

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

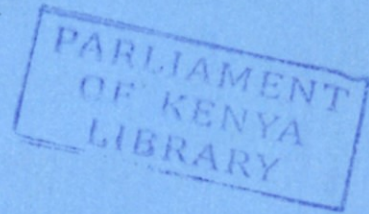
Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

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Leader, Majority Party

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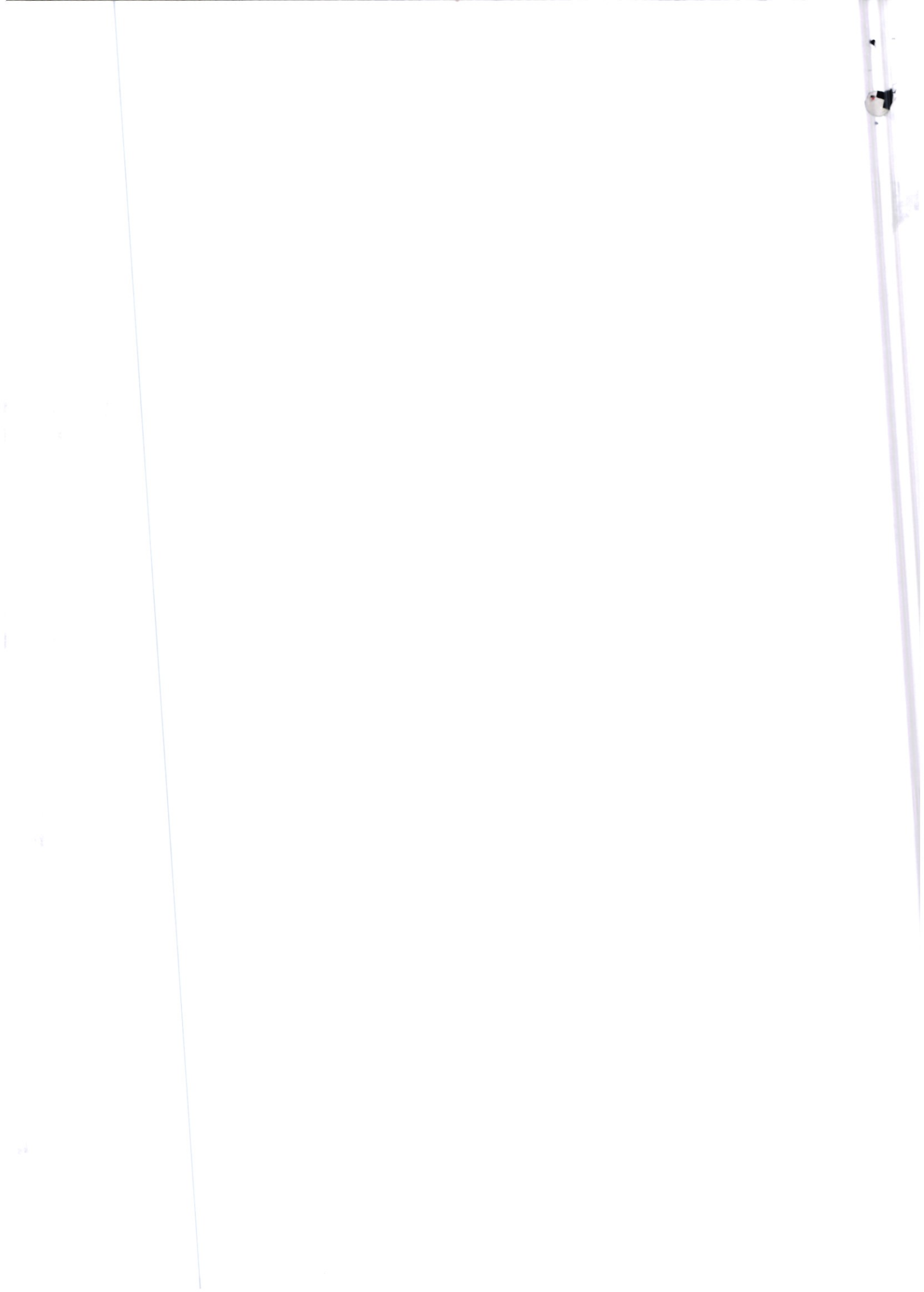
REPORT

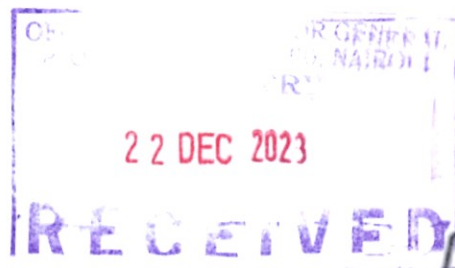
THE AUDITOR-GENERAL

ON

**COMMISSION FOR UNIVERSITY
EDUCATION-STAFF CAR LOAN AND
MORTGAGE SCHEME/FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**





COMMISSION FOR UNIVERSITY EDUCATION STAFF CAR LOAN AND MORTGAGE SCHEME/FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

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

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1. Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations and Acronyms

CS/CEO	Commission Secretary/Chief Executive Officer
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property, Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Glossary of Terms

Fiduciary management – Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

2. Key Fund information and management

The Commission for University Education (CUE) Staff Car Loan and Mortgage Fund plays a crucial role in providing financial support to the employees of the Commission for University Education for the acquisition of vehicles and residential properties. This report outlines the background information, fund management, and regulatory framework surrounding the establishment and operation of the fund.

a) Background Information

The establishment of the Commission for University Education Staff Car Loan and Mortgage Fund is grounded in the provisions of the Government Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/ADM/CIR/1/13 VOL. III (128) of 17th December 2014. This circular sets the foundation for the creation and operation of the fund, outlining its purpose, eligibility criteria, and guidelines for disbursement. The fund operates under the authority and accountability framework defined by Section 8 of the Public Finance Management (PFM) Act 2012, specifically as it relates to State officers' House Mortgage Scheme Funds, as outlined in the Regulations of 2015. The primary objective of the fund is to facilitate the financial empowerment of Commission for University Education staff members by providing them with access to affordable car loans and mortgage financing for the purchase of residential properties. This initiative not only enhances the well-being and quality of life for the employees but also supports the overall development and growth of the higher education sector in Kenya.

Fund management: The Commission for University Education Staff Car Loan and Mortgage Fund operates as a dedicated financial entity within the Commission's organizational structure. It is wholly owned by the Commission for University Education and is responsible for the management, administration, and disbursement of funds. The fund is structured to ensure transparent and accountable management practices, with the goal of delivering financial assistance to eligible staff members efficiently and effectively.

The fund management encompasses several key aspects:

Eligibility Criteria: The fund defines specific eligibility criteria that staff members must meet to qualify for car loans and mortgage financing. These criteria may include factors such as years of service, job classification, and repayment capacity.

Loan and Mortgage Products: The fund offers various loan and mortgage products tailored to the unique needs of the staff members. These products are designed to provide flexibility in terms of loan amount, repayment tenure, and interest rates, ensuring that the financing options are accessible and beneficial to the employees.

Application Process: The fund has established a streamlined application process that allows staff members to apply for car loans or mortgage financing. The process involves documentation submission, credit assessment, and approval procedures.

Disbursement and Repayment: Upon approval, funds are disbursed to the beneficiaries in accordance with the terms and conditions of the loan or mortgage agreement. Repayment mechanisms are also clearly defined, and deductions are made from the beneficiaries' salaries, ensuring consistent and timely repayment.

Governance and Oversight: The fund operates under a governance framework that includes oversight by a dedicated committee responsible for ensuring compliance with the fund's guidelines and regulations. Regular audits and assessments contribute to maintaining the fund's integrity and transparency.

Regulatory Framework

The Commission for University Education Staff Car Loan and Mortgage Fund operates within the regulatory framework provided by the Government SRC Circular and the Public Finance Management Act 2012. These regulatory instruments ensure that the fund operates in a manner that is transparent, accountable, and aligned with the principles of good financial management.

Furthermore, the fund's adherence to the State officers' House Mortgage Scheme Fund Regulations of 2015 ensures that the financing provided to staff members aligns with established norms and standards, safeguarding the interests of both the fund and the beneficiaries.

