

REPUBLIC OF KENYA



*Paper laid  
By the Majority Whip  
Hon. Benjamin Wambui  
Wednesday Morning Sitting  
11/11/2018*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
COMMISSION FOR UNIVERSITY  
EDUCATION**

**FOR THE YEAR  
ENDED 30 JUNE 2017**



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**COMMISSION FOR UNIVERSITY EDUCATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2017**

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

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**I. KEY ENTITY 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. The Commission is domiciled in Kenya, Nairobi and has no branches. At cabinet level, the Commission is represented by the Cabinet Secretary for Ministry of Education, Science and Technology.

**(b) Principal Activities**

The vision of the Commission is accessible, relevant and sustainable quality university education. 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:

- i) Commission Secretary/CEO
- ii) Deputy Commission Secretary (Quality Audit & Standard)
- iii) Deputy Commission Secretary (Accreditation)
- iv) Deputy Commission Secretary (Administration & Finance)
- v) Deputy Commission Secretary (Planning, Research & Development)

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Commission Secretary/CEO	- Prof. David K. Some
2.	Deputy Secretaries	- Prof. Anne Nangulu - Prof. Grace Njoroge - Dr. Eusebius Mukhwana - Prof. Walter Oyawa
3.	Head of Administration & HR	- Maggy Mwangangi
4.	Head of Finance	- Linah Kiptoo
5.	Head of Procurement	- Phyllis Karimi
6.	Head of Legal	- Isaac Gathirwa

**(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 consider and recommend to the Commission grant of authority to foreign universities to collaborate with local institutions
6. To consider and recommend to the Commission grant of license to student recruitment agencies to operate in Kenya.
7. To oversee and give direction on difficult cases on recognition and equation of foreign qualifications

Strategy Committee

1. Oversee and monitor the effectiveness and integrity of the Commission's performance management systems, including performance contracting and ISO certification processes;
2. Develop and implement strategies and policies of the Commission that will guide university education in Kenya;
3. Fundraise and mobilize resources for the Commission and over see their prudent use and utilization;
4. Develop and implement policies to guide research, innovation and outreach both at the Commission and in the University sector in Kenya;
5. Develop and implement policies that shall guide planning, policy formulation, collaboration and partnerships at the Commission and within the University sector in Kenya;

6. Develop and implement policies that will help manage the Commission's externally funded projects;
7. Development and implement policies on postgraduate research training at Universities in Kenya;
8. Report to the Board of Commission regularly.

Human Resources & Finance Committee

1. Oversee and monitor the effectiveness of Administration, Human Resource and security functions, processes and activities of the Commission;
2. Oversee and monitor the effectiveness of financial systems, functions, processes and activities of the Commission;
3. Oversee the development and utilization of the Commissions assets;
4. Oversee and monitor the Commission's performance with regard to legal and regulatory requirements of Human Resource, Administration and Finance issues;
5. Report to the Board of Commission regularly.

**(f) Commission Headquarters**

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

**(g) Commission Contacts**

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

**(h) Commission Banker**

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

**(i) Independent Auditors**

Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

Gitonga Mureithi & Co. Advocates  
Westlands Business Park, 4<sup>th</sup> Floor  
Chiromo Lane, Off Westlands Road  
P.O. Box 76817-00620  
**NAIROBI**



II. THE BOARD OF DIRECTORS

Name	Year Of Birth	Qualifications	Experience
 <p><b>Prof. Chacha Nyaigotti-Chacha</b> Chairperson</p>	1952	<ul style="list-style-type: none"> <li>• PhD in Swahili Language Linguistics Yale University</li> <li>• an MA in Anthropological Linguistics</li> <li>• BEd (Swahili Language) Kenyatta College,</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Kenyan Commission for University Education (CUE) and the Kenya Institute of Mass Communication (KIMC).</li> <li>• Executive secretary of the Inter-University Council for East Africa</li> <li>• First CEO of the Kenyan Higher Education Loans Board (HELB).</li> <li>• Kenyan playwright and Swahili language educationalist.</li> <li>• Tutorial Fellow and Lecturer in Swahili Language and Linguistics at Kenyatta University and later Egerton University.</li> </ul>
 <p><b>Prof. Collette Suda, PhD, CBS</b> Principa Secretary State Department of University Education, Member</p>	1957	<ul style="list-style-type: none"> <li>• PhD (Rural Sociology)- Missouri-Columbia</li> <li>• MSc(Community Development)- Missouri-Columbia</li> <li>• MSc(Rural Sociology) Missouri-Columbia</li> <li>• BA(Hons)-University of Nairobi</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Secretary – State Department of University Education</li> <li>• Secretary, Gender and Sports Services- Ministry of Gender, Sports ,Culture Social Services</li> <li>• Director, Board of Common Undergraduate courses, University of Nairobi</li> <li>• Director, Institute of African Studies, University of Nairobi</li> </ul>
 <p><b>Dr. Kamau Thugge</b> Principal Secretary, the National Treasury, Member</p>	1957	<ul style="list-style-type: none"> <li>• PhD (Economics) – Johns Hopkins University</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Secretary – National Treasury</li> <li>• Ministry of Finance</li> <li>• International Monetary Fund</li> </ul>
 <p><b>Prof. Anne W.T Muigai</b> Independent Member</p>	1966	<ul style="list-style-type: none"> <li>• Doctor of Philosophy (Biochemistry- Population Genetics and Molecular Biology), 1998 - 2003, JKUAT</li> <li>• Master of Science (Plant Genetics), 1991 - 1993, Kenyatta University.</li> <li>• Bachelors of Education (Science), 1986 - 1989, Kenyatta University Botany Major, Zoology Minor</li> </ul>	<ul style="list-style-type: none"> <li>• June 2013 – present: Professor of Genetics Jomo Kenyatta University of Agriculture and Technology, JKUAT, Juja, Kenya</li> <li>• January 2012 – present: Editor in Chief, Journal of Agriculture Science and Technology, JKUAT</li> <li>• May 2005 - March 2008: Director, Institute of Biotechnology Research, JKUAT</li> <li>• October 2015- October 2018: Director, Kenya Plant Health and Inspectorate Service</li> </ul>

**COMMISSION FOR UNIVERSITY EDUCATION**

**Reports and Financial Statements**

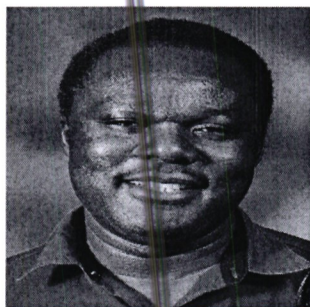
**For the year ended June 30, 2017**

 <p><b>Lucy Kambuni (SC) , Independent Member Chair-Audit, Risk &amp; Compliance Committee</b></p>	<p>1961</p>	<ul style="list-style-type: none"> <li>• Master of Laws (Public International Law), University of Nairobi</li> <li>• Diploma at the Kenya School of Law</li> <li>• Kaplan &amp; Stratton Advocates, Nairobi</li> <li>• Pupillage programme in partial compliance of the award of a diploma by the Kenya School of Law</li> <li>• LLB-University of Nairobi</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate of the High Court</li> <li>• Member of the Law Society of Kenya</li> <li>• East Africa Law Society</li> <li>• Association of Professional Societies for Eastern Africa</li> <li>• Federation of Women Lawyers (FIDA)</li> <li>• National Bar Association (U.S.A.)</li> <li>• Commissioner, Independent Review Commission (IREC), (Kriegler Commission) March – September 2008</li> <li>• Acting Chairman, Tourism Trust Fund, December, 2007</li> <li>• Member, Masinde Muliro University Council, 2006</li> <li>• Member, Mater Hospital Governing Council.</li> </ul>
 <p><b>Dr. Elizabeth Muli Independent Member Chair-Quality Assurance Committee</b></p>	<p>1969</p>	<ul style="list-style-type: none"> <li>• stanford law school, stanford, ca doctor of the science of law (jsd)</li> <li>• master of laws university of bristol, bristol, united kingdom</li> <li>• diploma of law, kenya school of law</li> <li>• bachelor of laws- university of nairobi,</li> <li>• corporate governance training course for directors,2015</li> </ul>	<ul style="list-style-type: none"> <li>• UNIVERSITY OF NAIROBI SCHOOL OF LAW Chairperson, Department of Commercial Law 2008 to date</li> <li>• COMMISSION FOR THE IMPLEMENTATION OF THE CONSTITUTION 2011 to 2015 <i>Vice-Chairperson of the Commission</i></li> <li>• JUDICIARY MEDIATION PILOT PROGRAMME Mediator, Milimani Court, Family Division. 2016 to date</li> <li>• NEXUS CONSULTING LIMITED 2008 to date Director, Research, ADR and Conflict Systems Design</li> </ul>
 <p><b>Mr.Nazeer A. Ladhani Independent Member Chair- Human Resources and Finance Committee</b></p>	<p>1947</p>	<ul style="list-style-type: none"> <li>• Stanford Executive Program, GSB, Stanford University, USA</li> <li>• MBA, INSEAD, Fontainebleau, France</li> <li>• Certified Management Accountant, Canada</li> <li>• Chartered Certified Accountant, UK</li> <li>• Diploma in Agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Senior Advisor, Aga Khan development Network &amp; project Director</li> <li>• Director General/CEO, University of Central Asia.(UCA)</li> <li>• Founder&amp; President of Small business Development Corporation</li> <li>• Project Controller, Alberta gas Ethlene Company</li> <li>• Management auditor, Exxon Corporation (Esso Europe Inc.)</li> </ul>
 <p><b>Prof. David K.Some, CEO</b></p>	<p>1956</p>	<ul style="list-style-type: none"> <li>• Ph.D – University of Newcastle upon Tyne - U.K.</li> <li>• M.Sc – Cranfield University, U.K.</li> <li>• B.Sc. (Hons) - University of Newcastle-upon Tyne U.K.</li> <li>• Post Graduate Diploma</li> </ul>	<ul style="list-style-type: none"> <li>• Commission Secretary/CEO</li> <li>• Vice Chancellor-Moi University</li> <li>• Associate Professor</li> <li>• Deputy Vice-Chancellor</li> <li>• Principal</li> <li>• Associate Professor &amp; Head, Department of Agricultural Bio-systems Engineering</li> <li>• Chairman &amp; Senior Lecturer</li> </ul>

