

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

13 APR 2015

*Paper laid by the
LOR on 13/4/2016 (pud)
G*

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
COMMISSION FOR UNIVERSITY EDUCATION

FOR THE YEAR ENDED
30 JUNE 2015





COMMISSION FOR UNIVERSITY EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2015**

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

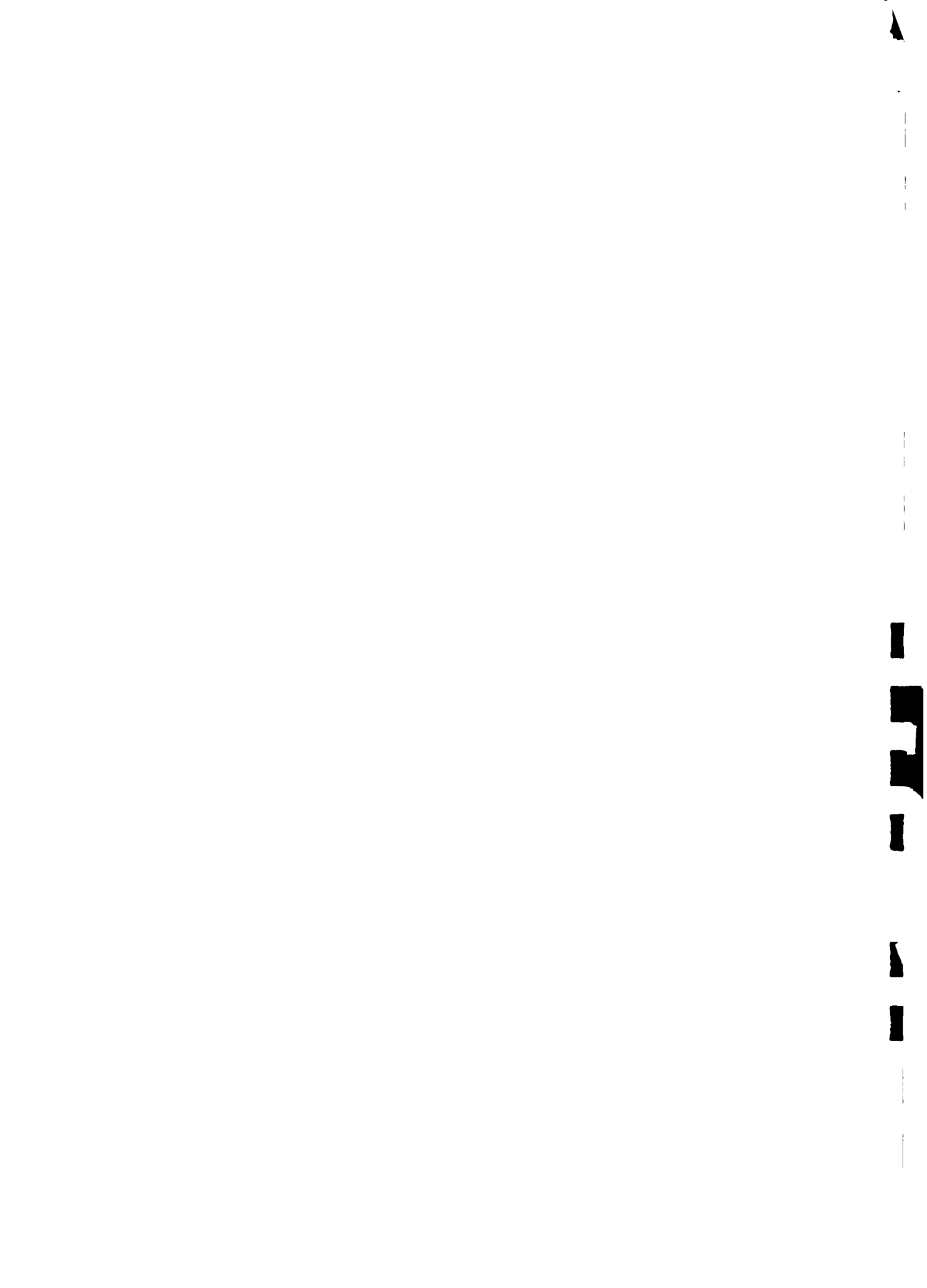


TABLE OF CONTENTS

I.	KEY COMMISSION INFORMATION AND MANAGEMENT.....	iii
II.	MEMBERS OF THE COMMISSION.....	vi-viii
III.	MANAGEMENT TEAM.....	ix-x
IV.	CHAIRMAN'S STATEMENT.....	xi
V.	REPORT OF THE COMMISSION SECRETARY.....	xii-xvi
VI.	CORPORATE GOVERNANCE STATEMENT.....	xvi-xviii
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xix
VIII.	REPORT OF THE COMMISSIONERS.....	xx
IX.	STATEMENT OF COMMISSIONERS' RESPONSIBILITIES.....	xxi
X.	REPORT OF THE INDEPENDENT AUDITORS OF THE COMMISSION	xxii
XI.	STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII.	STATEMENT OF FINANCIAL POSITION	2
XIII.	STATEMENT OF CHANGES IN NET ASSETS.....	3
XIV.	STATEMENT OF CASH FLOWS.....	4
XV.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVI.	NOTES TO THE FINANCIAL STATEMENTS.....	6-19
XVII.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	19



COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

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

- Commission Secretary
- Deputy Commission Secretary (Quality Audit & Standard)
- Deputy Commission Secretary (Accreditation)
- Deputy Commission Secretary (Administration & Finance)
- Deputy Commission Secretary (Planning, Research & Development)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commission Secretary	- Prof. David K. Some
2.	Deputy Secretaries	- Prof. Anne Nangulu - Dr. Florah Karimi - Dr. Eusebius Mukhwana - Dr Francis Kibaru

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

(e) Fiduciary Oversight Arrangements

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

- Audit, Risk and Compliance Committee

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

Quality Assurance Committee

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

Strategy, Resource and General Purpose Committee

1. Oversee and monitor the effectiveness and integrity of the Commission's performance contracting and ISO certification processes.
2. Deal with administrative, finance, human resource, ICT and other general issues.
3. Develop and implement strategies and policies of the Commission that will guide university education in Kenya.
4. Fundraise and mobilize resources for the Commission and over their prudent use and utilization.
5. Oversee and monitor the Commission's compliance with legal and regulatory requirements.
6. Report to the Board of Commission regularly.