The Commission for University Education Staff Car Loan and Mortgage Fund stands as a significant initiative aimed at improving the financial well-being of staff members while supporting the broader goals of the Commission. Its establishment, management practices, and regulatory framework collectively contribute to a robust and sustainable mechanism for providing financial assistance to employees for the acquisition of vehicles and residential properties. The fund's continued success relies on its commitment to transparent governance, effective administration, and the empowerment of its beneficiaries.

b) Principal Activities

The Commission for University Education (CUE) recognizes the importance of facilitating its dedicated staff members in achieving their dreams of car ownership and homeownership. In line with this commitment, the Commission has established the CUE Staff Car Loan and House Mortgage Fund, a vital initiative aimed at supporting eligible individuals within the Commission's workforce to acquire vehicles or residential properties, as well as to embark on house construction or extensions.

The Fund's central objective revolves around empowering staff members to realize their aspirations of owning a car or a home, thereby enhancing their overall well-being and quality of life. Through strategic partnerships, the Fund has entrusted the administration of its operations to the esteemed Family Bank Limited, a trusted financial institution that plays a pivotal role in ensuring seamless and efficient loan processing and disbursement.

At the heart of the Fund's operations lies the diligent Standing Committee, an integral body within the CUE Staff Car Loan and House Mortgage scheme. This committee is vested with the critical responsibility of overseeing the day-to-day functioning of the Fund, from loan application processing to loan disbursement and repayment management. The Committee operates within the framework of meticulously crafted and approved regulations, ensuring transparency, fairness, and equity in the entire loan process.

One of the Committee's core functions is to meticulously assess loan applications in alignment with the established regulations and criteria. This rigorous evaluation process ensures that loans are allocated to eligible individuals who demonstrate the capacity to responsibly manage their financial commitments. By adhering to these principles, the Committee guarantees that the loans provided contribute to the financial stability and well-being of the beneficiaries.

Furthermore, the Committee is instrumental in establishing and maintaining a revolving fund, a crucial mechanism that facilitates the continuous disbursement of loans to eligible applicants. This ensures that the Fund remains sustainable and can continue to serve the evolving needs of the Commission's staff members over time.

To ensure effective governance and oversight, the Committee also plays a pivotal role in supervising the day-to-day operations of the Fund. This includes periodic reviews of the Fund's performance, adherence to established processes, and the implementation of any necessary improvements to enhance operational efficiency.

In conclusion, the Commission for University Education's Staff Car Loan and House Mortgage Fund, under the dedicated stewardship of the Standing Committee, stands as a beacon of support for staff members aspiring to own cars, acquire homes, or improve existing residences. By diligently adhering to approved regulations, fostering collaboration with Family Bank Limited, and upholding the highest standards of transparency, the Fund empowers staff members to achieve their financial goals and secure a brighter future.

a) Board of Trustees/ Fund Administration Committee

Ref	Position	Name
1	Chairperson (Acting)	Professor Jackson Too
2	Committee Members	i) Mr. Isaac Gathirwa ii) Ms. Margaret Kamoni iii) Ms. Linah Lilan iv) Mr. Benson Kimani v) Dr. James Kiarie
3	Fund Manager/Administrator	Margaret Kamoni

b) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Margaret Kamoni
2	Fund Accountant	Kenneth Ntong'onde

c) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Department of Internal Audit	Hezron N. Njoroge
2	Staff car Mortgage and car Loan Advisory Committee	N/A

d) Registered Offices

Commission Headquarters

CUE Building

Redhill Road off Limuru Road Gigiri

P.O. Box 54999-00200

NAIROBI

e) Fund Contacts

Telephone: (254) 020-7205000, 020-2021150,020-2021154/56

E-mail: info@cue.or.ke

Website: www.cue.or.ke

f) Fund Bankers

Family Bank Limited

Westlands Branch-Pamstech House,

P.O Box 74145-00200

NAIROBI

Independent Auditors

Auditor-General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

g) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice



Harambee Avenue




P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. The Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
<p>1. Member 1- Ag. Chairman Professor Jackson Too</p> 	<p>Trustee: Prof. Jackson Too</p> <ul style="list-style-type: none"> • Age: 55 years (born in 1968) • Date of Appointment: 21st April 2016 • Current Position: Senior Assistant Commission Secretary-Research and Development • Academic Qualifications: Ph.D. in Educational Communication & Technology from Moi University • Professional Qualifications: Associate Professor • Work Experience: 15 years at University & Commission for University Education (CUE) • Status: Independent Trustee • Committee Chair: Staff Car Loan and Mortgage Scheme/Fund • Committee: Member of Association of Commonwealth Universities.
	<p>Name: Isaac Gathirwa Age: Born in 1972 (51) years old Appointment: April 21, 2016 Academic Qualifications:</p> <ul style="list-style-type: none"> • Bachelor of Law from Moi University • Diploma from Kenya School of Law • MBA from Kenyatta University (KU) • LLM from University of Nairobi (UoN) • CPS(K) holder <p>Professional Background:</p>

	<p>Senior Assistant Commission Secretary-Legal and Enforcement</p> <p>Trustee Role: Member</p> <p>Committee : Member</p>
<p>2. Member 3- Linah Lilan</p> 	<ul style="list-style-type: none"> • Name: Mrs. Linah Lilan • Title: Senior Assistant Commission Secretary-Finance • Date of birth 1969(54) years • Date appointed: 21st April 2016 • Educational Qualifications: MBA(UoN); Bachelor of Education • Professional Qualification: CPA(K) • Trustee
<p>3. Member 4- James Kiarie</p> 	<ul style="list-style-type: none"> • Name: Dr.Kiarie Ngugi PhD. • Title: Assistant Commission Secretary- Research and Development. • Date of birth :1966 (57 years) • Date appointed:21st April 2016 • Trustee
<p>4. Member 5- Benson Kimani</p> 	<ul style="list-style-type: none"> • Name: Mr. Benson Kimani • Title: Senior Quality Audit Officer (CUE); • Date of Birth: 1972(51 years) • Educational qualifications: B.Ed. (Sc), M.Ed. Graduate. • Date appointed to the Committee: 2017, and Member, Expert Committee (Natural Sciences) - KNATCOM, with previous experience in Quality Assurance and Standards, Ministry of Education, Science and Technology.

5. Fund administrator/ Secretary to
the Committee- Margaret Kamoni



- **Name:** Margaret Kamoni
- **Title:** Assistant commission secretary- HRM
- **Date of birth :**1976 (47years)
- **Date appointed:**21st April 2016
- **Educational Qualifications:** B.A Sociology (UoN); MBA- HRM (JKUAT)
- **Role:** Fund Administrator

4. Management Team

<p>Fund administrator/ Secretary to the Committee- Margaret Kamoni</p> 	<ul style="list-style-type: none"> • Name: Margaret Kamoni • Title: Assistant commission secretary- HRM • Date of birth :1976 (47years) • Date appointed:21st April 2016 • Educational Qualifications: B.A Sociology (UoN); MBA- HRM (JKUAT) • Role: Fund Administrator
<p>Fund Accountant- Kenneth Ntong'onde</p> 	<ul style="list-style-type: none"> • Name: Kenneth Ntong'onde. • Date Appointed: 21st April 2016 • Educational Qualifications: • Bachelor of Commerce - Egerton University. • MBA- Kenyatta University • Professional Qualification: • CPA(K) • Date of birth: 1971(52years) • Role: Fund Accountant

5. Fund Chairman's Report



Dear Shareholders and Stakeholders,

It is with great pleasure that I present to you the Annual Report and Financial Statement for the Commission for University Education (CUE) Car Loan and Staff Mortgage Fund for the fiscal year ended June 30, 2023. This report outlines the achievements, challenges, and outlook of the fund, as well as its contribution to the well-being of our esteemed Commission for University Education staff members.

Some of the notable achievements

Throughout the year under review, the Fund Management Committee diligently fulfilled its responsibilities, adhering to the Salaries and Remuneration Commission guidelines and circular, and aligning with the Commission for University Education Car Loan and Mortgage Scheme policy. These efforts have enabled us to achieve remarkable milestones:

Loan Disbursement: The Fund Management Committee successfully processed and disbursed loans amounting to **Kshs.31, 690,240** to five eligible members of staff during the year. These loans have assisted the Commission for University Education employees in acquiring essential assets such as vehicles and homes. The overall allocation of the Car loan and Mortgage Fund was Kshs.200million. The process of disbursement was rolled out in 2020.

Repayment Success: The recoveries of these disbursed loans have been carried out seamlessly on monthly basis. The prompt remittance of repayments reflects the financial discipline and commitment of our beneficiaries.

Positive Impact: The recoveries of these loans have been consistently executed on monthly basis without delay in remittances. The disbursed loans have had a significant positive effect on the lives of our staff members and their families. Many have been able to fulfil their aspirations of owning homes and reliable transportation, ultimately improving their quality of life.