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



Prof. Grace N. Njoroge, PhD  
Deputy Commission Secretary  
Accreditation



Prof. Walter Oyawa, PhD  
Deputy Commission Secretary  
Administration and Finance

**Deputy Commission Secretaries (DCS)**

Name	Area of Responsibility	Academic/Professional Qualifications
1. Prof. Grace N. Njoroge DCS (Accreditation)	Accreditation	<ul style="list-style-type: none"> <li>• 2000-2005: PhD in Plant Sciences</li> <li>• 1989-1992: Master of Science in Plant Taxonomy (Kenyatta University)</li> <li>• 1981-1985: Bed in Botany and Zoology( Kenyatta University)</li> <li>• 2012: Strategic Leadership Development Program(SLDP)-KIA</li> <li>• 1999-2007: Advanced Training in Management and Biodiversity Conservation</li> </ul>
2. Prof. Anne K. Nangulu DCS (QAS)	Quality Audits and Standards	<ul style="list-style-type: none"> <li>• 1996-2001: Doctor of Philosophy – West Virginia University (USA)</li> <li>• 1986-1990: Master of Arts – University of Nairobi (Kenya)</li> <li>• 1983-1986: Bachelor of Arts – UON</li> </ul>
3. Prof. Walter O. Oyawa DCS (A & F)	Administration and Finance	<ul style="list-style-type: none"> <li>• 2000: PhD in Civil Engineering (Kyoto University, Japan)</li> <li>• 2012: Executive Masters of Business Administration (JKUAT, Kenya)</li> <li>• 1995: Masters of Science in Civil Engineering (UON, Kenya)</li> <li>• 1989: BSc in Civil Engineering (University of Nairobi, Kenya)</li> <li>• Reg. Eng. (EBK, Kenya)</li> <li>• MIEK (IEK, Kenya)</li> <li>• Lead Expert, NEMA</li> </ul>
4. Dr. Eusebius J. Mukhwana DCS (PRD)	Planning, Research and Development	<ul style="list-style-type: none"> <li>• 2010: PhD, University of Wyoming (USA)</li> <li>• 1995: M.sc Pharmacology and Toxicology - UoN</li> <li>• 1991: Bachelor of Veterinary Medicine– University of Nairobi (Kenya)</li> </ul>

IV. CHAIRMAN'S STATEMENT



**Prof. Chacha Nyaigotti-Chacha**  
**Chairman**

This year has been a busy one for the Commission as it puts in place measures to ensure that universities offer quality university education for sustainable socio-economic development.

As a demonstration of this, the Commission mounted a nationwide quality audit of all universities and it is expected that the recommendations will be implemented within the stipulated time-frame. A specialist inter-university team will oversee and monitor the implementation of the recommendations.

The rigorous inspections of the universities to ascertain that quality is not only established but is also maintained have continued. As universities grapple with the demand for quality university education, so the Commission institutes checks and balances to ensure that at no time is quality compromised.

To benchmark best practice internationally, regionally and globally staff participated in conferences to keep them abreast of the current trends and to facilitate their further engagement in the dynamic university sector.

The strategic engagement with stakeholders in the revision of Universities Act No. 42 of 2012 and the Amendments thereto, Universities Regulations, 2014 and Universities Standards & Guidelines, 2014 is worthy of note. The consultative process is indicative of the Commission's commitment to sustainable quality university education within a democratized environment.

It is the desire of the Government to revamp the Commission to make it better prepared to undertake the tasks under its purview.

A handwritten signature in black ink, which appears to read 'Chacha Nyaigotti-Chacha'. The signature is fluid and cursive.

**PROF. CHACHA NYAIGOTTI-CHACHA**  
**CHAIRMAN**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



**Prof. David Some**  
**Commission Secretary/CEO**  
**Commission for University Education**

I am pleased to present the Annual Report and Financial Statements for the year ended 30 th June 2017. Throughout the period, the Commission continued to engage with stakeholders in the furtherance of its objectives.

In a bid to fully operationalize its objectives, the Commission for University Education at all times took cognizance of the fact that it is mandated to assure the public and stakeholders that the education being offered in our universities is of good quality.

During the period under review, the Commission undertook a comprehensive national quality audit of all universities in the country to establish the extent to which universities were complying with the Universities Act No. 42 of 2012 and the Amendments thereto; the Universities Regulations, 2014 and the Universities Standards and Guidelines 2014. The activity was unprecedented costing the Commission Kshs 35 Million therefore a deficit was registered.

The Audit revealed a number of fundamental issues which the Commission is working with the universities to address. An inter-university quality assurance working team was constituted to oversee the implementation of the recommendations of the audit report.

The Commission continually undertook institutional and programme inspection to ascertain the maintenance of standards in all universities. The Commission approved several programmes for mounting in the universities which were inspected. RAF International University was granted a Letter of Interim Authority.

The Commission organized a two-day induction for the new Chairmen of Universities to give them a broadened perspective of their roles in the new governance dispensation and orientation within the university sector. The Education Cabinet Secretary, Dr. Fred Matiang'i officially opened the event.

The Commission Secretary/ Chief Executive of the Commission, Prof. David Some who had served in that capacity for a period of five years went on terminal leave in March, as his term was due to expire at the beginning of September 2017. The Commission invited applications for the position of Commission Secretary and proceeded to make preparations for recruitment. Prof. Mwenda Ntarangwi was appointed to take up the helm of the Commission. He will report in the next financial year.

In its continued endeavour to strategically engage with stakeholders, the Commission organized the 1<sup>st</sup> Biennial Conference on the State of Higher Education in Kenya from 22<sup>nd</sup> to 25<sup>th</sup> August 2016 at Kenyatta University. The conference was organized jointly by the Commission for University Education, Universities, Government agencies and Ministries, industry players as well as regional and

international partners and other key players in the higher education sector. It brought together over 600 local and international delegates as well as renowned scholars, researchers, industrialists, technocrats and professionals to reflect and rethink on effective practices in the university sector, with a view of building a world class and globally competitive university education system.

A total of 134 presentations were made on status of higher education in Kenya and advancing Africa's development through Science, Technology and Innovation under the conference theme *Quality University Research and Innovation*. A book of proceedings comprising papers reviewed after the Conference has been compiled and awaits printing. The Commission has commenced preparations to host the 2<sup>nd</sup> Biennial Conference in August 2018.

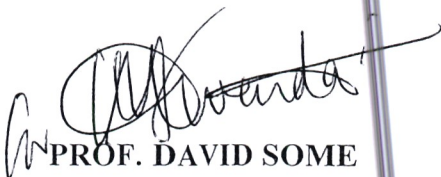
In a shift from the inter-university exhibitions held annually, this year the Commission held a Universities Education Exhibition and Discourse (UEED) at the Catholic University of Eastern Africa. The conference component was officiated by the Education Cabinet Secretary, Dr. Fred Matiang'i who stated the Government intention to establish a National Open University to enhance access to university education. The Open University would provide scholars from all over the world with an opportunity to lecture and interact the local-based students to promote beneficial academic exchanges and research dissemination.

The UEED also provided a platform for university dons and students to showcase their research and innovations and how they impact on socio-economic development.

A service which has continued to gain in prominence is the recognition and equation of qualifications awarded by foreign universities. Persons seeking promotion, recruitment, further studies or electoral positions continued to flock the Commission offices for recognition of their academic qualifications. During the period, a total of 1,543 persons sought this service from our offices.

As part of our conscious effort to respond the emerging national trends and challenges, staff were taken through a series of training in gender and disability mainstreaming, environmental conservation and sustainability. The Commission also organized an open day on HIV/ AIDS and drug and substance abuse to enhance sensitization and awareness to staff and their families on prevention and control measures. The well attended event was characterized by age-specific educational sessions for relevance and efficient knowledge generation.

