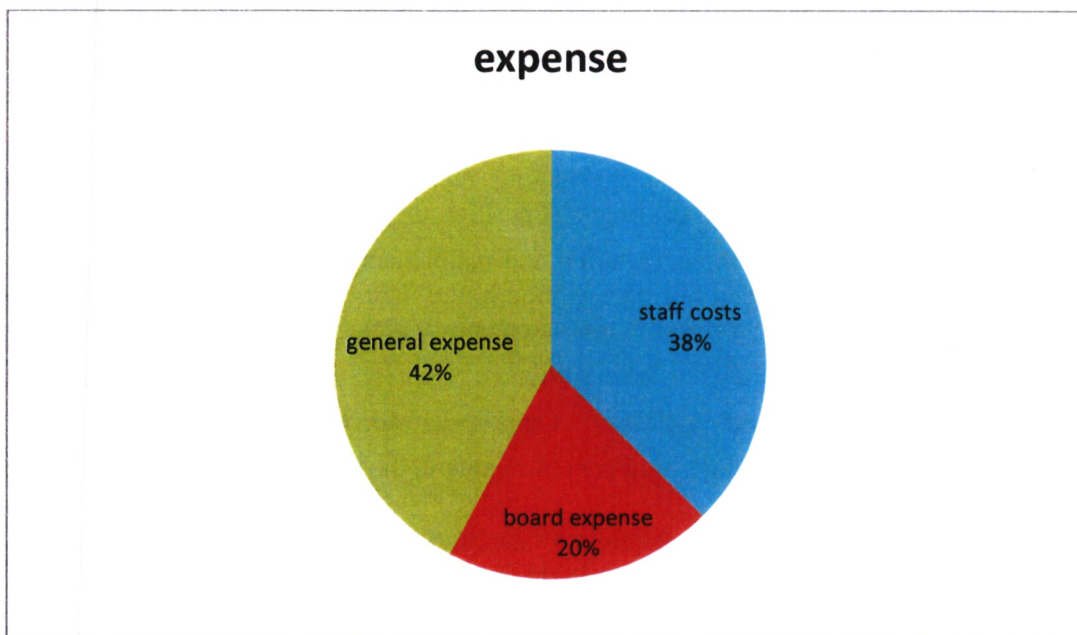
Receipts

The Fund is supported by the National Government through the National Treasury by way of transfer of funds for operational use. These funds are channeled to the Fund through its bank account and are thereafter budgeted for and approved by the Board of Trustees. During the year under review, the National Treasury through the State Department for University Education and Research transferred a total of KES 29,338,356.

Expenditures

During the year under review, Capital expenditure amounted to KES 2,868,597 which constituted purchase of furniture, photocopying machine and office refurbishment.

Recurrent expenditure amounted to KES 25,746,500 which includes board expense, staff cost and office general expenses. The figure below shows the percentage (%) of the recurrent expenses for the year under review.



Board expense accounted for 20% of the total expenses while staff costs accounted for 38%. General expense accounted for the largest proportion of 42% since it is included all other expenses.

Entity's compliance with statutory requirements

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

Internal Auditors

The Fund was still operationalizing its function hence it recruited an internal auditor in the 4th Quarter.

Auditors

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

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of Trustees of the Fund has ensured preparation and presentation of the financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year ended on 30th June, 2019. These Financial Statements are set out from page 16 to 21. The Board of Trustees ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund as well as safeguarding the assets of the Fund.

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

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

The Board of Trustees accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board of Trustees are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Board of Trustees further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



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



Mr. Geoffrey Monari
Chief Executive 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 UNIVERSITIES FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Universities Fund set out on pages 1 to 17, which comprise of the statement of financial position as at 30 June, 2019, statement of comprehensive income, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Universities Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Trustees

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

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu

AUDITOR-GENERAL

Nairobi

28 January, 2021

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018/2019 KES	2017/2018 KES
Revenue from non-exchange transactions			
Transfers from the Government(GoK Grants)	6	<u>29,338,356</u>	-
Total revenue		<u>29,338,356</u>	-
Expenses			
Staff costs	7	9,676,419	-
Board Expenses	8	5,258,792	-
General expenses	9	<u>10,811,289</u>	-
Total expenses		<u>25,746,500</u>	-
Surplus/(deficit) for the period		<u>3,591,856</u>	-

The notes set out on pages 7 to 16 form an integral part of these Financial Statements

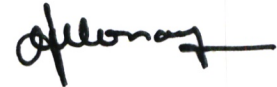
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2018/2019 KES	2017/2018 KES
Assets			
Current assets			
Cash and cash equivalents	10	568,049	-
Prepayments	11	50,000	-
Inventory		105,210	
Non-current assets			
Property, plant and equipment	12	2,868,597	
Total assets		<u>3,591,856</u>	-
Liabilities			
Accumulated surplus		3,591,856	-
Total net assets and liabilities		<u>3,591,856</u>	-