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

Commission Headquarters

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

(f) Commission Contacts

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

(g) Commission Bankers

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

(h) Independent Auditors





Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
NAIROBI, KENYA

(i) Principal Legal Adviser





Prof. Tom Ojienda & Associates
Silverpool Office Suites
Suite No A8 Jabavu Lane
Off Argwins Kodhek Rd.
Kilimani
P.O. Box 13699-00100
NAIROBI

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015


II. MEMBERS OF THE COMMISSION

Name	Year Of Birth	Qualifications	Experience
 Prof. Henry M. Thairu Chairperson	1945	<ul style="list-style-type: none"> • PhD(Physical Chemistry)- Univ. of Trondheim, Norway-1975 • PGD(Education)-Nairobi Univ.-1972 • BSC(Chemistry & Physics)-Nairobi Univ.- 1971 	<ul style="list-style-type: none"> • 2008-2013: Vice Chancellor-Inorero Univ. • 2005 -2006: Managing Director-Jomo Kenyatta Enterprises Ltd • 1995-2005: Deputy Vice Chancellor- JKUAT • 1992-1994: Deputy Principal Academic Affairs-JKUAT • 1990-1992: Dean, Faculty of Science, Kenyatta Univ. • 1988-1990: Chairman Dept. of Chemistry, Kenyatta Univ.- • 1987: Associate Professor-Kenyatta Univ. • 1978-1987: Senior Lecturer- Kenyatta Univ.
 Dr. Belio Kipsang' Principala Secretary State Department of Education, Member	1967	<ul style="list-style-type: none"> • PhD(Administration/Plann ing) • MA (Business/Economics) 	<ul style="list-style-type: none"> • Principal Secretary – Ministry of Education, Science and Technology • Deputy CEO and Head of Operations – Higher Education Loans Board
 Dr. Kamau Thugge Principal Secretary, the National Treasury, Member		<ul style="list-style-type: none"> • PhD (Economics) – Johns Hopkins University 	<ul style="list-style-type: none"> • Principal Secretary – National Treasury • Ministry of Finance • International Monetary Fund
 Dr. JPR Ochieng'- Odera Member	1957	<ul style="list-style-type: none"> • PhD (Zoology) – University of Auckland; 1989. • BSc (Zoology Principal) - Fergusson College; 1982. 	<ul style="list-style-type: none"> • 2008 to date: Deputy Director – Consortium for National Health Research • 1999 up to date: Project Monitoring Committee – COMESA • 2004-2008: Head of Capacity – ICIPE • 1999-2004: Manager - ICIPE • 1994-1996: Head of Programme and Planning – RANDFORUM • 1982-1991: Research, Beekeeping

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

 <p>Prof. Wilson K.A Langat , Member</p>	<p style="text-align: center;">1948</p>	<ul style="list-style-type: none"> • PhD(Pragmatism) – Drew University; 1988 • M. Phil (Medieval Philosophy) – Drew University; 1985. • MA (Philosophy) – Princeton Theological Seminary; 1983. • MA (Religion and Philosophy) – Asbury Theological Seminary; 1979 	<ul style="list-style-type: none"> • 2009-2012: Secretary of Sports – Ministry of Youth Affairs and Sports • 2008: Principal – Kisii University College • 2003-2008: Principal – Kenya Highlands University • 1999-2002: Dean of Students – Egerton University • 1998-1999: Professor of Philosophy – Egerton University • 1994-1997: Snr. Lecturer – Moi University • 1993-1994: Lecturer – Moi University • 1992-1998: Snr. Lecturer – Kenya Highlands • 1986-1988: Asst. Lecturer – Drew University • 1979-1981: Lecturer – KHEU
 <p>Ms. Millicent Omukaga, Member</p>	<p style="text-align: center;">1979</p>	<ul style="list-style-type: none"> • PhD – Erasmus University; Ongoing. • MBA – University of Nairobi; 2006. • B.Com (Management Science) – University of Nairobi; 2004. • Diploma – HRM – ICM. • Diploma – Banking. • CPA(K) – KASNEB. 	<ul style="list-style-type: none"> • 2009-2012: General Manager – Kenya Women Finance Trust • 2007-2009: Head of Audit – Family Bank • 2007: Consultant – Price Water House Coopers • 1999-2007: Treasury Officer – KCB
 <p>Ms. Lucy Wanja Julius, Member</p>	<p style="text-align: center;">1969</p>	<ul style="list-style-type: none"> • LLM-Univ. of London-2005 • LLB-Nairobi Univ.-1992 	<ul style="list-style-type: none"> • 2008 to date: Practising Lawyer • Worked for 7 years as: <ul style="list-style-type: none"> -Secretary/Legal Officer-Lap Trust -Legal Officer-Kenya National Federation of Cooperatives Ltd -State Counsel-Advocates Complaints Commission
 <p>Mr. Abudo Q. Mamo, Member</p>	<p style="text-align: center;">1979</p>	<ul style="list-style-type: none"> • MBA-Nairobi Univ.-2011 • BSC(Maths& Statistics)Catholic Univ.-2003 • Higher Diploma(HRM)-Institute of HRM-2004 	<ul style="list-style-type: none"> • 2011 to date: Assistant HR & Admin Manager-Hass Petroleum • 2010 (Jan-Oct): Committee of Experts on Constitution-Regional Coordinator • 2008-2010: Analyst, Asset Finance-CFC Stanbic Bank Ltd • 2006-2008: Program Officer- Adventist Development Relief Agency • 2005-2006: Customer Advisor/Processor-Barclays Bank of Kenya