As the Commission braces itself for the myriad challenges within the university sector, we will continually improve on our service delivery by benchmarking best practice from our local, regional and international engagements many of which were held during the year in question. It is only through such engagements that we can match the dynamic market of which we are an integral component.



**PROF. DAVID SOME**  
**COMMISSION SECRETARY/CEO**

## **VI. CORPORATE GOVERNANCE STATEMENT**

Corporate Governance is central to the Commission's approach toward the enhancement of stake holder value. The Commission ("Board") recognizes that the maintenance and consistent practice and application of good corporate governance practices is key to the long-term success of the Commission's business and will enable it to deliver sustainable value to its publics.

During the 2016/2017 Financial Year, the Commission enhanced regulatory and risk management guidelines. The Commission fully embraced the changes and remains at the forefront in adopting best practices in corporate and risk management in the rapidly evolving university landscape.

The Board and management of the Commission continue to comply with the Corporate Governance Guidelines. The Board achieves such success by setting appropriate corporate strategy and overseeing delivery against the set strategy as stipulated in the Strategic Plan 2014-2018. It ensures that the Board manages risks effectively and monitors financial performance and reporting.

### **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;

### **Committees of the Commission**

The following are the Committees of the Commission:

1. Strategy;
2. Human Resource Administration and Finance;
3. Audit Risk 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 travel allowances which are included in the Commission expenses detailed in this Annual Report and Financial Statements 2016/2017.

**Board Charter**

The Board has adopted a Board Charter that clearly defines its role and how its powers and responsibilities are exercised, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter regulates the composition, the meeting process and defines the relationship and interactions between the Board and Management.

The Board Charter sets out the roles and responsibilities of the Board to include:

- i) Reviewing the strategic direction of the Commission and adopting plans proposed by Management for the achievement of the stipulated strategic direction;
- ii) Approving specific financial and non-financial objectives and policies proposed by Management.
- iii) Reviewing processes for the identification and management of risk and processes for compliance with key regulatory and legal areas.
- iv) Reviewing succession planning for the Management team and making senior executive appointments, organizational changes and high level remuneration issues;
- v) Providing oversight of performance against targets and objectives.
- vi) Providing oversight of reporting to stakeholders on the direction, governance and performance of the Commission as well as other processes that need reporting and disclosure.

**Authority and Delegation**

The Board Charter sets out the Board authority and matters reserved for determination and approval by the Board. These include decisions concerning strategy and long-term objectives of the Commission, the capital, financial planning and financial budgets, significant contracts and various statutory and regulatory approvals.

Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are also Board reserve matters. To assist it in discharging these responsibilities, the Board has established Committees to give detailed consideration to key issues. Further details of the Board Committees including their respective roles, key responsibilities, composition and membership are provided later in this Statement.

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate with a clear division of responsibility between the running of the Board and the executive responsibility of running the Commission. The Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. He promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively.

The Chairman plays a pivotal role in fostering constructive dialogue between stakeholders, the Board and Management. The Board, in the Board Charter, delegates responsibility for the day-to-day management of the business to the Chief Executive Officer. The Chief Executive Officer in turn delegates aspects of his own authority to members of the Management Committee. The scope of, and limitations to, these delegations are clearly documented and cover areas such as operating expenditure, capital expenditure and investments. These delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

### **Board Induction**

The Commission members were gazetted on 12<sup>th</sup> April 2017. The members attended Mwongozo induction workshop for boards of State Corporation in June 2017.

### **Composition of the board**

The membership of the board is provided in The Universities (Amendment) Act 2016 as follows;

- (a) A chairperson appointed by the President;
- (b) The Principal Secretary in the Ministry for the time being responsible for university education;
- (c) The Principal Secretary in the Ministry for the time being responsible for national treasury;
- (d) One person appointed by the Cabinet Secretary who is a distinguished academic scholar with at least ten years' experience in management of university education;
- (e) One person nominated by the Federation of Kenya Employers and appointed by the Cabinet Secretary;
- (f) One person nominated by the Federation of Kenya Employers and appointed by the Cabinet Secretary;
- (g) One person nominated by chairpersons Councils of public universities in a forum of chairpersons of the Councils of public universities convened by the Cabinet Secretary for that purpose;
- (h) One person nominated by chairpersons Councils of private universities in a forum of chairpersons of the Councils of private universities convened by the Cabinet Secretary for that purpose; and
- (i) The Commission Secretary who shall be an *ex-officio* member.

### **The Board and Committee membership**

The Commission has four committees whose membership is as follows:

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

Lucy Kambuni (SC)-Chairperson

Prof. Anne Muigai

Mugambi-Representing PS, MOE

#### ***Quality Assurance Committee***

Dr. Elizabeth Muli- Chairperson

Prof. Anne Muigai

Mugambi Nyagah-Representing PS, MOE

#### ***Strategy Committee***

Prof. Anne Muigai- Chairperson

Dr. Elizabeth Muli

Lucy Kambuni (SC)

Mr. Nazeer Ladhani

#### ***Human Resources & Finance Committee***

Mr. Nazeer Ladhani- Chairperson

Lucy Kambuni (SC)

Mugambi Nyagah-Representing PS, MOEST

**No. of board meetings**

During the year the Commission held the following meetings

Full Board-45 meetings

Audit, Risk and Compliance Committee-4 meetings

Quality Assurance Committee-12 meetings

Strategy Committee- 5 meetings

Human Resources & Finance Committee- 6 meetings

**Independence of board members and conflict of interest**

The Commission maintains a register of conflict of interest were members sign at the beginning of the meeting to indicate their interest

**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

During the financial year, the Commission raised income of Kshs 385,459,086 against a budget of Kshs 715,472,163, while spending Kshs 424,380,007 against a budget of Kshs 435,472,004(Excludes bad debt provision of Kshs 280,000,000). The Commission recorded a deficit of Kshs 38,920,922

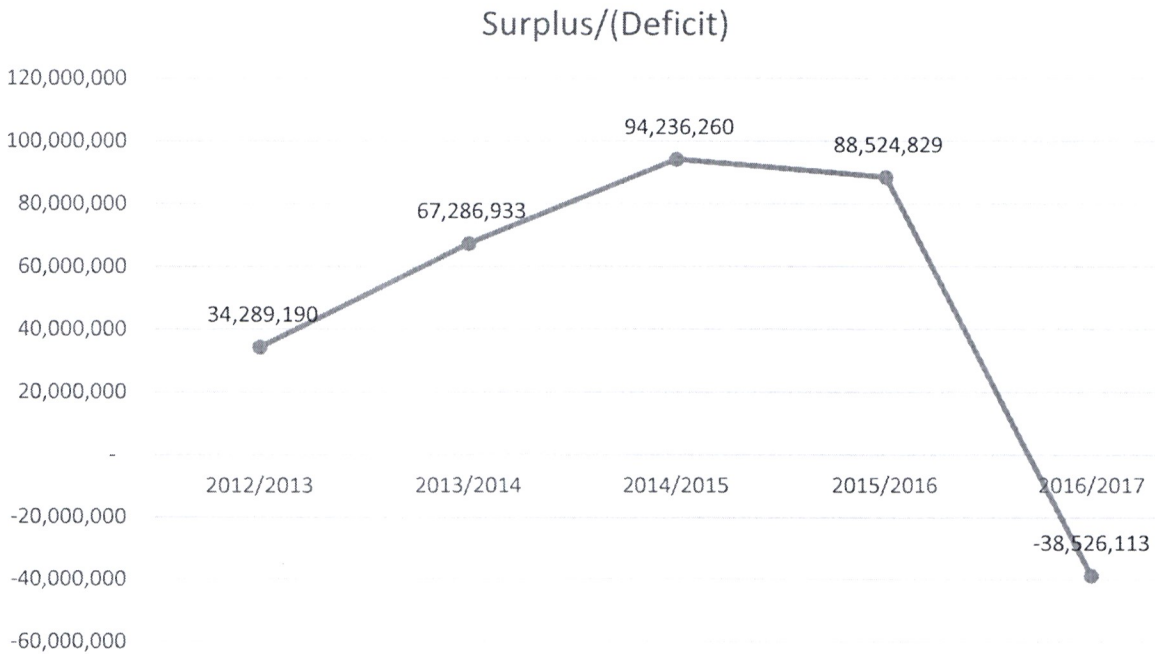
The Commission discharged its core function of quality assurance by carrying out institutional inspections in all 70 universities and accredited various programmes. Eight institutions were awarded Charters and one institution received a Letter of Interim Authority. Recruitment agencies were evaluated for licensing and the Commission continued to undertake equation of qualifications. A comprehensive institutional audit on all universities in Kenya was undertaken at a cost of Kshs 25 million

During the financial year the Commission undertook capacity building of its staff in tandem with demands of sector. The training included intensive staff training where every staff of the Commission underwent either group training or individual training as required by the HR Manual. In particular 4 staff members were sponsored for specialized on-line training on quality assurance in the University of Melbourne in Australia. The Commission also undertook peer review training and trained curriculum development coordinators.