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Board of Trustees by:



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



Mr. Geoffrey Monari
Chief Executive Officer



Mr. Titus M. Wangeci
Senior Finance Officer

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

	Accumulated surplus	Total
	KES	KES
Balance as at 1 July 2018	-	-
Surplus/(deficit) for the period	3,591,856.00	3,591,856.00
Funds received during the year	-	-
Balance as at 30 June 2019	<u>3,591,856.00</u>	<u>3,591,856.00</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019 KES	2017/2018 KES
Cash flows from operating activities			
Receipts			
Transfers from the Ministry		29,338,356	-
Total Receipts		29,338,356	-
Payments			
Staff costs		9,676,419	-
Board Expenses		5,258,792	-
General expenses		10,811,289	-
Total Payments		25,746,500	-
Net cash flows from operating activities		3,591,856	-
Cash flows from investing activities			
Purchase of property, plant, equipment		(2,868,597)	-
Closing Inventory		(105,210)	-
Prepayment		(50,000)	-
Net cash flows used in investing activities		3,023,807	-
Net increase/(decrease) in cash and cash equivalents		568,049	-
Cash and cash equivalents at 1 JULY	10	-	-
Cash and cash equivalents at 30 JUNE	10	568,049	-

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
Revenue	KES	KES	KES	KES	KES
Transfers from SDUE.	28,825,812	-	28,825,812	29,338,356	512,544
Total income	28,825,812	-	28,825,812	29,338,356	-
Expenses					
Staff costs	9,676,600	-	9,676,600	9,676,419	181
Board Expenses	5,300,300	-	5,300,300	5,258,792	41,508
General expenses					
Daily travel & Subsistence Allowances(Secretariats)	6,171,000	-	6,171,000	6,169,980	1,020
Printing & Publishing	300,000	-	300,000	300,000	-
Conferences and Seminars	2,410,000	-	2,410,000	2,409,560	440
Hospitality expenses	500,000	-	500,000	500,000	-
Fuel, oils & Lubricants	685,000	-	685,000	632,700	52,300
Office general supplies & services	564,912	-	564,912	457,549	107,363
Repairs & Maintenance	6,000	-	6,000	5,500	500
Committee expenses	292,000	-	292,000	290,000	2,000
Communications, supplies & services	50,000	-	50,000	46,000	4,000
Sub-Total General Expenses				10,811,289	167,623
Closing Inventory			-	105,210	(105,210)
Prepayment (Fuel Card)			-	50,000	(50,000)
Total General Expenses				10,966,499	12,413
Purchase of Furniture	2,870,000	-	2,870,000	2,868,597	1,403
Total expenditure	28,825,812	-	28,825,812	28,770,307	568,049

DISCLOSURES

1. The total receipts from the State Department for University Education and Research were KES 29,338,356 which exceeds the UF budget of KES 28,825,812 by KES 512,544.
2. Material variances between actual and budget;

- Board expense –the actual varies with budgeted amount by **KES 41,508**.This is because some board members did not attend all meetings,
 - General expense and purchase of Furniture -their actual amounts differ from budgeted amount by **KES 12,413** and **KES 1,403** respectively due to changes in market prices.
3. The following assets were bought when the organization was operating under the state Department for University Education and they have not been transferred to The UF books of accounts waiting formal handing over and valuation.

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

4. The cost of office general supplies and services includes the cost of inventory (stationery) which was not used by the end of reporting period amounting to KES 105,210.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The Fund did not hold any financial instruments in the financial period ended June 2019</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>The Fund has no social benefits scheme in the year under review</p>

iii. **Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Revenue from non-exchange transactions

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

b) Budget information

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

The entity's budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements.

c) Property, plant and equipment

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

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Related parties

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

l) 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.

m) Comparative figures

The financial year 2018/2019 is the first year of operation hence the comparative figures for the previous period are NIL

n) 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, 2019.

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

State Department for University Education and Research	Amount recognized to Statement of Comprehensive Income	Total grant income during the year	2018-2019
	KES	KES	KES
Total	<u>29,338,356</u>	<u>29,338,356</u>	<u>29,338,356</u>

7. STAFF COSTS

	2018-2019	2017-2018
	KES	KES
Salaries and wages	9,669,619	-
Social security contributions	<u>6,800</u>	-
Employee costs	<u>9,676,419</u>	-

8. BOARD EXPENSES

Description	2018-2019 KES	2017-2018 KES
Chairman's Honoraria	480,000	-
Sitting allowances and mileage and Chairman's airtime	2,443,460	-
Domestic Subsistence allowances	<u>2,335,332</u>	-
Total director emoluments	<u>5,258,792</u>	-