Societal Empowerment: As the revolving fund continues to grow, it is evident that its positive impact extends beyond our CUE community. The empowerment brought about by these loans is rippling into society, creating a positive economic and social transformation.

Challenges Faced: Despite our achievements, we also encountered certain challenges that require our ongoing attention and proactive management:

Market Fluctuations: Economic uncertainties and market fluctuations can impact the value of assets, affecting the recoverable amount of loans in the event of default. However, the Committee has put in place controls such as continuous monitoring and risk management strategies to mitigate such challenges.

Regulatory Changes: The evolving landscape of regulations and guidelines, particularly those set by the Salaries and Remuneration Commission, necessitates constant adaptation to ensure compliance and alignment.

Funding Growth: While the revolving fund's growth is promising, it also brings the challenge of managing increased loan volumes, repayments, and maintaining efficient operations.

Future Outlook: Looking ahead, the Commission for University Education Car Loan and Staff Mortgage Fund remains committed to its mission of improving the lives of our staff and contributing to societal empowerment.

Our strategic focus includes:

Enhanced Efficiency: We will continue to streamline our processes to ensure efficient loan processing, disbursement, and repayment management.

Risk Management: Rigorous risk assessment and management strategies will be implemented to safeguard the fund against economic volatility and potential default risks.

Innovation: Embracing technological advancements will help us modernize operations, enhance communication, and improve accessibility for our beneficiaries.

Community Engagement: We will actively engage with our beneficiaries and stakeholders to gather feedback, understand their evolving needs, and tailor our offerings accordingly.

In conclusion, I would like to express my gratitude to the Fund Management Committee, our staff, beneficiaries, and all stakeholders for their unwavering support. Your dedication has been instrumental in our achievements, and together, we will overcome challenges and seize opportunities as we continue to transform lives and create a positive impact on society.

Thank you.

Sincerely,



Prof. Jackson Too

Ag. Chairman of the Fund Committee

6. Report of the Fund Manager/Administrator



Dear Shareholders and Stakeholders,

I am pleased to present the Fund Manager/Administrator Report for the Commission for University Education (CUE) Car Loan and Staff Mortgage Fund for the financial year ended June 30, 2023. This report outlines the financial performance, loan disbursements, challenges faced, and our strategic outlook for the future.

Financial Performance: During the year under review, the Fund Management Committee received funding amounting to **Kshs.21,190,240**. This financial support was instrumental in enabling the fund to fulfil its mission of providing affordable car and mortgage loans to the esteemed members of the Commission for University Education.

The fund generated revenue through interest charged on loans at a rate of three percent per annum (3% p.a). The total revenue generated from this interest mechanism was **Kshs.2,556,296** during the financial year.

Car Loan Disbursement: The Fund Management Committee disbursed a car loan of Kshs. 2,000,000 on 9th October 2020 to a deserving member of staff. This loan was disbursed in strict adherence to the guidelines set forth by the Salaries and Remuneration Commission Circular and was consistent with the Commission Car Loan and Mortgage Scheme/Fund policy. The aim of this disbursement was to facilitate the acquisition of a vehicle, enhancing the staff member's mobility and overall well-being.

Mortgage Loan Disbursement: In alignment with the Salaries and Remuneration Commission Circular guidelines (SRC), the Fund Management Committee successfully disbursed loans to 5 members of staff for the purpose of purchasing, developing, renovating, or repairing residential properties during the financial year. These disbursements were carried out with meticulous attention to detail, ensuring that they were in accordance with the Commission for University Education Car Loan and Mortgage Scheme/Fund Policy. This initiative was designed to empower our staff by assisting them in securing comfortable and conducive dwellings.

Challenges Faced: While we celebrate our achievements, we also acknowledge the challenges that we encountered during the year:

Regulatory Compliance: Keeping abreast of evolving regulations and guidelines requires ongoing effort to ensure our loan disbursements and operations remain fully compliant.

Limited Adoption of Mortgage Fund: Owing to individual financial obligations, a significant portion of the staff hesitated to engage with the mortgage fund until they had successfully settled their respective personal loans.

Efficiency Enhancement: Managing an increasing volume of loan applications demands continuous improvement in our processes to ensure timely and accurate service delivery.

Risk Management: Mitigating potential risks associated with loan default and market fluctuations demands vigilant monitoring and strategic risk management strategies.

Future Outlook: Looking forward, the Fund Management Committee is committed to building on our successes and addressing challenges effectively.

Innovation: Embracing technological solutions will enhance our operational efficiency and transparency, ensuring a seamless experience for our beneficiaries.

Expansion: Exploring opportunities to expand our offerings and reach a wider pool of eligible beneficiaries will be a key priority.

Education and Engagement: The Committee will continue to educate staff about the benefits and responsibilities associated with loans, promoting financial literacy and responsible borrowing.

Collaboration: Strengthening partnerships with regulatory bodies, stakeholders, and financial institutions will enable us to navigate the changing landscape more effectively.

In closing, I extend my sincere appreciation to the Fund Management Committee, staff, beneficiaries, and stakeholders for their continued support. With determination, innovation, and dedication, we will continue to positively impact the lives of our staff members and contribute to their well-being and that of the larger society.

Thank you.

Sincerely,



Margaret Kamoni

Secretary of the Fund Committee

7.Statement of Performance against Predetermined Objectives

Introduction

In accordance with Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012, the Commission for University Education is mandated to present a statement of the performance of the national government Fund against predetermined objectives within its financial statement.

The primary aim of the Commission for University Education Staff Car Loan and Mortgage Scheme Fund is to facilitate loan facilities for CUE staff, enabling them to acquire vehicles, residential properties, or undertake residential property construction/extension.

As of the current reporting period, the fund committee has successfully disbursed Mortgage loans to five staff members, and a car loan to one staff member. The fund has picked up well since 2020 when it was rolled out, with plans to expand its lending operations to serve more eligible staff members in subsequent periods.

Strategic Pillars and Objectives

The Commission for University Education Staff Car Loan and Mortgage Scheme is guided by two (2) strategic pillars, each encompassing specific objectives:

Pillar 1: Affordable Housing

Pillar 2: Affordable Car Loans

The Commission's operations are firmly anchored in these strategic pillars, which direct its efforts towards providing accessible housing and car loan options for its staff members. The evaluation of the Commission's staff car loan and mortgage scheme's performance is conducted quarterly, ensuring consistent alignment with its annual work plan. During the FY 2022/2023 period, the Commission has accomplished its performance targets for both strategic pillars, as illustrated below:

Key Result Areas	Strategic Objectives	Activities	Key Performance Indicators	Achievements
Car loan and mortgage	To disburse funds for car loan and mortgage	Disbursing funds for car loans and mortgages	<ul style="list-style-type: none"> • Number of approved car loan; applications • Number of disbursed car loans; • Number of approved mortgage applications • Number of approved mortgages 	<p>Approved applications for car loans have been successfully processed, reflecting a commitment to facilitating vehicle acquisition for staff members.</p> <p>The fund's efforts in disbursing car loans have resulted in the successful issuance of car loans to eligible staff members, contributing to</p>

				enhanced mobility options. Mortgage applications have been meticulously reviewed and approved, providing a path for staff members to access housing financing. Multiple mortgage applications have been approved, reflecting the fund's dedication to supporting residential property endeavours of the staff.
		<ul style="list-style-type: none"> • Reviewing and approving car loan applications • Reviewing and approving mortgage applications 		Number of mortgages approved

In conclusion, the Commission for University Education Staff Car Loan and Mortgage Scheme Fund has effectively pursued its strategic objectives during the FY 2022/2023 period. Through prudent management and careful evaluation of applications, the fund has successfully provided car loans and mortgages to staff members, ensuring their access to essential assets, and fostering their well-being. As the fund matures, it is anticipated that its impact will continue to grow, positively influencing the financial landscape for CUE staff members.

8. Corporate Governance Statement

At the heart of the Commission Staff Car Loan and Mortgage Scheme lies a steadfast commitment to excellence in corporate governance. As the steward of this scheme, the Commission staff Car

Loan and Mortgage Fund Committee assumes the critical responsibility of overseeing the scheme's overall management. Aligned with an unwavering dedication to achieving the pinnacle of good governance, the committee and trustees of the scheme are guided by a shared vision to uphold the highest standards in their operations.