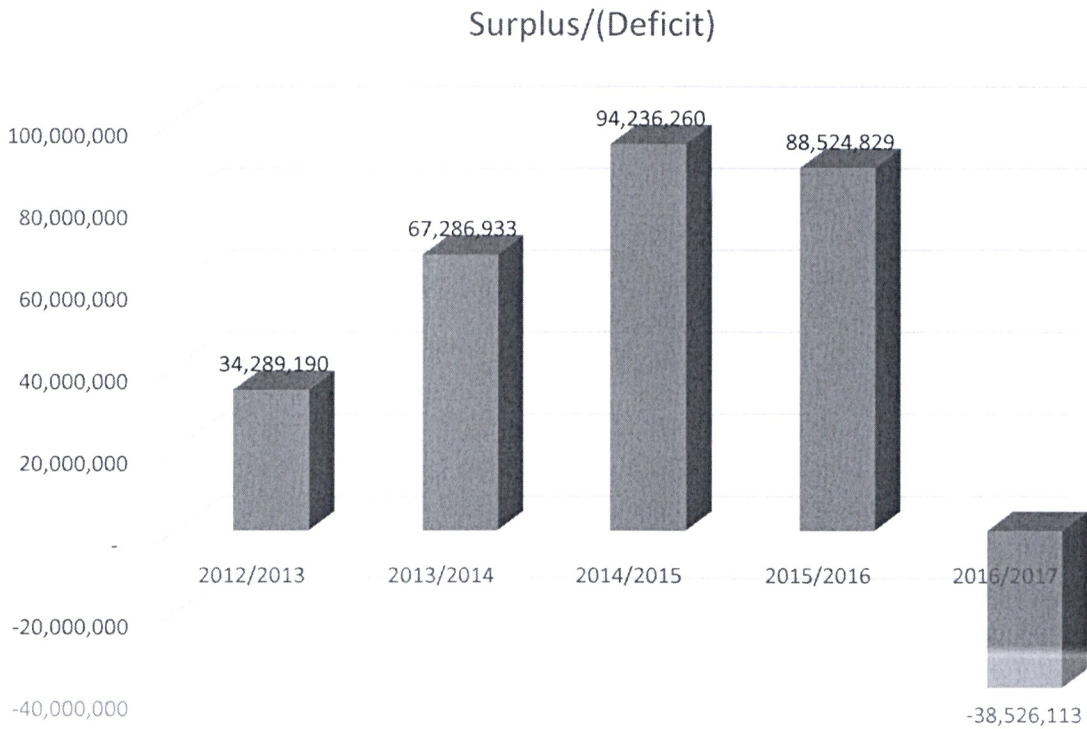
As part of stakeholder engagement, the Commission a held its 1<sup>st</sup> Biennial conference which brought together the academia to deliberate on issues which impact universities.

The deficit of Kshs 38.9 Million will be covered by past savings. The deficit is largely attributable to low payment of quality assurance charges by universities (especially public universities who are claiming that they have limited financial resources and had not budgeted for payment of 2015/2016 quality assurance charges during this financial year). Following the approval of the service charge collection policy by the Commission in January 2017, management continues to intensively engage the universities to ensure that they pay their dues.

The performance of the Commission for the last 5 years is as illustrated in table 1 and table 2



**Table 1**



**Table 2**

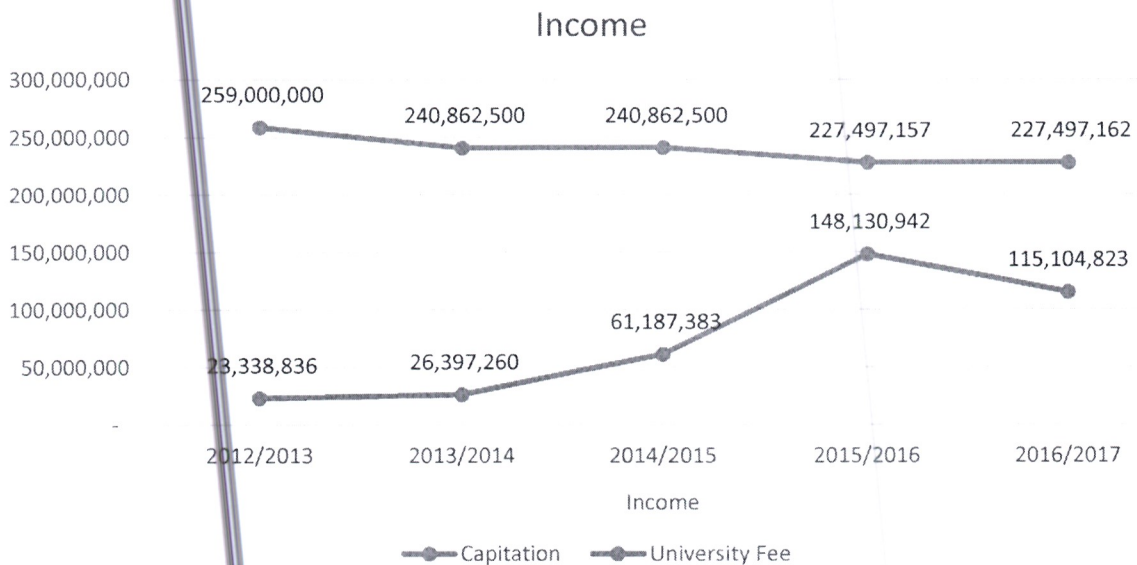
**Income**

Total Income recorded an adverse variance of 46% due to low or slow payment of quality assurance fee by Universities who seem to be constrained by limited financial resources. When the provision for bad debts totalling Kshs,280 million is factored out from the budget, then the adverse variance in income is only 12% i.e. Kshs.385 million as actual income versus budget income of 435 million.

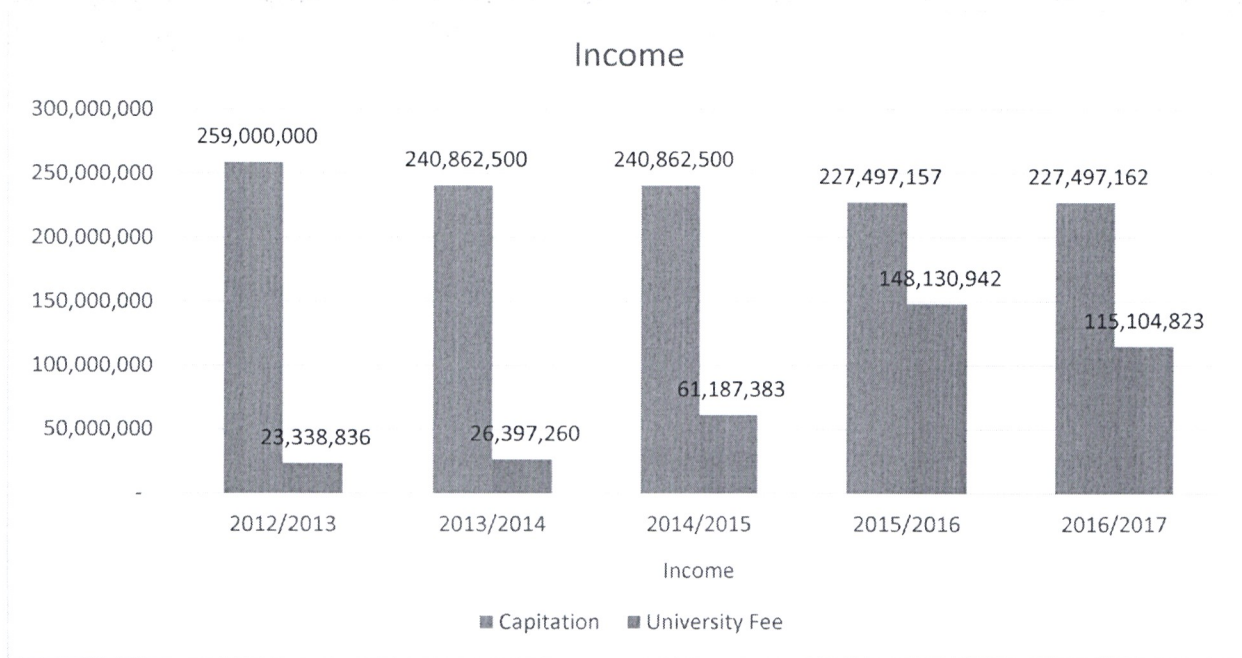
Following the approval of the service charge collection policy by the Commission in January 2017, management continues to intensively engage the universities to ensure that they pay their dues. The concerned universities have been promptly informed that failure to pay their dues to the Commission will result in sanctions including removal of their programs from the Commission’s website and delay in processing requests for accreditation, amongst others. A number of universities, especially private universities, are responding positively and have paid their 2015/2016 debts while a few have given their commitment or plan of payment. The Commission is currently pursuing the 2016/2017 quality assurance debts which are based on revised negotiated rates and only requires universities to make a one-off quality assurance payment upon admission of any student. The revised rates were gazetted on 30<sup>th</sup> June, 2016.