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

	<p align="center">1956</p>	<ul style="list-style-type: none"> • Ph.D – University of Newcastle upon Tyne - U.K. • M.Sc – Cranfield University, U.K. • B.Sc. (Hons) - University of Newcastle-upon Tyne U.K. • Post Graduate Diploma 	<ul style="list-style-type: none"> • Commission Secretary/Chief Executive Officer • Vice Chancellor-Moi University • Associate Professor • Sabbatical Fellow • Deputy Vice-Chancellor • Principal • Associate Professor & Head, Department of Agricultural Bio-systems Engineering • Chairman & Senior Lecturer • Ph.D. Candidate and Teaching Assistant
---	----------------------------	--	---

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

III. MANAGEMENT TEAM



Prof. David K. Some
Commission Secretary



Dr. Eusebius J. Mukhwana, PhD, HSC
Deputy Commission Secretary
-Planning, Research and Development



Prof. Anne Nangulu, PhD
Deputy Commission Secretary
-Quality Audits and Standards



Dr. Florah Karimi, PhD
Deputy Commission
Secretary-Accreditation



Dr. Francis Kibaru, PhD
Ag. Deputy Commission
Secretary –Administration
and Finance

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

Deputy Commission Secretaries (DCS)

Name	Area of Responsibility	Academic/Professional Qualifications
1. Dr. Florah K. Karimi DCS (Accreditation)	Accreditation	<ul style="list-style-type: none"> • 2005-2009: Doctor of Education in Psychology of Education from University of South Africa • 1991-1996: Masters of Education Degree in Educational Psychology from Kenyatta University • 1988-1991: Bachelor of Education (Science) - Kenyatta University
2. Prof. Anne K. Nangulu DCS (QAS)	Quality Audits and Standards	<ul style="list-style-type: none"> • 1996-2001: Doctor of Philosophy – West Virginia University (USA) • 1986-1990: Master of Arts – University of Nairobi (Kenya) • 1983-1986: Bachelor of Arts – UON
3. Dr. Francis Kibaru Ag. DCS (A & F)	Administration and Finance	<ul style="list-style-type: none"> • 2009-2014: PhD- University of Missouri-Columbia (USA) • 1992: Masters of Science in Mathematics- Kenyatta University • 2005: Masters of science in Information Systems- University of Nairobi • 1990: Bachelor of Education(Sci)-Kenyatta University
4. Dr. Eusebius J. Mukhwana DCS (PRD)	Planning, Research and Development	<ul style="list-style-type: none"> • 2010: PhD, University of Wyoming (USA) • 1995: M.sc Pharmacology and Toxicology - UoN • 1991: Bachelor of Veterinary Medicine– University of Nairobi (Kenya)

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

IV. CHAIRMAN'S STATEMENT



Prof. Henry M. Thairu
Chairman

I am delighted to present the Commission for University Education Annual Report and Accounts for the year 2014/2015. The report attests to the fact that the Commission has put in place stringent checks and balances and has adapted risk-based management practices to prudently manage and utilize its resources in an accountable and transparent manner. This is for the good of service delivery to the Kenyan citizenry in which we are legally mandated to serve.

The Commission continues to aligning itself to the priorities of the country. Towards this end the Commission has aligned its five – year Strategic Plan 2014-2018 to be in line with the country's blue print-The Vision 2030 and Sustainable Development Goals as well other key policies specific to the sector.

This annual plan maps out the path that the Commission has taken over the past year as it continues to live up to the mantra of *Quality: The Agenda*. The report also takes stock of the milestones achieved as a result of the commitment and professionalism of the Commission members, Management and staff.

The sound financial position the Commission continues to post emanates from strategic leadership within the institution and strict adherence to laid down good corporate governance ethos in public institutions.

It is our resolve that the Commission will enhance service delivery in furtherance of its mandate to ensure the maintenance of standards, quality and relevance in all aspects of university education, training and research.

The Commission will continue working with stakeholders locally, regionally and internationally in championing relevant initiatives for a collective approach to quality assurance university education in line with global best practice.

A handwritten signature in black ink, appearing to read 'Prof. Henry M. Thairu'. The signature is stylized with a long horizontal stroke at the end.

PROF. HENRY M. THAIRU

CHAIRMAN

V. REPORT OF THE COMMISSION SECRETARY



Prof. David K. Some
Commission Secretary

Opening statement

Allow me to share Commission's 2014/2015 annual report detailing the progress that the Commission has made as well as the challenges that it has had to address. The Commission has over the years evolved from being charged with the responsibility of regulating private university education into a body currently charged with managing a broad spectrum of university education for both for public and private universities.

Mandate

Commission is mandated to ensure the maintenance of standards, quality and relevance in all aspects of university education, training and research.

Peer review in quality assurance process

The Commission mainstreams quality assurance practices in university education and encourages continuous improvement in the management of the quality of university education.

The process is undertaken through a peer process of audits and reviews. To this end, the Commission continue to carry out comprehensive regular inspections, monitoring and evaluation of universities to ensure compliance with set standards and guidelines as provided for under the law.

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

Quality assurance mechanisms

The Commission continues to engage with stakeholders to deliberate on matters concerning the sector. Such include Commission's Quality Assurance (QA) initiatives and engagement with stakeholders in formulating systems for sustainable QA in the region.

The Commission has had partnership with The Inter- University Council of East Africa (IUCEA) and the national higher education regulatory agencies in East Africa in working towards putting in place a harmonized quality assurance system that will be used by universities in the region. This has seen Deans, Chairs and QA officers from universities within the region have held a series of training workshops under the auspices of the Commission.