This commitment to impeccable governance transcends mere rhetoric, as evidenced by the proactive steps taken by the board and trustees. A culture of integrity, honesty, and diligence permeates their actions, cementing their dedication to the principles that underpin sound governance. Understanding the significance of ethical conduct and adherence to the law, the board and trustees have meticulously crafted policies and strategies that establish a framework ensuring compliance with legal regulations and fostering the epitome of best practices in both governance and business ethics. As we delve into the core facets of this Corporate Governance Statement, we uncover the intricacies of the process of appointing and removing trustees, the multifaceted roles, and functions they undertake, the vigilant oversight through a series of meetings, and the holistic approach to evaluate performance and address conflicts of interest. Additionally, we illuminate the scheme's approach to nurturing new leaders through a robust succession plan, the establishment of a service charter to maintain transparency and accountability, and the comprehensive induction training that empowers committee members to fulfil their responsibilities with efficacy.

Within the following pages, the culmination of these efforts is revealed through the lens of compliance with existing laws and regulations, unwavering commitment to ethics and conduct, and the culmination of an annual governance audit that upholds a rigorous evaluation of the scheme's governance architecture. As we traverse this comprehensive Corporate Governance Statement, it becomes apparent that the Commission Staff Car Loan and Mortgage Scheme is not only an embodiment of financial support but also a testament to the principles that underlie a foundation of integrity, trust, and excellence in corporate governance.

a) Process of Appointment and Removal of Trustees/Administration Committee Members

- The appointment and removal of trustees/administration committee members of the Commission Staff Car Loan and Mortgage Scheme Fund follow a well-defined and transparent process. Trustees are appointed by the Commission Secretary/CEO based on their qualifications, expertise, and commitment to upholding the highest standards of governance. When a vacancy arises, the Fund identifies suitable members through an internal nomination

and recommendation process. Candidates are assessed for their relevant experience, skills, and alignment with the scheme's values.

- Trustees or fund committee members are appointed by the Commission Secretary/CEO. The appointment process includes a thorough background check and due diligence to ensure there are no conflicts of interest or legal impediments. Removal of trustees/committee members can occur in cases of non-compliance with fiduciary responsibilities, breach of the code of conduct, or loss of eligibility criteria and expiry of their service terms. Such decisions are made by the Commission Secretary/CEO after careful consideration of the advisory from committee members and adherence to established protocols.

b) Roles and Functions of the Administration Committee Members:

The Administration Committee members play a crucial role in the effective management and oversight of the Commission Staff Car Loan and Mortgage Scheme. Their responsibilities include:

Strategic Planning: Developing and implementing long-term strategies to ensure the sustainability and growth of the scheme.

Policy Formulation: Creating policies that align with legal requirements and best practices, ensuring equitable and transparent access to the scheme's benefits.

Risk Management: Identifying and mitigating potential risks that could impact the scheme's financial stability and reputation.

Performance Monitoring: Regularly reviewing the scheme's performance against set targets and objectives.

Compliance: Ensuring compliance with applicable laws, regulations, and ethical standards.

Stakeholder Engagement: Engaging with stakeholders, including members of the scheme, to gather feedback and address concerns.

Reporting: Providing regular reports to the Board and members on the scheme's financial health, activities, and governance matters.

c) Number of Fund Administration Committee Meetings Held and Attendance:

The Commission Staff Car Loan and Mortgage Scheme holds quarterly fund administration committee meetings, supplemented by special meetings as necessary. During the period under review, the scheme held the following meetings: (to verify with the Committee-minutes of the

meetings held)

Meeting Date	Type of Meeting	Number of Attendees
January 16, 2023	Quarterly Meeting	7 out of 7
April 20, 2023	Quarterly Meeting	6 out of 7
July 11, 2022	Quarterly Meeting	7 out of 7
October 5, 2022	Quarterly Meeting	6 out of 7

The consistent high attendance at these meetings demonstrates the commitment of the committee members to their responsibilities and the scheme's governance.

d) Succession Plan:

The Commission Staff Car Loan and Mortgage Scheme has implemented a robust succession plan to ensure the continuity of effective governance. The plan identifies potential candidates within and outside the organization who possess the necessary skills and expertise to take on trustee or committee member roles. Succession candidates receive appropriate training and mentoring to prepare them for their potential future responsibilities.

e) Existence of a Service Charter:

The scheme operates under a comprehensive service charter that outlines the rights and responsibilities of both the scheme members and the administration committee. The service charter ensures transparency, fairness, and accountability in all interactions and processes related to the scheme.

f) Induction Training for Administration Committee Members:

Newly appointed administration committee members undergo a thorough induction process to familiarize them with the scheme's governance framework, policies, procedures, and relevant legal and ethical obligations. This training equips them with the knowledge and tools needed to fulfil their roles effectively.

Administration Committee Members and Members' Performance:

The performance of administration committee members and the scheme's overall governance effectiveness will be regularly assessed through a combination of self-assessments, peer reviews, and external evaluations. These evaluations consider factors such as strategic decision-making, stakeholder engagement, compliance, risk management, and financial stewardship.

g) Conflict of Interest:

To prevent conflicts of interest, administration committee members are required to disclose any potential conflicts and recuse themselves from discussions and decisions where such conflicts exist. The scheme maintains a transparent process for managing conflicts, ensuring that decisions are made in the best interest of the scheme and its members.

h) Board/Fund Committee Remuneration:

Remuneration for administration committee members will be determined through a fair and transparent process. Compensation is benchmarked against industry standards and takes into consideration the complexity of responsibilities, time commitment, and expertise required for effective governance.

i) Governance Audit Undertaken:

An annual governance audit is conducted by an independent third-party firm to assess the effectiveness of the scheme's governance framework. The audit evaluates the adherence to policies, procedures, and legal requirements, as well as the overall performance of the administration committee and the Board.

j) Compliance with Existing Laws and Regulations, Ethics, and Conduct:

The Commission Staff Car Loan and Mortgage Scheme is committed to upholding the highest standards of compliance with existing laws and regulations. The scheme adheres to ethical principles and a code of conduct that guide the behaviour of administration committee members and employees. Regular training and updates on legal and ethical standards will ensure ongoing compliance.

In summary, the Commission Staff Car Loan and Mortgage Scheme is dedicated to maintaining exemplary corporate governance practices. Through transparent appointment and removal processes, clearly defined roles, frequent meetings, rigorous evaluations, and adherence to laws and regulations, the scheme ensures that its members' interests are safeguarded and that the highest standards of ethical conduct and governance are upheld.

9. Management Discussion and Analysis

During the year under review, the Commission for university Education staff car loan and mortgage scheme raised a revenue of Ksh.2,556,296 against an expenditure of Ksh.1,625,208 and made a

Surplus of Ksh.547,644

Car loan and Mortgage scheme/fund management committee received a funding of Kshs.21,190,240 for the FY 2022/2023. The total funding since the implementation of the fund is Kshs.105,705,277. The fund generated total revenue of Kshs.2,556,296 from the interest charged on every loan at three percent per annum. (3% p.a).

Car Loan.

The Fund management committee disbursed car loan to a member of staff during the previous financial year. The loan was disbursed as per the Salaries and remuneration Commission Circular and in line with the Commission Car loan and Mortgage Scheme/Fund policy.

Mortgage Loan.

The Fund Management Committee disbursed mortgage fund loan to five Members of staff of the Commission for the purchase, development, renovation or repair of residential property and purchase of motor vehicle during the financial year. The loans were disbursed as per the Salaries and Remuneration Commission Circular guidelines (SRC) and in line with the Commission for University Education Car loan and Mortgage scheme/fund Policy.

Statutory Requirements & Risks

During the year the fund did not remit tax on fringe benefit owing to employer's acceptance to pay the tax on behalf of the loaned staff members. The Commission's staff car loan and mortgage is exposed to a few risks that may hamper smooth operations. The fund is faced with liquidity risk due to inability to recover loan repayment especially if a staff member leaves the Commission services. Staff who may exit service of the commission may affect recoverability of the mortgage repayment.

10.Environmental and Sustainability reporting

We are pleased to present the Environmental and Sustainability Reporting for the Commission for University Education (CUE) Staff Car Loan and Mortgage Scheme for the period under review. As part of our commitment to fostering a greener future and contributing positively to society, we undertook a range of activities that not only benefit our staff members but also have a lasting impact on the environment and the communities we serve.

Activities Carried Out in the Year:

Construction Site Approvals: Throughout the year, several staff members of the Commission engaged in construction projects across various sites in different parts of the Country. To ensure that these projects were executed with utmost consideration for environmental sustainability, they actively sought and obtained approvals from relevant authorities. By adhering to these regulations, they aimed to minimize the ecological footprint of their construction activities.