9. GENERAL EXPENSES

Description	2018/2019 KES	2017/2018 KES
Printing & Publishing(Advertising & Publicity)	300,000	-
Conferences and Seminars	2,409,560	-
Hospitality expenses	500,000	-
Fuel, oils & Lubricants	632,700	-
Office general supplies& services	457,549	-
Repairs & Maintenance	5,500	-
Committee expenses	290,000	-
Communications, supplies & services	46,000	-
Dailytravel&SubsistenceAllowancesSecretariat	<u>6,169,980</u>	-
Total	<u>10,811,289</u>	-

10. CASH AND CASH EQUIVALENTS

Description	2018-2019 KES	2017-2018 KES
Current account	554,605	-
Cash in Hand	<u>13,443</u>	-
Total cash and cash equivalents	<u>568,048</u>	-

10.(b). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019 KES	2017-2018 KES
a) Current account			
Kenya Commercial bank	1226783481	<u>554,605</u>	-
Sub- total		<u>554,605</u>	-
b) Others(Cash)			
cash in hand		<u>13,443</u>	-
Sub- total		<u>13,443</u>	-
Grand total		<u>568,048</u>	-

11. PREPAYMENTS

Description	2018-2019 KES	2017-2018 KES
Current Prepayments		
Prepaid Fuel expenses	<u>50,000</u>	-
Total Prepayments	<u>50,000</u>	-

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and fittings KES	Computers KES	Total KES
At 1 July 2018	-	-	-
Additions	2,298,597	570,000	2,868,597
Disposals	-	-	-
Transfers/adjustments	-	-	-
At 30th June 2019	<u>2,298,597</u>	<u>570,000</u>	<u>2,868,597</u>
Net book values			
At 30th June 2019	<u>2,298,597</u>	<u>570,000</u>	<u>2,868,597</u>
At 30th June 2018	-	-	-

*The Fund does not depreciate its PPE in the year of acquisition a full year's depreciation is recognized in the subsequent years

13. CASH GENERATED FROM OPERATIONS

	2018-2019 KES	2017-2018 KES
Surplus for the year	3,591,856	-
Adjusted for:		
Working Capital adjustments		
Increase in prepayments	<u>(50,000)</u>	-
Net cash flow from operating activities	<u>3,541,856</u>	-

14. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

	Total amount KES	Fully performing KES
At 30 June 2019		
Receivables from exchange transactions	50,000	50,000
Cash and Cash equivalent	<u>568,048</u>	<u>568,048</u>
Total	<u>618,048</u>	<u>618,048</u>

(ii) Liquidity risk management

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

(iii) Market risk

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

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

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

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

i) Foreign currency risk

The Fund has no transactional currency exposures.

15. CAPITAL RISK MANAGEMENT

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

	2018-2019 KES	2017-2018 KES
Retained earnings	<u>3,591,856</u>	
Total funds	<u>3,591,856</u>	-
Total borrowings	-	-
Cash and bank balances	(568,048)	-
Net debt/(excess cash and cash equivalents)	<u>(568,048)</u>	-
Gearing	<u>0%</u>	-

16. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2018-2019	2017-2018
	KES	KES
Related parties		
State Government		
from State Department for University Education and Research	29,338,356	-
Total	29,338,356	-
Key management compensation		
Compensation to the CEO	1,830,120	-
Compensation to key management	2,084,928	-
Total	3,915,048	-

17. EVENTS AFTER THE REPORTING PERIOD

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

18. ULTIMATE AND HOLDING ENTITY

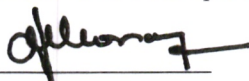
The Fund is a Semi- Autonomous Government Agency under the Ministry of Education's State Department for University Education. Its ultimate parent is the Government of Kenya.

19. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Fund had no unresolved or ongoing audit issues pending address since the period under review is the first period for reporting.



Mr. Geoffrey Monari
Chief Executive Officer

Date

APPENDIX II: INTER-ENTITY TRANSFERS

	ENTITY NAME:	STATE DEPARTMENT FOR UNIVERSITY EDUCATION		
	Break down of Transfers from the State Department for University Education			
	FY 2018/2019			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KES)</u>	<u>Indicate the FY to which the amounts relate</u>
		07 th August,2018	7,206,453	2018/2019
		12 th November,2018	7,206,453	2018/2019
		14 th February,2019	7,863,126	2018/2019
		07 th May,2019	6,064,168.15	2018/2019
		04 th June,2019	998,155.85	2018/2019
		Total	29,338,356	2018/2019

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

Senior Finance Officer - Universities Fund

Titus Macharia



Sign -----

Head of Accounting Unit - SDUE&R

Robert Asumani

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SNOLLY

CORDING OF TRANSFERS FROM OTHER GOVERNMENT

Name of the DA/Donor Transferring the funds	Date received				
	as per bank statement	Nature: Recurrent/Deve lopment/Others	Total Amount - KES	Statement of Financial Performance	Total Transfers during the Year
State Department For University Education		Recurrent	29,338,356	29,338,356	29,338,356
Total			29,338,356	29,338,356	29,338,356