More specifically, received University fee is below budget target by 72% as a result of low payment of quality assurance charge by universities. However this situation is partially mitigated with the incorporation of a bad debts provision of Kshs.280 million in the budget, giving a realistic variance of 29%. Other incomes within this category such as Equation of Qualifications and Programme accreditation recorded favourable variances. Interest income recorded a favorable variance of 73% and this is attributable to delay in operationalizing of the Staff Car Loan and Mortgage facility.

Incomes of the Commission is as illustrated in Table 3 and Table 4. It is noted that though the Universities Act, 2012 increased the mandate of the Commission, capitation has reduced from Kshs. 259 million in 2011/2012 to Kshs.227.5 million in 2016/2017. This has become an impediment in advancing the mandate of the Commission.



**Table 3**

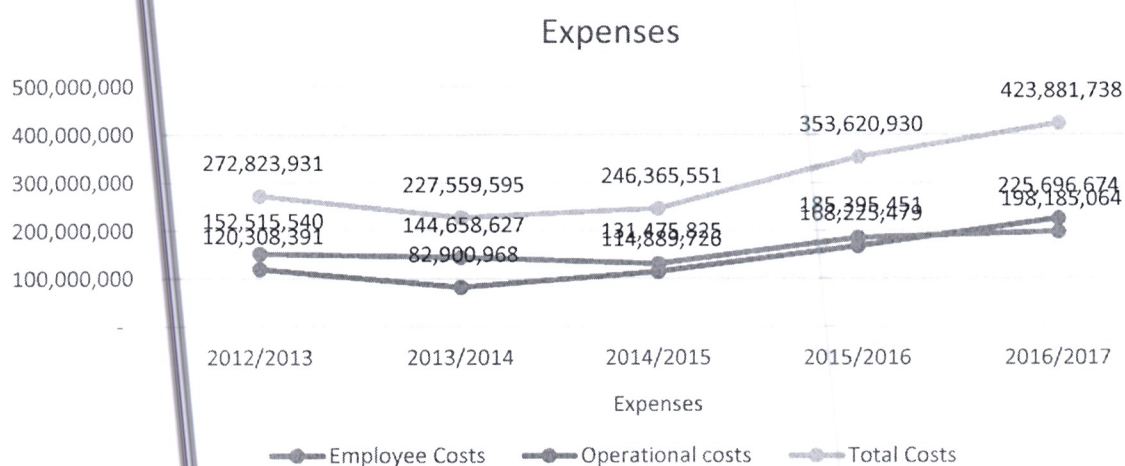


**Table 4**

**Expenses**

Overall expenses performed 41% below budget. The under expenditure is 3% if provision for bad debts is factored out. Most budget lines performed within the budget. Most of the budget lines which recorded unfavorable variance are largely due to assignments on quality audits which were carried out in all Universities in the period Jan-February, 2017, as well a collaborative activities with key stakeholders as approved by the Commission.

The Commission’s expenses is as illustrated in Table 5. Over the 5 year period the Commissions’ total expenses have increased from Kshs 273 in million in 2011/2012 to Kshs 424 million in 2016/2017. This has been occasioned by increase of the Commission mandate to cover both public and private universities.



**Table 5**

The Commission will continue to steer the agenda of university education in Kenya to produce manpower required to drive the economy.

**VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

**HIV and AIDS Prevention/ Alcohol and Drug Abuse**

The Commission organized an educational and entertainment event for staff and their families where issues pertaining to HIV and AIDS prevention and protection and Alcohol and Drug Abuse were deliberated upon.

The event was an open day aimed at sensitizing staff and their families on the myriad challenges faced by those infected and affected by the national scourge. The information was disseminated through age-specific fora in an entertaining and captivating manner. The resounding message was that there was need to maintain the tempo of sensitization as it would help champion prevention and protection.

An underlying message was that persons living with HIV and AIDS should not be discriminated against and that people should avoid engaging in risky behavior (which the resource persons outlined) and go for regular tests to confirm their status.

As pertains to Alcohol and Drug Abuse, participants acknowledged that alcohol and drug addiction were diseases which required specialized attention and that the ‘sick’ should not be shunned or isolated.

It was noted that many families tended to ignore the signs, leading to severe addiction which tended to perpetuate the problem. The participants were educated on how best to approach the challenges. The open day is organized on an annual basis under the umbrella of the AIDS Control Unit and Coordinator of programmes related to Alcohol and Drug Abuse prevention at the Commission. It works towards enhancing teambuilding and bonding amongst staff and the different families as well as strengthening the corporate visibility and reputation of the Commission as an organization willing to render such education services to its vital internal publics.

### **Tree planting**

To mark the World Environment Day and for environmental conservation and sustainability, the Commission staff planted trees within the office compound. The Commission Chairman, Prof. Chacha Nyaigotti- Chacha led staff in the tree planting exercise and said that such an activity would not only leave an indelible mark on the environment but also serve to inculcate a sustainable development culture and inclination among staff.



**Commission Chairman Prof. Chacha Nyaigotti-Chacha (bending centre) with Ag. Commission Secretary Prof. Oyawa (2nd right) and members of staff plant a tree during the exercise at the Commission grounds**

### **High School Career Open Day**

Commission participated in a Career open day for organized by Alumni of Alliance Boy's High School for high school students from across the country, by mounting a stand to showcase the functions of the Commission. The event was a crowd puller and attracted many school students who benefited from the deliberations and exhibitions mounted by universities and higher education agencies.

## **IX. REPORT OF THE COMMISSIONERS**

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2017 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 Commission for the year ended June 30, 2017 are set out on page 1-4

**COMMISSION FOR UNIVERSITY EDUCATION**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**Directors**

The members of the Board of Directors who served during the year are shown on page v.

i) During the year the following Commissioners retired/ resigned:

Name	Effective Date
1. Prof. Henry M. Thairu	06/10/2016
2. Amb. Ken Osinde	04/11/2016
3. Ms. Millicent Omukaga	06/10/2016
4. Ms. Lucy Wanja Julius	06/10/2016
5. Mr. Abudo Q. Mamo	12/04/2017
6. Dr.J.P.R.Odera	31/12/2016

ii) The Following Commissioners were appointed:

Name	Effective Date
1. Prof. Chacha Nyaigotti-Chacha	12/04/2017
2. Lucy Kambuni(SC)	12/04/2017
3. Dr.Elizabeth Muli	12/04/2017
4. Mr.Nazeer Ladhani	12/04/2017
5. Prof. Anne W.T. Muigai	12/04/2017

**Auditors**

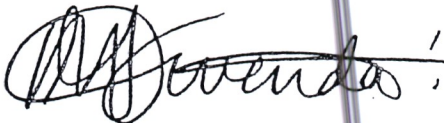
The Auditor General is responsible for the statutory audit of the Commission in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Commission.

Prof David K. Some  
Commission Secretary

Nairobi

Date:



## X. 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.

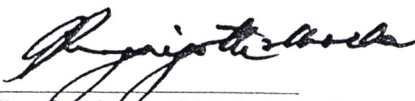
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining 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, 2016, 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.

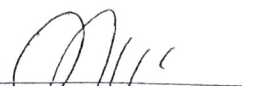
Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements


The Commission's financial statements were approved by the Commission on 27<sup>th</sup> September 2017 and signed on its behalf by:



Prof. Chacha Nyaigotti-Chacha  
Chairman



Lucy Kambuni (SC)  
Commissioner



Prof. David K. Some  
Commission Secretary

# REPUBLIC OF KENYA

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E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.oagkenya.go.ke](http://www.oagkenya.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 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Commission for University Education set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Commission for University Education as at 30 June 2017, 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 University Act, 2016 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Emphasis of Matter based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Commission for University Education in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for opinion.

#### Emphasis of Matter

#### Financial Performance

I draw attention to Note E(i) to the financial statements on financial performance which describes the rationale upon which the Commission registered a deficit of Kshs.38,920,922 (2016 surplus: Kshs.88,524,829) thereby reducing the accumulated surplus from Kshs.426,570,195 to Kshs.387,649,273 as at 30 June 2017.

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*Report of the Auditor-General on the Financial Statements of Commission for University Education for the year ended 30 June 2017*

The management has attributed the poor financial performance to decline in income from various universities due to challenges in collecting quality assurance fees and the increase in expenditure while undertaking a comprehensive nationwide quality audit of all universities. If the commission does not put adequate controls to reverse the poor financial performance, it may face financial challenges in the new future.

### **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. Except for the matter described in the Emphasis of Matter section of my report, I confirm that there were no Key Audit Matters to communicate in my report.