Impact on Society:

Environmental Preservation:

The loaned members commitment to obtaining necessary approvals for construction activities reflects our dedication to protecting the environment. By adhering to regulatory guidelines, we mitigate the potential negative impacts of construction on local ecosystems, natural resources, and wildlife habitats.

Community Development:

The construction activities carried out by our staff have contributed to the growth and development of local communities. These projects have generated employment opportunities, supported local economies, and improved infrastructure, leading to enhanced living standards for nearby residents.

Initiatives and Partnerships:

Conservation Efforts: Beyond seeking approvals, the Mortgage Fund Committee initiated programs to encourage sustainable construction practices. The guidelines issued by environmental agencies such as National Environmental Management Authority (NEMA) enabled our loaned staff members to implement measures such as waste reduction, recycling, and the use of eco-friendly building materials.

Education and Healthcare Promotion: The Mortgage Fund Committee recognize the importance of education and healthcare for societal well-being. Through our initiatives, we have undertaken individual staff sensitisation on Mortgage funding opportunities, aiming to improve access to Car loan and mortgage funding services.

Labor Relations and Staff Training: We prioritize strong labour relations and staff development. By fostering a conducive work environment and offering training opportunities, we ensure the growth and well-being of our employees, translating into higher job satisfaction and performance.

11. Report of The Trustees/ Fund Administration Committee

The Trustees/Fund Administration Committee submits their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide staff car loan and Mortgage scheme fund- loan facilities to staff for purchase of a car or residential house or undertake construction/extension of a residential house.

Performance

The performance of the Fund for the year ended June 30, 2023, is set out on page 1 to 4.

Trustees

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page vi and vii.

Auditors

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

By Order of the Board/Committee members

.....


Chair of the Board/ Fund Administration Committee

Prof Jackson Too

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund (established, and derives its authority and accountability from *Section 8 of the PFM Act 2012. (State officers House Mortgage Scheme Fund, Regulations 2015)*. shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund'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 (*quote the applicable legislation establishing the Fund*). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023 and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund 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 20th September 2023 and signed on its behalf by:



.....
Name: Prof. J. Too
Chairman of the Fund

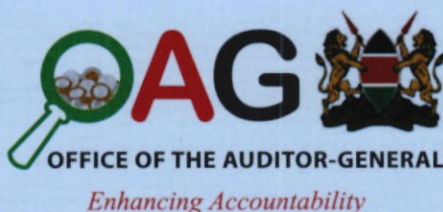


.....
Name: Ms. Margaret Kamoni
Secretary Fund Admin. Committee



REPUBLIC OF KENYA

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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 COMMISSION FOR UNIVERSITY EDUCATION-STAFF CAR LOAN AND MORTGAGE SCHEME/FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the 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 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.
- C. Report on the 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.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 the Commission for University Education-Staff Car Loan and Mortgage Scheme/Fund set out on pages 1 to 35, which

Report of the Auditor-General on Commission for University Education-Staff Car Loan and Mortgage Scheme/Fund for the year ended 30 June, 2023

comprise the statement of financial position as at 30 June, 2023, the statement of financial performance, statement of changes in net assets, statement of cash flows, 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Commission for University Education- Staff Loan and Mortgage Scheme/Fund as at 30 June, 2023, 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.

Basis for Qualified Opinion

1. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.8,737,823 as disclosed in Note 9 to the financial statements. However, the cashbook did not indicate the monthly opening and closing balances.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.8,737,823 could not be confirmed.

2. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.4,167,749 as disclosed in Note 11 to the financial statements which includes amounts of Kshs.3,401,495 and Kshs.766,254 in respect of administration fees and withholding tax respectively. However, review of supporting documents revealed that the balance includes an amount of Kshs.3,401,495 owed to the administrator which has been outstanding for more than one (1) financial year. No explanation was provided for failure to settle the long outstanding balances (both to the administrator and tax withheld) in the years they fall due or as first charge in the subsequent financial year.

In the circumstances, the regularity of the long outstanding trade and other payables balance of Kshs.3,401,495 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Commission for University Education - Staff Loan and Mortgage Scheme/Fund 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis amounts of Kshs.168,185,000 and Kshs.23,746,536 respectively, resulting to an under-funding of Kshs.144,438,464 or 86% of the budget. Similarly, the Fund expended Kshs.2,008,652 against an approved budget of Kshs.2,203,500, resulting to an under-expenditure of Kshs.194,848 or 9% of the budget. Further, the Management did not explain the material differences between actual and budgeted amounts (10% over/ under) as required under Paragraph 24.14 of International Public Sector Accounting Standards Board.

In the circumstances, the underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given any explanations for failure to implement the recommendations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Mortgage Protection with an Approved Insurance Firm

The mortgage loans granted to members did not have mortgage protection and fire policies with approved insurance firms. This was contrary to the Staff Car Loan and Mortgage Schemes Policies and Procedures Manual, 2019, which requires that a

borrower shall take out and maintain a mortgage protection policy with an insurance firm approved by the Committee, the cost of which shall be borne by the borrower.

In the circumstances, the Fund is exposed to loss of funds in the event of a disaster and in addition Management was in breach of the law.

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 THE 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 governance were not effective.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund'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 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 controls 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 controls.
- 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 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 controls 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 March, 2024

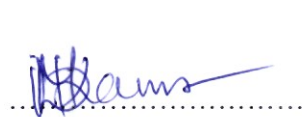
14. Statement of Financial Performance for the year ended 30th June 2023.

Description	Note	FY2022/23	FY2021/22
		Kshs	Kshs
			Restated
Revenue from exchange transactions			
Interest income	5	2,556,296	2,552,065
Total revenue		2,556,296	2,552,065
Expenses			
Use of goods and services	6	1,623,288	1,778,207
Finance costs	7	1,920	480
Total expenses		1,625,208	1,778,687
Surplus/(Deficit) before Tax		931,088	773,378
Withholding tax	8	(383,444)	(382,810)
Fringe benefits tax		-	(1,123,270)
Fringe benefits tax adjustment	19a		1,123,270
Surplus/(Deficit after Tax)		547,644	390,568

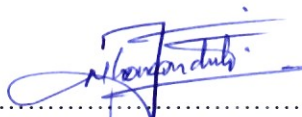
The fringe benefit tax amount restated is an expense borne by the employer and not relating to this statement of financial performance.

(The notes set out on pages 6 to 35 form an integral part of these Financial Statements).

The financial statements were approved by:



Name: Ms. Margaret Kamoni
Secretary/Fund Administrator



Name: Kenneth Ntong' ondu
Fund Accountant
ICPAK M/No 6142



Name: Prof. J. Too
Chairperson of the Board/Fund


15. Statement of Financial Position as at 30th June 2023

Description	Note	FY2022/23	FY2021/22
		Kshs	Kshs
			Restated
Assets			
Current assets			
Cash and cash equivalents	9	8,737,823	6,094,471
Receivables from exchange transactions	19b		9,157,842
Adjusted receivables			(9,157,842)
Total Current Assets		8,737,823	6,094,471
Non-Current Assets			
Receivables from exchange transactions	10	102,073,415	72,212,029
Adjusted non-current receivables	19c		(72,212,029)
Non-current receivables	10		80,972,151
Non-Current Assets		102,073,415	80,972,151
Total Assets		110,811,238	87,066,622
Liabilities			
Trade and other payables	11	4,167,749	2,161,017
Fringe benefit tax		-	-
Un-receipted deposit	-	-	397,721
Adjustment of unreceipted deposit	19d		(397,721)
Total Current Liabilities		4,167,749	2,161,017
Total liabilities	-	4,167,749	2,161,017
Net assets		106,643,489	84,905,605
Car loan & Mortgage revolving fund	12	105,705,277	84,515,037
Accumulated surplus/(deficit)		938,212	390,568
Total net assets and liabilities		106,643,489	84,905,605

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 20th September 2023 and signed by:



Name: Ms. Margaret Kamoni
Secretary/Fund Administrator



Name: Kenneth Ntong' Ondu
For: Fund Accountant
ICPAK M/No. 6142



Name: Prof. Jackson Too
Chairperson of the Board/Fund

16. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Mortgage & Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2021		-	-
Surplus/(deficit) for the period		390,568	390,568
Funds received during the year	84,515,037	-	84,515,037
Transfers		-	2,558,258
Restated transfer			-2,558,258
As at 30 June 2022	84,515,037	390,568	84,905,605
Balance as at 1 July 2022	84,515,037	390,568	84,905,605
Surplus/(deficit) for the period		547,644	547,644
Funds received during the year	21,190,240	-	21,190,240
As at 30 June 2023	105,705,277	938,212	106,643,489

Disbursement from the sponsor (Commission for university Education) is done on requests basis upon confirmation of successful application(s) from eligible staff members.