The Commission finds such partnerships and opportunities also anchored under the East African Community as key. Success has so far been achieved on this in harmonizing QA system to the benefit of students across the East Africa region.

Promote research in universities

Commission has continued to lead the way in hosting stakeholders to deliberate on research activities in the sector. Key outcome of such deliberations has been to disseminate and maintain data on universities as stipulated in the Universities Act. During the year, the Commission held several forums in which stakeholders convened. Such fora has continued to provide a platform for stakeholders to share experiences on aspects such as research training, data collection & management, needs for university expansion in Kenya, best practices in quality assurance, dynamism in accreditation and capacity building needs for postgraduate training.

Policy advisory

The Commission during the year periodically issued a number policy advisories as provided for within the legal framework. This has gone a long way in guiding the government and the sector on a wide array of aspects on university education.

Licencing recruitment agencies

The Commission continues to monitor the activities of student recruitment agencies in Kenya with a view of safeguarding students seeking learning opportunities outside the country. This has ensured that Kenyans are not duped to enrolling into foreign institutions whose accreditation status are questionable.

Collaborations of institutions

The Commission has continued to enforce collaborations between local universities and foreign institutions and collaboration between foreign universities and local institutions. To enforce this, the Commission has closed down several institutions that have entered into such collaborations without due approval. Further, members of the public through various media channels were informed and advised of such illegal collaborations. The Commission also has continued to advise potential and current employers to act accordingly by not honouring qualifications attained from such collaborations.

Credit Accumulation and Transfer System (CATS)

The Commission has been working on Credit Accumulation and Transfer System (CATS). The national initiative endeavour to facilitate credit accumulation and transfer between institutions through developing minimum standards for academic programmes. The CATS project is meant to facilitate movement of students within the country. Minimum standards for 17 academic programmes have so far been developed.

Recognition and Equation of Qualifications

To ensure qualifications earned from foreign institutions meet the country's standards, the Commission has developed guidelines for equation and recognition of degrees and post graduate qualifications. The guidelines have proved useful to employers to ascertain the accreditation status of such foreign institutions as well as ascertain skills impacted. The service has also proven vital to local universities seeking to admit students who had prior qualifications from outside Kenyan borders.

Enforcement

The Commission continue to strive to fully operationalize the universities Act No. 42 of 2012. It is in the spirit of this that the Commission has proposed various amendments in order to iron out grey areas noted. This has been on through step by step intensive involvement and deliberations with key stakeholders.

The enforcement arm of the Commission has also been heighten. Several unauthorized institutions purporting to offer university education have been closed with legal proceedings instituted to net the culprits.

A country wide inspection of university satellite campuses was initiated in phases. The first phase was completed for Nairobi County. One of the key outcome of the exercise meant to weed out campuses

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

that do not meet minimum requirements is putting on notice for a 12 months period for all those that were found not to have met the requirements to comply, failure to which they will be closed down.

Financial statement

During the year 2014/2015 the Commission continued with its good financial performance. The total revenue collected stood at Kshs 340,601,811 registering a surplus of Kshs 94,236,260 compared to Kshs 67,286,933 in the previous year. This is a 40% growth. The growth is a clear indicator of prudent utilisation of resources the Commission is entrusted with.

Achievements

The Commission continue to forge and support university-industry linkages to promote private sector investment and participation in university education, training and research.

The Commission is alive to the fact that the world was rapidly becoming knowledge-directed and integrated the use of ICT in service delivery. As it undertakes its responsibilities the Commission continually benchmarks with other quality assurance bodies worldwide to ensure compliance with best practices. To this end, the Commission continues to be active members of aligned regional and international bodies to better forge partnerships and linkages.

As a public institution, the Commission adhered to the Performance Contracting guidelines and ISO 9001:2008 requirements to reposition itself within the context of market requirements, customer satisfaction and cost rationalization. The Commission scored a 'very good' in the 2014/15 contractual period. The Commission also was ISO: 9001:2008 recertified in the year.

The Exhibition by Kenyan Universities' continues to thrive. The Commission coordinates the annual event on behalf of universities as well as regional aligned bodies. The event has assumed a devolved approach in which the venue to stage is at the counties. This has ensured the provided an avenue for stakeholders, students, secondary school leavers and members of public to interact with universities to be informed on career choices, financing and opportunities in higher education. It positions universities in their rightful place as the key drivers of socio-economic development through showcasing their products, programmes and services to the wider public.

Challenges

The Commission has grappled with an increased demand for quality university education against the backdrop of those unscrupulous entrepreneurs bent on deceiving Kenyans that they have been authorized to operate or offer university education in the country. The Commission has the legislative teeth to crack the whip against such corrupt elements and through its Regulations has put in place punitive penalties to deter this practice.

The tiff between professional bodies and universities has been a challenge not only for the Commission but also to the university fraternity as a whole. To a large extent this has been occasioned by a lacuna that exists between the Universities Act and professional bodies respective Acts. The Commission has embarked to correct this proposing amendments to the Universities Act and also instituted mechanisms for constructive engagement with professional bodies.

Future outlook

The Commission will continue to make its mark in stopping at nothing to ensure that quality university education is offered. Plans are underway to construct a University Training & Research Centre to house research and training facility for the university sector.

The Commission also will explore means of leveraging on technology in enhancing delivery of services. Such will include enlisting on more online platforms as well revitalizing social media use to enhance efficiency in delivery and increase levels of customer satisfaction.

Appreciation

I would like to express my sincere appreciation to the Commission, Management and staff for their tireless efforts towards resulting to the successes of the year. Looking ahead, we will collectively work for the good of the sector and the citizenry.

I also wish to thank the Kenyan Government, stakeholders and partners for their continued support. Without their support many of the commitments that we had set out to achieve would never have been realized.