### **Responsibilities of Management and Those Charged with Governance 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Commission's or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

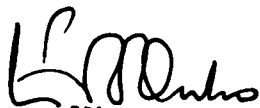
The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 Commission's ability to continue as a going concern or 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 Commission's to cease to continue as a going concern or 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 Commission's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**15 May 2018**

**XII. STATEMENT OF FINANCIAL PERFORMANCE  
 FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments – gifts and services-in-kind	1	227,497,162	227,497,157
		<b>227,497,162</b>	<b>227,497,157</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	2	115,104,823	148,130,942
Rental revenue from facilities and equipment	3	5,582,759	5,285,196
Finance income – external investments	4	34,632,355	53,969,135
Other income	5	2,641,987	7,263,329
		<b>157,961,924</b>	<b>214,648,602</b>
<b>Total revenue</b>		<b>385,459,086</b>	<b>442,145,759</b>
<b>Expenses</b>			
Use of goods and services/Bulk purchases of water & electricity	6	3,520,982	3,229,578
Employee costs	7	198,185,064	185,395,451
Remuneration of Commissioners	8	12,652,305	16,575,709
Depreciation and amortization expense	9	20,757,933	23,890,666
Repairs and maintenance	10	2,720,605	2,781,779
Contracted services	11	68,182,336	40,905,725
General expenses	12	118,360,783	80,842,022
<b>Total expenses</b>		<b>424,380,008</b>	<b>353,620,930</b>
<b>Surplus before tax</b>		<b>(38,920,922)</b>	<b>88,524,829</b>
<b>Surplus/( deficit) for the period</b>		<b>(38,920,922)</b>	<b>88,524,829</b>

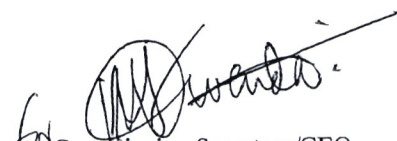
The notes set out on pages 6 to 24 form an integral part of these Financial Statements

COMMISSION FOR UNIVERSITY EDUCATION  
 Reports and Financial Statements  
 For the year ended June 30, 2017

XII. STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	491,303,345	513,507,008
Receivables from exchange transactions	14	12,963,596	6,163,903
		<b>504,266,941</b>	<b>519,670,911</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	472,426,585	488,714,862
<b>Total assets</b>		<b>976,693,526</b>	<b>1,008,385,773</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	104,412,813	97,704,514
<b>Total liabilities</b>		<b>104,412,813</b>	<b>97,704,514</b>
<b>Net assets</b>		<b>872,280,715</b>	<b>910,681,259</b>
Capital Funds		197,449,724	197,449,724
Accumulated surplus		387,649,273	426,570,195
Revaluation Reserves		287,181,716	286,661,340
<b>Total net assets and liabilities</b>		<b>872,280,713</b>	<b>910,681,259</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
 Commission Secretary/CEO  
 Name: Prof. David Some

Date.....26/4/2018.....

  
 Head of Finance  
 Name: Linah Kiptoo  
 ICPAK Member Number: 4426

Date ---26/4/2018

  
 Chairman of the Commission  
 Name: Prof. Chacha Nyaigotti-Chacha

Date.....26/4/2018

**XIII. STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED 30 JUNE 2017**

	Capital Funds	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1 July 2015</b>	197,449,724	286,903,185	338,045,365	822,398,274
Surplus/(deficit) for the period	-	-	88,524,829	88,524,829
Depreciation on revaluation	-	(1,686,125)	-	(1,686,125)
Revaluation gain	-	1,444,280	-	1,444,280
<b>Balance as at 30 JUNE 2016</b>	<b>197,449,724</b>	<b>286,661,340</b>	<b>426,570,195</b>	<b>910,681,259</b>
<b>Balance as at 1 July 2016</b>	<b>197,449,724</b>	<b>286,661,340</b>	<b>426,570,195</b>	<b>910,681,259</b>
Surplus/(Deficit) for the period	-	-	(38,920,922)	(38,920,922)
Depreciation on revaluation	-	(2,421,624)	-	(2,421,624)
Revaluation gain	-	2,942,000	-	2,942,000
<b>Balance as at 30 JUNE 2017</b>	<b>197,449,724</b>	<b>287,181,716</b>	<b>387,649,273</b>	<b>872,280,713</b>

**STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017**

		<b>2016-2017</b>	<b>2015-2016</b>
<b>Cash flows from operating activities</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Receipts</b>			
Government grants and subsidies		227,497,162	227,497,157
Rendering of services		115,104,823	148,130,942
Finance income		34,632,355	53,969,135
Rentals		5,582,759	5,285,196
Other income		2,641,987	7,263,329
<b>Total Receipts</b>		<b>385,459,086</b>	<b>442,145,759</b>
<b>Payments</b>			
Compensation of employees		198,185,064	185,395,451
Goods and services		226,194,944	168,225,479
Other payments		-	-
<b>Total Payments</b>		<b>424,380,007</b>	<b>353,620,930</b>
Surplus/(Deficit) for the year		<b>(38,920,922)</b>	<b>88,524,829</b>
<b>Adjusted for:</b>			
Depreciation		20,757,933	23,890,666
<b>Working capital adjustment</b>			
Increase)/(Decrease) in receivables		6,708,299	22,133,298
(Increase)/Decrease in receivables		(6,799,693)	16,916,355
<b>Net cash flows from operating activities</b>		<b>(18,254,383)</b>	<b>151,465,148</b>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(3,949,280)	(36,521,626)
<b>Net cash flows used in investing activities</b>		<b>(3,949,280)</b>	<b>(36,521,626)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22,203,663)</b>	<b>114,943,522</b>
Cash and cash equivalents at 1 JULY	13	513,507,008	398,563,486
<b>Cash and cash equivalents at 30 JUNE</b>	<b>13</b>	<b>491,303,345</b>	<b>513,507,008</b>

**COMMISSION FOR UNIVERSITY EDUCATION**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Percentage variance
	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	
Revenue											
Government grants and subsidies	227,497,163		-		227,497,163		227,497,162		1		0
Rendering of services	467,975,000		-		467,975,000		123,329,569		(344,645,431)		-74%
Finance Income	20,000,000		-		20,000,000		34,632,355		14,632,355		73%
<b>Total income</b>	<b>715,472,163</b>		<b>-</b>		<b>715,472,163</b>		<b>385,459,085</b>		<b>(330,013,075)</b>		
<b>Expenses</b>											
Compensation of employees	226,200,000		(23,700,000)		202,500,000		198,185,064		4,314,936		2%
Goods and services	209,272,000		23,700,000		232,972,004		226,194,943		6,777,061		4%
Finance Cost	-		-		-		-		-		
Provision for debtors	280,000,000		-		280,000,000		-		280,000,000		100%
<b>Total expenditure</b>	<b>715,472,000</b>		<b>-</b>		<b>715,472,004</b>		<b>424,380,007</b>		<b>291,091,997</b>		
<b>Surplus/(Deficit) for the period</b>	<b>163</b>		<b>(4)</b>		<b>159</b>		<b>(38,920,922)</b>		<b>38,921,078</b>		

**Budget notes**

1. Rendering of Services (-74%): The adverse variance is attributed to non-collection of quality assurance charge by Universities as budgeted. The charge was introduced in 2014 and was amended in 2016 hence resulting in delayed payments by universities. The Commission is putting all efforts to ensure that universities pay
2. Finance Income (73%): The Commission anticipated to move funds to cover staff mortgage but was not able to do so during the financial year there the funds were put in fixed deposit.
3. Provision for Debtors (100%): Being at the initial stages of charging quality assurance charges, the Commission deemed it prudent to make provision for the charges not likely to be collected, however incomes were realised on actual amounts collected.
2. The changes between original and final budget is due to reallocations

**XV. NOTES TO THE FINANCIAL STATEMENTS**

**A. GENERAL INFORMATION**

The Commission is established by and derives its authority and accountability from Universities Act, No. 42 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate, coordinate and assure quality university education in Kenya.

**B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The entity'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. 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.

**C. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The Commission adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i></p>
<b>IPSAS 34:</b> Separate Financial Statements	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p><i>The Commission does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>

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Standard	Impact
<p><b>IPSAS 35:</b> Consolidated Financial Statements</p>	<p><b>Effective for annual periods beginning on or January 1, 2017)</b>            In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The Commission does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
<p><b>IPSAS 36:</b> Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)            In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The Commission does not have investments in associates or joint ventures.</i></p>
<p><b>IPSAS 37:</b> Joint Arrangements</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b>            In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The Commission does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
<p><b>IPSAS 38:</b> Disclosure of Interests in Other Entities</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b>            In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The Commission does not have an interests in other entities and therefore the standard does not apply.</i></p>

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

**iii. Early adoption of standards**

The Commission did not early – adopt any new or amended standards in year 2017.

**D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I) Revenue recognition**

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

**Fees, taxes and fines**

The Commission recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii) Revenue from exchange transactions**

***Rendering of services***

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

***Sale of goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

***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 operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**II) Budget information**

The original budget for FY 2016-2017 was approved by the National Assembly on April 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals by the board. Accordingly, the Commission recorded additional reallocation of Kshs 23 million on the 2016-2017 budget following the Commission approval.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**III) Taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

**IV) Property, plant and equipment**

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

**V) Financial instruments**

***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 Entity 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**VI) Provisions**

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 Entity 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***

The Entity 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.

***Contingent assets***

The Entity 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.

**VII) Changes in accounting policies and estimates**

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

**VIII) Employee benefits**

**Retirement benefit plans**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**IX) Employee benefits (Continued)**

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**X) 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.