Name: Ms. Margaret Kamoni
Secretary/Fund Administrator



Name: Kenneth Ntong' Ondu
For: Fund Accountant
ICPAK M/No. 6142



Name: Prof. J. Too
Chairperson of the Board/Fund

17. Statement of Cash Flows for the year ended 30th June 2023

Description	Note	FY2022/23	FY2021/22
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest income	5	2,556,296	2,552,065
Total receipts		2,556,296	2,552,065
Payments			
Employee costs		-	-
Finance costs	7	(1920)	(480)
Total payments		(1920)	(480)
Net cash flow from operating activities		2,554,376	2,551,585
Cash flows from investing activities			
Proceeds from loan principal repayments	14	10,588,976	7,940,255
Loan disbursements paid out	14	(31,690,240)	(88,912,406)
Net cash flows used in investing activities		(21,101,264)	(80,972,151)
Cash flows from financing activities			
Receipts into the mortgage revolving fund	4	21,190,240	82,515,037
Receipts into the car loan revolving fund	4		2,000,000
Cash flows from financing activities		21,190,240	84,515,037
Net increase/(decrease) in cash and cash equivalents		2,643,352	6,094,471
Cash and cash equivalents at 1 July 2022		6,094,471	-
Cash and cash equivalents at 30 June 2023	9	8,737,823	6,094,471

18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Utilization
	2022/23	2022/23	2022/23	2022/23	2022/23	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfer from CUE (KCB Account)						
Mortgage Scheme	117,485,000	-	117,485,000	21,190,240	96,294,760	18%
Staff Car loan	48,000,000	-	48,000,000	-	48,000,000	0%
Others						
Interest Income	2,700,000	-	2,700,000	2,556,296	143,704	94.7%
Total revenue	168,185,000	-	168,185,000	23,746,536	144,438,464	14%
Expenses						
Use of goods and services	1,803,500	-	1,803,500	1,625,208	178,292	90%
Taxation: Withholding tax	400,000	-	400,000	383,444	16,556	96%
Total expenses	2,203,500		2,203,500	2,008,652	194,848	91%
Surplus/ (deficit) for the period	165,981,500	-	165,981,500	21,737,884	144,243,616	13%
Capital expenditure	-	-	-	-	-	-

Notes:

The transfer account was under funded due to low demand of the loan. Funds are transferred from CUE to the scheme based on applications.

19. Notes to the Financial Statements

1. General Information

Commission for university Education car loan and Mortgage Scheme/fund is established by and derives its authority and accountability from public finance Management Act 2012. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide a lone scheme for the purchase, development, renovation, or repair of residential property by members of the scheme and provide loan for purchase.

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 Public Finance Management Act, 2012 and International Public Sector Accounting Standards (IPSAS).

The accounting policies adopted have been consistently applied to all the years presented.

Adoption Of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</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 a Fund’s future cash flows. 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 a Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund 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>

Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position, and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></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 cash flows of the Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></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 on 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>

iii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in the year 2022/23.

Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

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 for each period.

b. Budget information

The original budget for FY 2022/23 was approved on 11th July 2022. 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 Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund's budget is prepared on a different basis from 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

Significant Accounting Policies (Continued)

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 on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under section 9 of these financial statements.

c. 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.

d. Financial instruments

1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments; Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, with less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (*an incurred 'loss event'*) and that loss event has an impact on the estimated future cash flows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

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

2) Financial liabilities

Initial recognition and measurement

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

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

e. Contingent liabilities

The Fund 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.

f. Contingent assets

The Fund 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 Fund 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

Significant Accounting Policies (Continued)

inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g. Nature and purpose of reserves

The Fund is a revolving fund maintained for the purposes of staff mortgage and Car loans disbursement to eligible staff member only.

h. 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.

i. Foreign currency transactions

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

j. Related parties

The Fund regards a related party as a person or 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 Directors/Trustee, the Fund Managers, and Fund Accountant.

k. 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

Significant Accounting Policies (Continued)

are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

l. Comparative figures

There are no comparative figures for the previous financial year, the year ended 30th June 2022 being the first financial year presentation.

m. Events after the reporting period

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

n. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Commission for university Education. Its ultimate parent is the Government of Kenya.

o. Currency

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

3. 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.

a) 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. However, existing circumstances and assumptions about future

Notes to the Financial Statements continued.

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. (See IPSAS 1.140.)

b) 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:

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

4. Transfers from the Parent Ministry/SC/SAGA

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Transfers from CUE- KCB Current Account-1108031625	21,190,240	84,515,037
Total	21,190,240	84,515,037

5. Interest income

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Interest Income from Mortgage	2,519,048	2,460,522
Interest Income from Car Loan	37,248	91,543
Sub Total	2,556,296	2,552,065
Accrued interest income	-	-
Total Interest Income	2,556,296	2,552,065

Notes to the Financial Statements continued.

6. Use of Goods and Services

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Provision for Administration fees	1,623,288	1,778,207
Total	1,623,288	1,778,207

7. Finance costs

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Finance costs	1,920	480
Total	1,920	480

8. Taxation

Description	FY2022/23	FY2021/22
	Kshs	Kshs
		Restated
Withholding tax on Interest Income	383,444	382,810
Fringe benefits tax	-	1,123,270
Adjustment for fringe benefit tax	-	(1,123,270)
Income Tax expense	383,444	382,810

9. Cash and cash equivalents

Description	FY2022/23	FY2021/22
	Kshs	Kshs
CUE Car Loan/ Mortgage Account Family Bank- Westlands Branch Account 48000018388	8,737,823	6,094,471
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others (<i>Specify</i>)	-	-
Total Cash and Cash equivalents	8,737,823	6,094,471

9a) Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:

		FY2022/23	FY2021/22
Financial Institution	Account number	Kshs	Kshs
Family Bank Account	48000018388	8,737,823	6,094,471
Total		8,737,823	6,094,471

Notes to the Financial Statements continued.

10. Receivables from exchange transactions

Description	FY2022/23	FY2021/22
	Kshs	Kshs
		Restated
Current Receivables		
Interest Receivable(accrued)	-	205,857
Adjustment for interest receivables		(205,857)
Uncredited Deposits	-	398,673
Adjustment for uncredited deposits		-398,673
Current Loan Repayments Due		8,951,986
		(8,951,986)
Total Current Receivables		-
Non-Current Receivables		
Long Term Loan Repayments	102,073,415	72,212,029
Adjustment for long term repayments		(72,212,029)
Long term loan repayment		80,972,151
Total Non- Current Receivables	102,073,415	80,972,151
Total Receivables from Exchange Transactions	102,073,415	80,972,151

11. Trade and other payables

Description	FY2022/23	FY2021/22
	Kshs	Kshs
		Restated
Trade payables- (Admin fee)	3,401,495	1,778,207
Other payables- (withholding tax) FY2022/2023	383,444	1,506,080
Withholding tax adjustment		(1,506,080)
Withholding tax- FY2021/2022	382,810	382,810
Total trade and other payables	4,167,749	2,161,017

Notes to the Financial Statements continued.

12. Revolving fund

Description	FY2022/23	FY2021/22
	Kshs	Kshs
		Restated
Transfers	105,705,277	84,515,037
Total revolving funds	105,705,277	84,515,037

13. 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 minimise 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:

a) 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.

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

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

14. Loan repayments and disbursements

	FY2022/23	FY2021/22
	Kshs	Kshs
Interest Payment	2,556,296	2,552,065
Principal loan repayment	10,588,976	7,940,255
Loan disbursements	(31,690,240)	(88,912,406)

Other Disclosures Continued

15. Schedule of principal loan repayment.

	Principal repayments 2022/2023	Monthly
1.	Dorcas Omukhulu	87,865
2.	Alice Kande	25,921
3.	Arnold Musanga	24,222
4.	Caroline Muthoni	49,497
5.	Doris Kiende	28,994
6.	Elizabeth Onyango	55,854
7.	Getrude Lukela	37,743
8.	Hezron Ndung'u	26,518
9.	Jayne Wanjiku	53,915
10.	Linah Kiptoo	143,173
11.	Millicent Keta	104,012
12.	Prof Jackson Too	134,838
13.	Valeria Onsando	49,250
14.	Zachary Waweru	67,336
15.	Andrian Mugambi	66,616
16.	Claris Awuor Adoyo	63,332
17.	Fresia Waithera Kinuthia	30,431
18.	Sarah Adhiambo Ooro	45,452
19.	Margaret Wambui Kamoni	78,327
20.	William Mwangi Njoki	35,182
	Total	1,208,478

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2022				
Receivables From Exchange Transactions- Car loans and mortgages	80,972,151	80,972,151	-	-
Bank Balances	6,094,471	6,094,471	-	-
Total	87,066,622	87,066,622	-	-
At 30 June 2023				
Receivables From Exchange Transactions- Car loans and mortgages	102,073,415	102,073,415	-	-
Bank Balances	8,737,823	8,737,823	-	-
Total	110,811,238	110,811,238	-	-

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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from default.