PROF. DAVID K. SOME

COMMISSION SECRETARY

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

VI CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which organizations are directed, controlled and held to account. The Commission is responsible for the overall management of the governance of the organization and is accountable to the stakeholders for ensuring that the Commission complies with the Law and best practice in corporate governance as promulgated by relevant authorities.

Commission Members

The Commission members are appointed in accordance with the Universities Act, 2012 Part II Section 6 (1) and comprise eight (8) persons appointed by the Cabinet Secretary in the Ministry for the time being responsible for University education. The Commission Secretary is a member.

The full Commission meets at least four (4) times in each calendar year at such place and time as the Chairman may from time to time determine. The members receive all information relevant to the discharge of their obligations in accurate, timely and in a clear manner so that they can guide and maintain full and effective control over the strategic direction of the Commission, financial, operational and compliance matters. With the exception of direction and guidance on general policy, the Commission has delegated authority for the conduct of day-to-day business to the Commission Secretary and the staff of the Commission.

The Commission retains responsibility for establishing and maintaining the institution's overall control of financial, operational and compliance issues as well as implementing strategies for the long-term success of the organization.

Functions of Commission

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

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

Committees of the Commission

The following are the Committees of the Commission:

1. Strategy Resources and General Purpose Committee;
2. Audit Risk and Compliance Committee
3. Quality Assurance Committee

Internal Controls

The Commission has defined procedures and financial controls to ensure the reporting of true and fair representation of accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties.

Communication with the Commission

The Commission is committed to ensuring that stakeholders and the general public are provided with full and timely information about its performance. This is achieved by the distribution of the Commission's information and the release of notices in the media.

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

The Annual Report and Accounts are published annually and distributed to the National Assembly.

Commission Members Emoluments

The Commission members are paid sitting allowance and other allowances which are included in the Commission expenses detailed in this Annual Report and Accounts 2014/2015.

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

VII CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Pursuant to the social responsibility objectives as stipulated in the Commission Corporate Social Responsibility (CSR) policy, the Commission's primary responsibility is to ensure the organization's long-term success through the adoption and management of good corporate social behavior. In line with this commitment, the Commission is fully aware of the responsibility to play an active role in matters of public concern and national importance.

This year 2014/2015 the Commission in fulfilling its social responsibility to society donated furniture to police stations and a primary school within the neighbouring community. The items were donated as follows:

- a) Gigiri Police Station received two (2) double pedestrian desks and two (2) filing cabinets of four (4) drawers each;
- b) Gachie Primary School received three (3) dining tables; and
- c) Nyari Police Post received:
 - i) One (1) double pedestrian desk
 - ii) One (1) four drawer filing cabinet and
 - iii) One (1) L-shaped desk.

As the Commission endeavours to support international and national initiatives aimed at sustained environmental conservation, and in commemorating this year's World Environment day, staff together with members of the local community joined hands to clean the banks of *Gathine* River which flows through the Commission land.

The Commission will continue to fully embrace and to mainstream CSR activities into the core activities of the Commission as it continuously endeavours to secure more efficient and effective means of improving and positively contributing to the societal world in which the Commission operates and functions.

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

VIII. REPORT OF THE COMMISSIONERS

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Commission affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2015 are set out on page 1

Commissioners

The members of the Commission who served during the year are shown on page v-vi in accordance with the Universities' Act 2012.

Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012.

By Order of the Commission.



Prof David K. Some
Commission Secretary
Nairobi
Date

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

IX STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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


The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

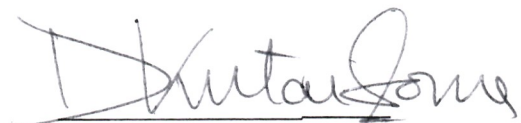
Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

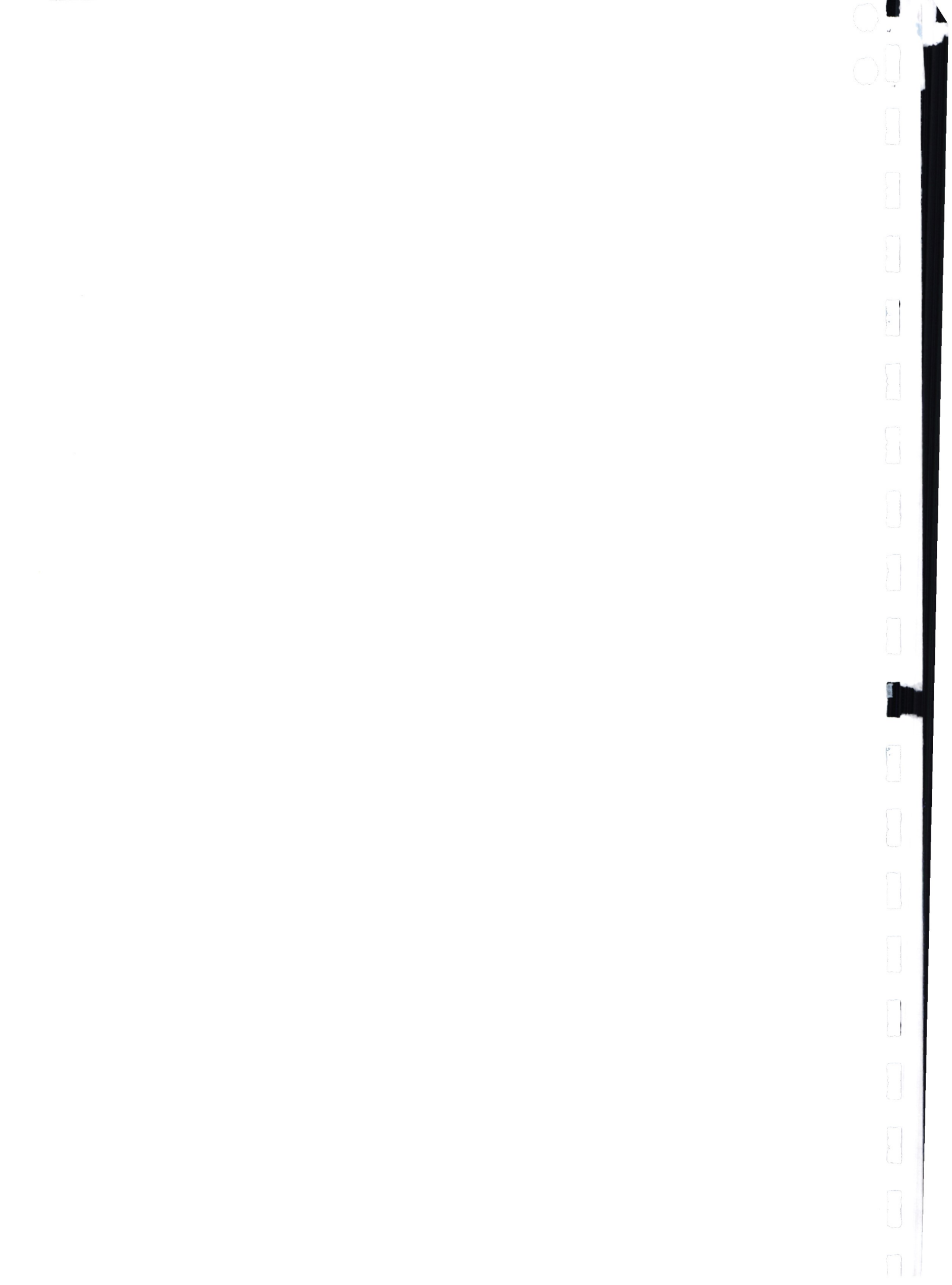
The Commission's financial statements were approved by the Commission on and signed on its behalf by:



Prof. Henry M. Thairu
Chairman



Prof. David K. Some
Commission Secretary



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COMMISSION FOR UNIVERSITY EDUCATION FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Commission for Higher Education set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

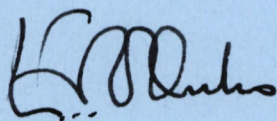
*Commission for University Education – Annual Report and Financial Statements for the year ended
30 June 2015*

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Commission for University Education Act, Cap 210B of the Laws of Kenya.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 March 2016

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2014-2015 Kshs	2013-2014 Kshs
Revenue from non-exchange transactions			
Transfers from the Government—Capitation	3	240,862,500	240,862,500
		-	-
Revenue from exchange transactions			
Rendering of services	4	61,187,383	26,397,260
Rental revenue from facilities and equipment	5	5,026,443	4,677,848
Finance income - external investments	6	31,182,674	22,639,619
Other income	7	2,342,811	269,301
		99,739,311	53,984,028
Total revenue		340,601,811	294,846,528
Expenses			
Bulk purchases of water and electricity	8	3,847,564	3,698,456
Employee costs	9	131,475,825	144,658,627
Remuneration of Commissioners	10	10,482,933	6,937,929
Depreciation and amortization expense	11	16,704,415	12,835,488
Repairs and maintenance	12	1,309,872	2,146,039
Contracted services	13	30,500,972	17,902,610
General expenses	14	52,043,970	39,380,446
Total expenses		246,365,550	227,559,595
Surplus before tax		94,236,260	67,286,933
Surplus for the period		94,236,260.	67,286,933

The notes set out on pages 6 to 18 form an integral part of the Financial Statements

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	2014-2015 Kshs	2013-2014 Kshs
Assets			
Current assets			
Cash and cash equivalents	15	398,563,489	288,602,781
Receivables from exchange transactions	16	<u>28,297,201</u>	<u>7,442,546</u>
		<u>426,860,690</u>	<u>296,045,327</u>
Non-current assets			
Property, plant and equipment	17	476,325,746	472,158,477
Total assets		<u>903,186,436</u>	<u>768,203,804</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	80,788,160	41,204,629
Total liabilities		<u>80,788,160</u>	<u>41,204,629</u>
Net assets		822,398,276	726,999,175
Capital Funds	21	197,449,724	197,449,724
Accumulated surplus	20	338,045,365	243,809,105
Revaluation Reserves	22	286,903,185	285,740,346
Total net assets and liabilities		<u>822,398,274</u>	<u>726,999,175</u>

The Financial Statements were signed on behalf of the Commission by:



Chairman of the Commission

Date.....



Commission Secretary

Date.....

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2015

	Capital Funds Kshs '	Revaluation Reserve Kshs '	Accumulated surplus Kshs '	Total Kshs '
Balance as at 30 JUNE 2013	197,449,724	286,780,927	176,522,172	660,752,823
Surplus/(deficit) for the period	-	-	67,286,933	67,286,933
Depreciation on Revaluation	-	-1,040,581	-	-1,040,581
Balance as at 30 JUNE 2014	197,449,724	285,740,346	243,809,105	726,999,175
Revaluation Surplus for the period	-	2,937,893	94,236,260	2,937,893 94,236,260
Depreciation on Revaluation	-	1,775,054	-	1,775,054
Balance as at 30 JUNE 2015	197,449,724	286,903,185	338,045,365	822,398,274

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

STATEMENT OF CASH FLOWS

	Note	2014-2015 Kshs	2013-2014 Kshs
Cash flows from operating activities			
Receipts			
Net cash flows from operating activities	19	<u>129,669,552</u>	<u>81,418,304</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(19,708,847)	(9,559,045)
Gain and losses on disposal of assets		-	-
Net cash flows used in investing activities		<u>(19,708,847)</u>	<u>(9,559,045)</u>
Net increase/(decrease) in cash and cash equivalent		109,960,705	71,859,259
Cash and cash equivalents at 1 JULY		288,602,781	216,743,522
Cash and cash equivalents at 30 JUNE	15	<u>398,563,486</u>	<u>288,602,781</u>