**XI) Borrowing costs**

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.

**XII) Related parties**

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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**XIII) Service concession arrangements**

The Commission analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**XIV) 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.

**XV) Comparative figures**

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

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

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.

**i) Financial Performance**

The Commission's financial statements have been prepared on a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As of 30 June 2017, the Commission had a deficit of Kshs.38,920,922 down from a surplus of Kshs.88,524,829 arising from periods of successive surpluses. The current year's deficit of Kshs.38,920,922 was occasioned by a comprehensive quality audit exercise undertaken by the Commission. There were also challenges of collecting quality assurance charges brought about by the transition from the 2014 gazette notice to 2016 gazette notice on fees collected by the Commission. The revision of the gazette notice cut most charges by half since the Universities had raised the concern of the high charges in the 2014 gazette notice. The Commission has since engaged the universities and allayed their concerns.

However, success in quality charges collection has now been achieved in 2017/2018 financial year following the development and implementation of Commission for University Education fee collection strategy and face to face engagement with the Universities

Despite the reported deficit in the year, the working capital of the Commission remained impressive at Kshs.399,854,128 with a total nets assets of Kshs.872,280,713 as at 30 June 2017.

**ii) 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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**iii) 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

**iv) Provisions**

Provisions were raised and management determined an estimate based on the information available.

**v) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

**COMMISSION FOR UNIVERSITY EDUCATION****Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****1. Transfers from Ministries, Departments and Agencies**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2015-2016
			KShs	KShs	KShs
MOHEST Ministry/State Department	227,497,162	-	-	227,497,162	227,497,157
<b>Total</b>	<b>227,497,162</b>	<b>-</b>	<b>-</b>	<b>227,497,162</b>	<b>227,497,157</b>

**2. Rendering of services**

The Commission renders services to universities and agencies and to those who seek equate qualifications.

Description	2016-2017	2015-2016
	KShs	KShs
Quality Assurance Charge	12,469,000	42,085,900
Equation of Qualification	14,557,297	11,760,140
Programme Accreditation & Accreditation charge	88,078,526	94,284,902
<b>Total revenue from the rendering of services</b>	<b>115,104,823</b>	<b>148,130,942</b>

During the financial year the Commission undertook unprecedented comprehensive national quality audit of all universities in the country to establish the extent to which universities were complying with the Universities Act No. 42 of 2012 and the Amendments thereto; the Universities Regulations, 2014 and the Universities Standards and Guidelines 2014. The Commission incurred an expenditure of Kshs 35 Million and this resulted in a deficit in the Statement of Financial Performance. The Commission utilised previous savings to meet the one off expenditure and measures have been taken to ensure the Commission does not incur deficits in the future.

**3. Rental revenue from facilities and equipment**

The Commission rents out space to other parties

Description	2016-2017	2015-2016
	KShs	KShs
Rent from leasing office space	5,582,759	5,285,196

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. Finance income**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Cash investments and fixed deposits	34,632,354	53,969,135

**5. Other income**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Prequalification Income	49,990	9,000
Miscellaneous	2,591,997	7,254,329
<b>Total other income</b>	<b>2,641,987</b>	<b>7,263,329</b>

**6. Use of Goods and Services**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Electricity	3,464,227	3,023,898
Water	56,755	205,680
<b>Total good and services</b>	<b>3,520,982</b>	<b>3,229,578</b>

**7. Employee costs**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	93,669,101	86,967,805
Employee related costs - contributions to pensions	20,172,532	19,208,614
Transport Allowance	15,383,751	14,324,663
Housing benefits and allowances	42,999,398	39,903,805
Medical Expense	15,860,560	13,444,884
Other Allowances	10,099,722	11,545,680
<b>Employee costs</b>	<b>198,185,064</b>	<b>185,395,451</b>

**8. Remuneration of directors**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Chairman's Honoraria	941,935	960,000
Commission sitting Allowance	6,740,050	8,311,000
Mileage allowances	421,262	1,943,039
Lunch Allowance	200,000	307,800
Air Tickets	788,625	908,555
Insurance	-	27,884
Accommodation	2,369,325	3,122,977
Telephone/Internet	400,920	487,403
Medical Insurance/training	790,188	507,051
<b>Total director emoluments</b>	<b>12,652,305</b>	<b>16,575,709</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9. Depreciation and amortization expense**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	20,757,933	23,890,666
<b>Total depreciation and amortization</b>	<b>20,757,933</b>	<b>23,890,666</b>

**10. Repairs and maintenance**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Property	1,285,599	340,852
Equipment	1,435,006	2,440,927
<b>Total repairs and maintenance</b>	<b>2,720,605</b>	<b>2,781,779</b>

**11. Contracted services**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Resource Persons	48,989,811	28,513,298
Professional fees	19,192,525	12,392,427
<b>Total contracted services</b>	<b>68,182,336</b>	<b>40,905,725</b>

**12. General expenses**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Travelling & accommodation	32,095,901	28,322,368
Transport operating costs	5,584,365	5,194,768
Audit fees	870,000	1,160,000
Conferences and Seminars	21,952,162	6,469,835
Insurance	1,324,762	1,579,342
Advertising	10,039,419	9,264,125
Library Expense	869,427	822,709
Hiring charges	4,521,366	3,043,885
Postage	465,018	328,260
Printing, photocopying & stationery	4,935,829	6,025,490
Office expenses	10,011,711	7,842,849
Rent & Rates	25,379	325,183
Telephone & Internet	5,108,783	4,526,536
Training	19,581,874	4,373,549
Other	974,787	1,563,122
<b>Total general expenses</b>	<b>118,360,783</b>	<b>80,842,022</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. Cash and cash equivalents**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Main Account-KCB	78,686,860	8,277,237
NICHE Euro account-KCB	15,814,411	21,214,411
NICHE Kshs account-KCB	3,828,143	6,739,047
Fixed Deposit-Coop Bank	215,404,465	270,000,000
Fixed Deposit KCB-Car loan	10,752,986	10,543,001
Fixed Deposit-KCB	166,816,480	196,733,312
<b>Total cash and cash equivalents</b>	<b>491,303,345</b>	<b>513,507,008</b>

**14. Receivables from exchange transactions**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Staff Debtors/Imprest	285,658	105,000
Prepayments	3,239,438	2,181,720
Accrued Dues	9,438,500	3,877,183
<b>Total current receivables</b>	<b>12,963,596</b>	<b>6,163,903</b>

**15. Investments**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
<b>a) Investment in Treasury bills and bonds</b>		
<b>Financial institution</b>		
CBK	-	-
CBK	-	-
<b>Sub- total</b>	<b>-</b>	<b>-</b>
<b>b) Investment with Financial Institutions/ Banks</b>		
KCB-Moi Avenue	166,816,480	196,733,312
Co-operative Bank-Gigiri Branch	215,404,465	270,000,000
<b>Sub- total</b>	<b>382,220,945</b>	<b>466,733,312</b>
<b>c) Equity investments (specify)</b>		
Equity/ shares	-	-
<b>Sub- total</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>382,220,945</b>	<b>466,733,312</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, plant and equipment

Cost	Land		Buildings		Furniture and fittings		Equipment		Computers		Motor vehicles		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At July 2015	49,380,000	144,927,570	17,069,460	10,394,614	26,968,689	22,593,063	271,333,396							
Revaluation 2009/2010	264,620,000	23,623,251					288,243,251							
Additions	-	-	7,401,141	1,171,244	7,149,241	20,800,000	36,521,626							
Disposals	-	-	-	-	-	-	-							
Transfers/adjustments	-	-	-	-	-	1,444,280	1,444,280							
At 30 <sup>th</sup> June 2016	314,000,000	168,550,821	24,470,601	11,565,858	34,117,930	44,837,343	597,542,553							
Additions	-	-	-	2,564,281	1,385,000	-	3,949,281							
Revaluations	-	-	-	-	-	2,942,000	2,942,000							
Disposals	-	-	-	-	-	-	-							
Transfer/adjustments	-	-	-	-	-	(5,945,897)	(5,945,897)							
At 30 <sup>th</sup> June 2017	314,000,000	168,550,821	24,470,601	14,130,139	35,502,930	41,833,446	598,487,937							
Depreciation and impairment														
At 1 July 2015	-	(37,102,744)	(8,412,245)	(7,755,363)	(21,359,334)	(10,421,215)	(85,050,899)							
Depreciation	-	(3,623,189)	(3,058,826)	(1,445,732)	(5,649,126)	(10,113,793)	(23,890,666)							
Disposal	-	-	-	-	-	1,800,000	1,800,000							
Depreciation on Revaluation	-	(590,581)	-	-	-	(1,095,543)	(1,686,124)							
At 30 June 2016	-	41,316,514	11,471,071	9,201,095	27,008,460	19,830,551	108,827,689							
Depreciation	-	(3,623,189)	(3,058,825)	(1,154,178)	(4,294,423)	(8,627,318)	(20,757,933)							
Disposals	-	-	-	-	-	5,945,897	5,945,897							
Depreciation on Revaluation	-	(590,581)	-	-	-	(1,831,043)	(2,421,624)							
At 30 <sup>th</sup> June 2017	-	45,530,285	14,529,896	10,355,273	31,302,883	24,343,015	126,061,350							
Net book values														
At 30 <sup>th</sup> June 2017	314,000,000	123,020,536	9,940,705	3,774,866	4,200,047	17,490,431	472,426,585							
At 30 <sup>th</sup> June 2016	314,000,000	127,234,307	12,999,530	2,364,763	7,109,470	25,006,792	488,714,864							