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has 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. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

Other Disclosures Continued

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	
At 30 June 2022				
Trade Payables-Admin Fee			1,778,207	1,778,207
Total			1,778,207	1,778,207
At 30 June 2023				-
Trade Payables-Admin Fee			1,623,288	1,623,288
Total			1,623,288	1,623,288

c) Market risk

The board 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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Internal Department is responsible for the development of detailed risk management policies 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.

d) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

e) 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:

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Revolving fund	105,705,277	84,515,037
Accumulated surplus (<i>Reserves</i>)	938,212	390,568
Total funds	106,643,489	84,905,605
Less: cash and bank balances	8,737,823	6,094,471
Net debt/(excess cash and cash equivalents)	-	-
Gearing	100%	100%

Other Disclosures Continued

16. Financial period

These financial statements covers a period of 12 months from July 2022 to 30th June 2023

These were the first financial accounts for the mortgage hence no comparative figures

17. Related party balances

a) 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 management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) Fund administration Committee
- b) Commission for University Education board;
- c) Commission for University Education (Sponsor).

b) Related party transactions

- i. Transfers from related parties-Commission for University education main account.

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Transfers from related parties-CUE	21,190,240	84,515,037

ii. Key management remuneration

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

18. Fringe Benefit Tax

The Commission pays fringe benefit for its employees as guided by Employer's Guide to Pay as You Earn in Kenya

19. Restated Amounts

- a. Fringe Benefit – Kshs.1,123,270
The amount was reversed as the Employer is paying the tax.
- b. Receivable from exchange transactions – Kshs.9,157,842
Additional information from Family Bank indicated that all the payments had been made
- c. Non – current receivables – Kshs.72,212,029
Upon reconciliation on receipt of information the correct amount was Kshs.80,472,151
and not Kshs.72,212,029
- d. Unreceipted deposit – Kshs.347,721
There were no unreceipted deposits upon reconciliation with bank records
- e. Transfers – Kshs.2,558,258
Erroneous figure which has been corrected

Other Disclosures Continued

16. Financial period

These financial statements covers a period of 12 months from July 2022 to 30th June 2023

These were the first financial accounts for the mortgage hence no comparative figures

17. Related party balances

a) 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 management personnel, their associates and close family members. The fund/scheme is related to the following entities:

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- b) Commission for University Education board;
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b) Related party transactions

- i. Transfers from related parties-Commission for University education main account.

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Transfers from related parties-CUE	21,190,240	84,515,037

ii. Key management remuneration

Description	FY2022/23	FY2021/22
	Kshs	Kshs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

18. Fringe Benefit Tax

The Commission pays fringe benefit for its employees as guided by Employer's Guide to Pay as You Earn in Kenya

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- a. Fringe Benefit – Kshs.1,123,270
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Upon updated additional information from Family Bank it was indicated that all the payments had been made.
- c. Non – current receivables – Kshs.72,212,029
Upon reconciliation on receipt of information the correct amount was Kshs.80,472,151 and not Kshs.72,212,029. Hence the need for restatement.
- d. Unreceipted deposit – Kshs.397,721
There were no unreceipted deposits upon reconciliation with bank records.
- e. Transfers – Kshs.2,558,258
This was a misplaced erroneous figure which has been corrected.

I. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations

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

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>Non-Compliance with the Reporting Template on Presentation and Disclosure of the Financial Statements</p>	<p>The annual report and financial statements prepared and presented for audit had the following presentation and disclosure errors: -</p> <p>The key entity information and management on page iii does not disclose key management for the Fund;</p> <p>The fund administration committee does not disclose age, date of appointment, key academic and professional qualifications of the committee. The guidance notes need to be deleted;</p> <p>The management team for the fund, passport-size photos, their key academic and professional qualifications, work experience and their main areas of responsibility have not been disclosed;</p> <p>The name of the chairperson has not been indicated on the Fund Chairman’s Report on page viii;</p> <p>Management discussion and analysis on page xi has not disclosed operational and financial performance of the Fund, Fund’s key</p>	<p><i>Key management for the fund has been disclosed.</i></p> <p><i>Fund administration committee has disclosed the age, date of appointment, key academic and professional qualifications and guidance note has been deleted;</i></p> <p><i>The management team details and responsibilities have been stated;</i></p> <p><i>The name of the chairperson has been indicated;</i></p> <p><i>Management discussions and analysis part has been enhanced;</i></p> <p><i>Environmental and sustainability report has been done;</i></p> <p><i>The name of the administrator has been indicated;</i></p> <p><i>The statement of performance against predetermined objectives has disclosed the strategic pillars</i></p> <p><i>(Refer to the amended financial statements)</i></p>	<p>Resolved</p>	

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>projects or investment decisions implemented, compliance with statutory requirements, Major risk(s) facing the Fund and any material arrears in statutory and other financial obligations;</p> <p>Environmental and sustainability report has not been disclosed;</p> <p>The name of the fund administrator has not been indicated on page ix; The statement of performance against predetermined objectives does not disclose the strategic pillars, activities towards their achievement and the outputs under each strategic pillar. Key performance indicators have not been disclosed. In addition, the prescribed format has not been followed; and</p> <p>Minutes approving the financial statements on 30th September, 2022 have not been provided;</p>			
Inaccuracies in the Annual Report and Financial Statements	<p>Lack of Trial Balance and General Ledger</p> <p>Misstatements in the Statement of Finance Performance</p> <p>Misstatements in the Statement of Financial Position</p> <p>Reporting Period</p>	<p><i>Management had prepared a Trial balance as at 30th June 2022. And is attached as Appendix 2</i></p> <p><i>The amount is disclosed in the Financial Statement, Statement of financial performance as shown.</i></p> <p><i>Interest income has been recognized; See Note 11 on</i></p>	Resolved	

Commission for University Education- Staff Car loan/Mortgage fund
Annual Report and Financial Statements for the year ended 30th June 2023

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)
	Notes to the Financial Statements	<p><i>Interest Receivable (accrued) as shown on appendix 1</i></p> <p><i>Reporting period: The scheme was fully operationalized in October 2020, financial statements were the first for the commission staff car loan and mortgage scheme and there were no financial statements for prior year i.e. 2020/2021 and covers eighteen months;</i></p> <p><i>Note 1 on general information has disclosed the year the PFM Act was enacted.</i></p> <p><i>Note 2 has disclosed the details required.</i></p> <p><i>The proposed budget for the scheme was done and indicated as an item in the Commission for university education capital budget. Upon the implementation of the Staff Mortgage and car loan Scheme, no separate budget was done for the Scheme. The fund administration Committee has taken note of this and a comprehensive budget for the scheme will be done starting with the current financial year 2022/2023.</i></p> <p><i>The accounting policy on property, plant and equipment and intangible assets has been removed.</i></p> <p><i>Note 7 has been split to show the interest income</i></p>		

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		<p>for car and mortgage as per the template. This is indicated in attached interest schedule (the only beneficiary-Gertrude Mabele) Appendix 1</p> <p>Tax charged on interest income has now been disclosed.</p> <p>Schedules of interest accrued per individual beneficiary account have been provided as Appendix 1</p>		
<p>Late Submission of Financial Statements</p>	<p>The financial statements for the Commission for University Education Staff Car Loan and Mortgage Scheme for the year ended 30 June, 2022 were submitted on 17th March, 2023.</p>	<p>This is noted, the financial statements for Commission for University Education staff car loan and mortgage scheme have been prepared for eighteen months from the date of the inception of the scheme, because no other financial statements have been prepared before.</p>	<p>CUE has complied</p>	
<p>Inaccuracies in Statement of Cash Flows</p>	<p>Review of the statement of cash flows revealed the following misstatements;</p> <p>Transfer from the main account amounting to Kshs.84,515,037 is not an operating activity as it is not derived from the principal cash generating activities of the Fund as required by paragraph 22 of IPSAS 2. This activity should be classified as a financing activity;</p> <p>Note 7 to the financial statements reflects interest received amounting to</p>	<p>The cash flow statement has been corrected to reflect the kshs.84,515,037 as financing activity;</p> <p>The interest income in note 7 has now been indicated in the statement of cash flows;</p> <p>Note on proceeds from loan principal repayments and loan disbursement has been done (attached appendix 3)</p> <p>The disclosure note has been included.</p> <p>Withholding tax paid on accrued income has been indicated.</p>	<p>Resolved</p>	