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance	Explanations
	2014-2015 Kshs '000	2014-2015 Kshs '000	2014-2015 Kshs '000	2014-2015 Kshs '000	2014-2015 Kshs '000		
Revenue							
Government grants and subsidies	374,000,000	-133,137,500	240,862,500	240,862,500	-		
Rendering of services	37,000,000	-	37,000,000	61,187,383	24,187,383	65.37	Charges reviewed upwards in as per gazette notice 8477 of 21 november 2014
Finance Income	9,000,000	4,500,000	13,500,000	31,182,674	17,682,674	130.98	Interest rates went up.
Other Income and rental income	5,000,000	-	5,000,000	7,369,254	2,369,254	47.39	6% management fees From NICHE project
Total income	425,000,000	-128,637,500	296,362,500	340,601,811	44,239,311		
Expenses							
Bulk Purchase of water & electricity	3,500,000	-	3,500,000	3,847,564	-347,564	(9.93)	
Employee costs	265,000,000	-98,300,000	166,700,000	131,475,825	35,224,175	21.13	Recruitment cost take longer than anticipated
Remuneration of Commissioners	10,000,000	-	10,000,000	10,482,933	-482,933	(4.83)	
Depreciation and amortization exp	13,000,000	-	13,000,000	16,704,415	-3,704,415	(28.50)	Revaluation & Acquisition of more assets
Repairs and maint.	7,500,000	-500,000	7,000,000	1,309,872	5,690,128	81.29	Projected repairs not undertaken
Contracted services	38,500,000	-9,400,000	29,100,000	30,500,972	-1,400,972	(4.81)	Activities budgeted were not undertaken
General expenses	87,500,000	-20,438,000	67,062,000	52,043,970	15,018,030	22.39	
Total expenditure	425,000,000	-128,638,000	296,362,000	246,365,551	49,996,449		
Surplus for the period	-	-	500	94,236,260	94,235,760		

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Transfers from the government and 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 Commission and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Commission recognizes revenue from rendering of services.

Interest income

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

Rental income

Rental income arising from leases of office space and other property properties is accounted as provided in the contract terms for on a straight-line basis over the lease terms and included in revenue.

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Commission. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment – IPSAS 17

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

Depreciation is provided for at annual rates estimated to write off the cost of the assets over their expected useful life using the straight-line basis. The annual rates used are:

Buildings	2.5%
Furniture	12.5%
Equipment	12.5%
Motor Vehicles	25%
Computer Equipment	30%

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

e) Financial instruments – IPSAS 29

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 Commission 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 Entity 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, 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 Commission assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset of the Commission 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 financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Commission 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)

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

j) 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 Commission determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

IPSAS 29.65

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

f) Inventories – IPSAS 12

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

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

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

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

Inventories are recognized as an expense in the year of purchase.

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

g) Provisions – IPSAS 19

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

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

During the financial year, the Commission was enjoined on five (5) cases which the Commission does not anticipate costs save for the normal legal fees provided under our budget.

Contingent assets

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

h) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. The Commission has set aside funds for construction of Universities Research & Training Centre (URTC) from prior year savings.

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

i) Employee benefits – IPSAS 25

Retirement benefit plans

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

j) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance. During the period under review, the Commission did not incur any borrowing costs.

k) Related parties – IPSAS 20

The Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties.

l) Cash and cash equivalents

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

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

m) Comparative figures

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

n) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

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

Useful lives and residual values

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

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

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Transfers from other governments

	2015	2014
	Shs	Shs
Unconditional grants		
Operational grant	240,862,500	240,862,500

4. Rendering of services

Equation of qualification	12,812,383	9,387,259
Programme & accreditation fees	48,375,000	17,010,001
Total revenue from the rendering of services	61,187,383	26,397,260

5. Rental revenue from facilities and equipment

Rent from leasing office space	5,026,443	4,677,848
--------------------------------	-----------	-----------

6. Finance income - external investments

Cash investments and fixed deposits	31,182,674	22,639,619
Total finance income – external investments	31,182,674	22,639,619

7. Other income

	2015	2014
	Shs	Shs
Prequalification Income	2,000	9,500
Miscellaneous	2,340,811	259,801
Total other income	2,342,811	269,301

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Bulk purchases of water and electricity

	2015 Shs	2014 Shs
Electricity	3,801,746	3,199,911
Water	45,818	498,545
Total bulk purchases	<u>3,847,564</u>	<u>3,698,456</u>

9. Employee costs

Basic pay - salaries and wages	63,805,636	67,433,745
Contributions to pensions and gratuity	14,055,621	14,345,019
Transport allowance	10,226,930	10,927,793
Housing benefits and allowances	25,661,547	28,220,484
Medical Expense	9,177,665	13,806,403
Other allowances	8,548,426	9,925,183
Employee costs	<u>131,475,825</u>	<u>144,658,627</u>

10. Remuneration of Commissioners

Chairman's Honoraria	960,000	571,440
Commission sitting allowance	6,102,000	4,500,000
Mileage allowance	823,589	361,061
Lunch Allowance	354,000	146,000
Air tickets	57,160	188,280
Insurance	167,163	199,383
Accommodation	1,276,313	793,600
Telephone/Internet	428,450	178,165
Medical Insurance	314,260	-
Total Commissioners' remuneration	<u>10,482,933</u>	<u>6,937,929</u>

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Depreciation expenses

	2015 Shs	2014 Shs
Property, plant and equipment	16,704,415	12,835,488
Total depreciation	16,704,415	12,835,488

12. Repairs and maintenance

Property	679,779	991,815
Equipment	630,092	1,154,224
Total repairs and maintenance	1,309,872	2,146,039

13. Contracted services

Resource persons	20,738,251	10,625,473
Professional fees	9,762,721	7,277,137
Total contracted services	30,500,972	17,902,610

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. General expenses

The following are included in general expenses:

	2015 Shs	2014 Shs
Travelling & accommodation	13,178,580	5,469,686
Transport operating costs	3,380,076	3,474,052
Audit fees	870,000	290,000
Conferences and Seminars	6,597,131	5,649,724
Insurance	1,379,595	1,163,156
Advertising	6,080,074	6,155,010
Library Expense	702,860	125,000
Hiring charges	2,733,159	2,368,837
Postage	183,283	415,734
Printing, photocopying & stationery	3,848,958	2,674,360
Office expenses	6,821,397	5,498,305
Rent & Rates	337,072	301,563
Telephone & Internet	3,830,777	4,467,291
Training	1,427,239	1,963,123
Other	673,771	822,142
Total general expenses	52,043,970	39,380,446

15. Cash and cash equivalents

Main Account-KCB	19,427,125	50,493,200
NICHE Euro account-KCB	20,985,823	-
Fixed Deposit KCB-Car loan	10,186,497	9,699,247
Fixed Deposit-KCB	347,964,043	228,410,334
Total cash and cash equivalents	398,563,489	288,602,781

16. Receivables from exchange transactions

Current receivables

Staff Debtors/Imprest	78,060	13,000
Debtors	220,000	220,000
Prepayments	1,779,269	3,370,944
Accrued dues	26,219,873	3,546,952
NICHE Project	-	291,650
Total current receivables	28,297,201	7,442,546

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

17. Property, plant and equipment

Cost	Land		Buildings		Furniture & Fittings		Equipment		Computers		Motor vehicles		Total	
	Shs		Shs		Shs		Shs		Shs		Shs		Shs	
At 1 July 2013	49,380,000		144,927,570		11,435,324		10,394,614		17,044,206		13,515,451		246,697,165	
Revaluation 2009/10	264,620,000		23,623,251		3,343,075		-		6,215,970		1,800,000		290,043,251	
Additions	-		-		-		-		-		-		9,559,045	
Disposals	-		-		-		-		-		-		-	
Transfers/adjustments	-		-		-		-		-		-		-	
At 30 June 2014	314,000,000		168,550,821		14,778,399		10,394,614		23,260,176		15,315,451		546,299,461	
Additions	-		-		2,291,061		-		3,708,513		13,709,273		19,708,847	
Revaluation	-		-		-		-		-		2,937,893		2,937,893	
Disposals	-		-		-		-		-		-		-	
Transfer/adjustments	-		-		-		-		-		7,569,554		7,569,554	
At 30 June 2015	314,000,000		168,550,821		17,069,460		10,394,614		26,968,689		24,393,063		561,376,647	
Depreciation and impairment														
At 1 July 2013	-		28,675,204		(4,431,262)		5,156,709		12,997,538		9,004,204		60,264,915	
Depreciation	-		3,623,189		1,847,300		1,299,327		3,627,373		2,438,299		12,835,488	
Disposal	-		-		-		-		-		-		-	
Revaluation depreciation	-		590,581		-		-		-		450,000		1,040,581	
At 30 June 2014	-		32,888,974		6,278,562		6,456,036		16,624,911		11,892,503		74,140,984	
Depreciation	-		3,623,189		2,133,683		1,299,327		4,734,423		4,913,793		16,704,415	
Disposals/Transfer/Adj	-		-		-		-		-		7,569,554		7,569,554	
Revaluation depreciation	-		590,581		-		-		-		1,184,473		1,775,054	
At 30 June 2015	-		37,102,744		8,412,245		7,755,363		21,359,334		10,421,215		100,190,007	
Net book values														
At 30 June 2015	314,000,000		131,448,077		8,657,215		2,639,251		5,609,355		13,971,848		476,325,746	
At 30 June 2014	314,000,000		135,661,847		8,499,837		3,938,578		6,635,265		3,422,948		472,158,477	

COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

18. Trade and other payables from exchange transactions

	2015	2014
	Shs	Shs
Audit Fees	580,000	580,000
Research Funds	11,045,195	11,045,195
McCormack Partnership A	2,112,000	2,112,000
Other Funds-Needs Assessment	10,985,636	10,985,636
Exhibition by Kenyan Universities	7,052,847	3,168,413
Sundry Creditors	13,297,477	5,608,573
Creditors Control	13,346,316	6,442,920
NICHE Project	21,106,798	-
Unesco Project	61,892	61,892
Rent Deposit-Touchstone	225,000	225,000
Rent Deposit-Amin Nanji	225,000	225,000
Rent Deposit-National Biosafety	750,000	750,000
Total trade and other payables	80,788,160	41,204,629

19. Cash generated from operations

Surplus for the year before tax	94,236,260	67,286,933
Adjusted for:		
Depreciation	16,704,415	12,835,488
Gains and losses on disposal of assets	-	-
Working capital adjustments:		
(Increase)/Decrease in receivables	-20,854,655	29,606,751
Increase/(Decrease) in payables	39,583,531	-28,310,868
Net cash flows from operating activities	129,669,552	81,418,304

**COMMISSION FOR UNIVERSITY EDUCATION
ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2015**

NOTES TO THE FINANCIAL STATEMENTS

20. Accumulated surplus

	2015	2014
	Shs	Shs
At 1 st July	243,809,105	176,522,172
Surplus/ (Deficit) for the year	94,236,260	67,286,933
Balance as at 30 th June	338,045,365	243,809,105

21. Capital Fund

At 1 st July	197,449,724	197,449,724
Balance as at 30 th June	197,449,724	197,449,724

22. Revaluation Reserves

At 1 st July	285,740,346	286,780,927
Revaluation	2,937,893	-
Depreciation on Revaluation	1,775,054	1,040,581
Balance as at 30 th June	286,903,185	285,740,346

There are no material non-adjusting events after the reporting date.

XVII PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no outstanding audit matters



Commission Secretary

Date.....



Chairman of the Commission

Date.....