**COMMISSION FOR UNIVERSITY EDUCATION****Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****17. Trade and other payables from exchange transactions**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Audit Fees	870,000	870,000
Research Funds	11,045,195	11,045,195
McCormack Partnership A	2,112,000	2,112,000
Other Funds-Needs Assessment/Charter Award/ 1 st Biennial	32,091,021	21,631,211
Exhibition by Kenyan Universities	4,249,905	3,510,950
Sundry Creditors	15,832,682	18,513,071
Creditors Control	19,933,029	9,940,477
NICHE Project	17,078,981	28,881,611
Rent Deposit-Touchstone	225,000	225,000
Rent Deposit-Amin Nanji	225,000	225,000
Rent Deposit-National Biosafety	750,000	750,000
<b>Total Trade and Other Payables</b>	<b>104,412,813</b>	<b>97,704,514</b>

**18. Cash generated from operations**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	<b>(38,920,922)</b>	<b>88,524,829</b>
<b>Adjusted for:</b>		
Depreciation	20,757,933	23,890,666
<b>Working Capital adjustments</b>		
Increase/(Decrease) in receivables	6,708,299	22,133,298
(Increase)/Decrease in payables	(6,799,693)	16,916,355
<b>Net cash flow from operating activities</b>	<b>(18,254,383)</b>	<b>151,465,148</b>

**19. Financial Risk Management**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company'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 company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the Commission under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2017</b>				
Trade payables	10,758,022	9,025,387	149,620	19,933,029
<b>Total</b>	<b>10,758,022</b>	<b>9,025,387</b>	<b>149,620</b>	<b>19,933,029</b>
<b>At 30 June 2016</b>				
Trade payables	7,876,574	2,037,832	26,070	9,940,476
<b>Total</b>	<b>7,876,574</b>	<b>2,037,832</b>	<b>26,070</b>	<b>9,940,476</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management (Continued)**

**Capital Risk Management**

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

	<b>2016-2017</b>		<b>2015-2016</b>
	<b>Kshs</b>		<b>Kshs</b>
Revaluation reserve	287,181,716		286,661,340
Retained earnings	387,649,275		426,570,195
Capital reserve	197,449,724		197,449,724
<b>Total funds</b>	<b>872,280,715</b>		<b>910,681,259</b>
Total borrowings	-		-
Less: cash and bank balances	(491,303,345)		(513,507,008)
Net debt/(excess cash and cash equivalents)	491,303,345		513,507,008
<b>Gearing</b>	<b>100%</b>		<b>100%</b>

**20. Related Party Balances**

**a) Nature of related party relationships**

Entities and other parties related to the entity 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 entity is related to

- i) The National Government;
- ii) Ministry of Education;
- iii) Key management;
- iv) Commissioners

**COMMISSION FOR UNIVERSITY EDUCATION**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**42. Related Party Balances (continued)**

**c) Key management remuneration**

	2017 Kshs	2016 Kshs
Commissioners	12,652,305	16,575,708

**d) Contingent assets and contingent liabilities**

The Commission had the following court cases.

	CASE NUMBER AND NAME	FIRM AWARDED	COMMENCEMENT DATE	AMOUNT
1	NAIROBI HCPT NO. 90 OF 2017	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	298,000/=
2	NAIROBI HCPT NO. 49 OF 2017	TOM OJIENDA & ASSOCIATES	FEBRUARY 2017	680,000/=
3	NAIROBI HCPT NO. 37 OF 2017	TOM OJIENDA & ASSOCIATES	FEBRUARY 2017	
4	NAIROBI HCPT NO. 106 OF 2017	PROF. TOM OJIENDA & ASSOCIATES	MARCH 2017	
5	NAIROBI HCPT NO. 17 OF 2017	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	180,000/=
6	NYAMIRA HCPT NO. 3 OF 2017	MAGARE MUSUNDI & CO. ADVOCATES	JANUARY 2017	383,625/=
7	NAIROBI HCPT NO. 150 OF 2017	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	145,000/=
8	NAIROBI HCPT NO. 321 OF 2017	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	130,000/=
10	ELDORET HCPT NO. 14 OF 2017	MAGARE MUSUNDI & CO. ADVOCATES	FEBRUARY 2017	330,200/=
11	NAIROBI HCPT NO. 161 OF 2017	CM MAINA & CO. ADVOCATES	FEBRUARY 2017	180,000/=
12	NAIROBI HCPT NO. 222 OF 2017	CM MAINA & CO. ADVOCATES	FEBRUARY 2017	180,000/=
13	NAIROBI HCPT NO. 511 OF 2016	PATRICK TEDDY & COMPANY ADVOCATES	DECEMBER 2016	900,000/=
14	ELDORET HCPT NO. 18 OF 2016	MAGARE MUSUNDI & CO. ADVOCATES	DECEMBER 2016	330,200/=
15	ELDORET HCPT NO. 13 OF 2016	MAGARE MUSUNDI & CO. ADVOCATES	AUGUST 2016	168,800/=
16	NAIROBI HCPT NO. 176 OF 2016	CHEGE KIBATHI & CO. ADVOCATES	MAY 2016	340,000/=
17	NAIROBI HCPT NO. 177 OF 2016	PATRICK TEDDY & COMPANY ADVOCATES	MAY 2016	290,000/=
18	NAIROBI HCPT NO. 132 OF 2016	PATRICK TEDDY & COMPANY ADVOCATES	MAY 2016	290,000/=
19	NAIROBI HCPT NO. 16 OF 2016	TOM OJIENDA & ASSOCIATES	MAY 2016	290,000/=
20	NAIROBI HCPT NO. 354 OF 2016	LM KAMBUNI & CO. ADVOCATES	MAY 2016	232,000/=
21	NAIROBI HCPT NO. 138 OF 2016	TOM OJIENDA & ASSOCIATES	APRIL 2016	700,000/=
22	NAIROBI HCPT NO. 149 OF 2016	TOM OJIENDA & ASSOCIATES	APRIL 2016	
23	NAIROBI HCPT NO. 148 OF 2016	TOM OJIENDA & ASSOCIATES	APRIL 2016	
24	NAIROBI HCPT NO. 425 OF 2015	TOM OJIENDA & ASSOCIATES	OCTOBER 2015	680,000/=
25	NAIROBI HCPT NO. 377 OF 2015	TOM OJIENDA & ASSOCIATES	OCTOBER 2015	700,000/=
26	NAIROBI HCPT NO. 93 OF 2015	LM KAMBUNI & CO. ADVOCATES	MAY 2015	3,750,000/=
27	NAIROBI HCPT NO. 28 OF 2015	LM KAMBUNI & CO. ADVOCATES	MAY 2015	
28	NAIROBI HCPT NO. 132 OF 2015	LM KAMBUNI & CO. ADVOCATES	MAY 2015	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Events after the reporting period

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

22. Ultimate and Holding Entity

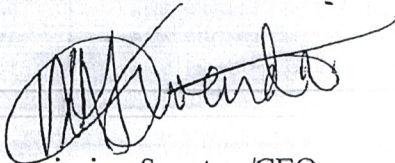
The Commission is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

23. Currency

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

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Commission has no outstanding audit matters



Commission Secretary/CEO

Date.....26/4/18.....



Chairman of the Commission

Date.....26/4/2018.....

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VII. Appendix 1: INTER-ENTITY TRANSFERS

<b>ENTITY NAME:</b>		Commission for University Education	
<b>Break down of Transfers from the State Department for University Education</b>			
<b>FY 16/17</b>			
a.	Recurrent Grants		
	<u>Bank Statement</u>		<u>Indicate the FY to</u>
	<u>Date</u>	<u>Amount (KShs)</u>	<u>which the amounts</u>
	10/08/2016	18,958,096.90	FY 16/17
	31/08/2016	18,958,096.90	FY 16/17
	30/09/2016	18,958,096.00	FY 16/17
	09/11/2016	18,958,097.00	FY 16/17
	20/12/2016	18,958,097.00	FY 16/17
	04/01/2017	18,958,097.00	FY 16/17
	09/02/2017	18,958,097.00	FY 16/17
	15/03/2017	18,958,097.00	FY 16/17
	10/04/2017	18,958,097.00	FY 16/17
	02/05/2017	18,958,097.00	FY 16/17
	05/06/2017	18,958,097.00	FY 16/17
	28/06/2017	18,958,096.00	FY 16/17
	<b>Total</b>	<b>227,497,161.80</b>	

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

Finance Manager  
 Commission for University Education

Sign 

Head of Accounting Unit  
 Ministry of Education

Sign 