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>Kshs.2,228,044 which has not disclosed in the statement of cash flows;</p> <p>The reconciliation of net cash flows from operating activities to surplus disclosed in Note 12 revealed a net cash flow from operating activities amounting to Kshs.847,792. However, review revealed that interest income amounting to Kshs.2,540,613 includes interest received of Kshs.2,228,044 while increase in receivables amounting to Kshs.84,509,997 differs with the receivables' balance of Kshs.83,510,918 by Kshs.999,097;</p> <p>No disclosure notes on proceeds from loan principal repayments and loan disbursements paid out amounting to Kshs.10,492,320 and Kshs.88,910,366 respectively as required by paragraph 128 of IPSAS 1; and</p> <p>Withholding tax paid/accrued on interest income has not been disclosed.</p>			
Misstatements in the Statement of Changes in Net Assets	The statement of changes in net assets reflects funds received during the year amounting to Kshs.84,515,037 disclosed	<i>The statement of changes in net assets has been rectified.</i>	Resolved	

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>under mortgage and car loan fund. However, the statement of financial position reflects car loan and mortgage revolving fund balance of Kshs.87,067,296 resulting into unexplained variance of Kshs.2,552,259. Further, surplus for the year amounting to Kshs.847,792 has been disclosed under mortgage and car loan fund instead of accumulated surplus</p>			
<p>Misstatements in the Statement of Comparison of Budget and Actual Amounts</p>	<p>Management has not prepared a statement of comparison of budget and actual amounts as required by Paragraph 14 of IPSAS 24. In addition, management has not prepared a reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements identifying basis differences as required by paragraph 47.</p>	<p><i>Statement of comparison of budget and actual amounts has been prepared to show how the budgeted total fund amount was utilized.</i></p>	<p>Resolved</p>	
<p>Unconfirmed Cash and Cash Equivalents</p>	<p>The Fund Management should prepare cashbooks and bank reconciliation statements. Management should ensure that monthly bank reconciliations are submitted to the Auditor-General in accordance with Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015.</p>	<p><i>The cashbook has been prepared while bank reconciliations will be forwarded to National Treasury as directed. The cashbook prepared is as shown by appendix 4</i></p>	<p>Resolved</p>	
<p>Non-remittance of Fringe Benefit Tax</p>	<p>The management did not deduct and remit to Kenya Revenue Authority fringe benefit tax accrued from the low interest loans</p>	<p><i>The Commission staff car loan and mortgage scheme has put measures in place to ensure compliance. The fringe benefit tax has been</i></p>	<p>Resolved. Assessment being</p>	

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>extended to its members amounting to Kshs.1,123,270. This contravenes section 12B of the Income Tax Act which states that tax to be known as fringe benefit tax shall be payable commencing on the 12th June, 1998 by every employer in respect of a loan provided at an interest rate lower than the market interest rate, to an individual who is a director or an employee or is a relative of a director or an employee, by virtue of his position as director or his employment or the employment of the person to whom is related.</p>	<p><i>computed and will be remitted to KRA. The Commission for university education staff car loan and mortgage scheme will engage KRA to clear the tax arrears.</i></p>	<p>undertaken by KRA</p>	
<p>Lack of an Approved Budget</p>	<p>The Fund did not have an approved budget for the year. This is contrary to section 68(2)(h) of the Public Finance Management Act, 2012 which requires the Accounting Officer of an entity to prepare estimates of revenue and expenditure of the entity in conformity with the strategic plan. Further, the Commission's request for budgetary provisions to the National Treasury amounting to Kshs.84,515,037 to operationalize the scheme was not done.</p>	<p><i>The proposed budget for the scheme was done and indicated as an item in the Commission for university education capital budget. The total amount budgeted for the fund was to be financed from proceeds of the Commission A-I-A and not to be drawn or allocated directly from the National Treasury. Upon the implementation of the Staff Mortgage and car loan Scheme, no separate budget was done for the Scheme. The fund administration Committee has taken note of this and a comprehensive budget for the scheme will be done starting in the current financial year 2022/2023. Commission's approved development budget, by the National Treasury, was inclusive of the amount of</i></p>	<p>Resolved</p>	

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)
		<i>the requested funding as could be confirmed from the budget for the FY 2021/2022.</i>		
Irregular Establishment and Operation of Mortgage and Car Loan Scheme	Approval by the Cabinet Secretary for the establishment of the fund was not provided for audit review. Further, the Commission's request for budgetary provisions to the National Treasury amounting to Kshs.84,515,037 to operationalize the scheme was not done	<i>Approval letter for the establishment and commencement of the fund ref.ZZ/26/03A/C/(72), dated 5th July, 2019 from the National Treasury was received by the commission on 10th July, 2019. Refer to the attached copy Appendix5.</i>	Resolved	
Unsupported Interest Income	The statement of financial performance reflects interest income of Kshs.2,540,613 as disclosed in note 7 to the financial statements. However, the computation schedule indicating the principal amounts and how the interest amount was arrived at was not provided for audit review.	<i>Schedule showing how interest was arrived at is attached. It shows the interest earned from each of the beneficiary loan account. Appendix1</i>	Resolved	
Irregular Fund Administration Costs	The statement of financial performance reflects administrative costs amounting to Kshs.1,692,821 as disclosed in note 10 to the financial statements. This amount represents professional service costs which is 2% of the revolving fund. However, the statement of comparison of budget and actual amounts was not prepared. In the absence of the approved budget and the statement of comparison of budget and actual amounts, it is not possible to confirm	<i>The statement of comparison of budget and actual amounts has been prepared. Repayment schedule is per attached appendix3</i>	Resolved. Basis of administration on fee; see appendix 5(a)	

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>whether the administrative cost was within the maximum limit of 3 percent of the approved budget as required by Regulation 207(1)(d) of the Public Finance Management (National Government) Regulations, 2015 which provides that administrative costs of the Fund shall be a maximum of 3% of the approved budget.</p>			
<p>Unsupported Receivables from Exchange Transactions</p>	<p>The statement of financial position reflects receivables from exchange transactions balance of Kshs.81,230,507 as disclosed in Note 10 to the financial statements. However, the balance reflected in the note is Kshs.83,510,918 resulting to an unreconciled variance of Kshs.2,280,411. Review revealed the following misstatements;</p> <p>Ledgers or account statements and documents showing details of the borrowers, respective balances owed, individual repayment schedules and loan status reports were not provided for audit verification;</p> <p>No separation has been made for the current portion to be recovered in the next twelve months as required by Paragraph 76(c) of IPSAS I. Further, the non-current portion of the exchange receivables has not been separated and disclosed in the statement of financial position; and</p>	<p><i>Statements of each borrower are as attached,</i></p> <p><i>Separation of the portion to be recovered in the next 12 months has been disclosed; as per the attached appendix1</i></p> <p><i>The above named beneficiary was away on unpaid leave during the period but has since started repaying his loan</i></p>	<p>Resolved</p>	

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)
	Prof Jackson Too was granted loan on May, 2021 amounting to Kshs.9,540,000 but repaid Kshs.134,838 on September, 2021. The recovery of the amounts appears to be uncertain.			
Unsupported Staff Car Loan and Mortgage Revolving Fund	The statement of financial position reflects car loan and mortgage revolving fund balance of Kshs.87,067,296 which is not supported by a note in the financial statements. However, the amount was not supported with schedules, cashbook, ledger, approvals and other verifiable documents. The schedules provided supported Ksh.83,010,613 leaving an unsupported balance of Ksh.4,056,683	<i>The financial statements have now included the notes and support schedules, cashbook and other verifiable documents</i>	Resolved	
Failure to Register Charges on Securities	The statement of cash flows reflects loan disbursement of Kshs.88,910,366. However, no documentation in the form of title deeds, logbooks and insurance cover for the loans issued have been provided to confirm that the Fund had registered charges on the ownership documents as security for amounts disbursed to loanees. Public funds may be lost in the event of repayment defaults	<i>Evidence that loans secured and properties charged on title deeds and log books are as per attached copies provided.</i>	Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Fund Manager/Accounting Officer/Fund Administrator

Ms. Margaret Kamoni.

Secretary/Fund Administrator

Date.....21/12/23.....

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