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THE AUDITOR-GENERAL

ON

**NATIONAL DEFENCE UNIVERSITY –
KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2024**



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NATIONAL DEFENCE UNIVERSITY-KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

**National Defence University-Kenya
Annual Report and Financial Statements
for the year ended June 30, 2024.**

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1. Acronyms and Definition of Key Terms

A: Acronyms

Comd	Commander
CSSS	Centre for Security and Strategic Studies
CUE	Commission of University Education
DCHS	Defence College of Health Sciences
DEFTEC	Defence Forces Technical College
DG	Director General
ERP	Enterprise Resource Planning
IPSAS	International Public Sector Accounting Standards
IPSTC	International Peace Support Training Centre
JCSC	Joint Command and Staff College
KA	Kenya Army
KAF	Kenya Air Force
KDF	Kenya Defence Forces
KCB	Kenya Commercial Bank
KMPDC	Kenya Medical Practitioners and Dentist Council
KN	Kenya Navy
KRAs	Key Result Areas
MoD	Ministry of Defence
MoH	Ministry of Health
NCK	Nursing Council of Kenya
NDC	National Defence College
NDU-K	National Defence University-Kenya
NIRUC	National Intelligence and Research University College
NIS	National Intelligence Service
OSHA	Occupational Safety and Health Act
PFMA	Public Finance Management Act
PS	Principal Secretary
RISS	Research Innovation and Security Studies
SDHER	State Department for Higher Education and Research
SRC	Salaries and Remuneration Commission

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VCDF	Vice Chief of the Defence Forces
DG NIS	Director General National Intelligence Service
Comd KA	Commander Kenya Army
Comd KAF	Commander Kenya Air Force
Comd KN	Commander Kenya Navy
Comdt	Commandant

B: Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key University Information and Management

a. Background Information

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

The University comprises seven (7) colleges, six (6) of which are currently domiciled in the Ministry of Defence while one (1) constituent is affiliated to the National Intelligence Service (NIS). The colleges are:

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

b. Principal Activities

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

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

Key University Information and Management (Continued)

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

University's strategic anchoring is as follows:

(a) Vision

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

(b) Mission

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

Key University Information and Management (Continued)

(c) Philosophy

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

(d) Guiding Principles

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

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

(e) Key Management

The following organs are responsible for university governance and management:

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

(f) Fiduciary Management

The key governance and management personnel who held office during the accounting period ended 30th June 2024 and who had direct fiduciary responsibility are shown on pages ix – xi and the Audit and Risk Committee of council.

(g) Fiduciary Oversight Arrangements

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

Key University Information and Management (Continued)

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

- (h) Headquarters**
P O Box 3812-20100
Dundori Road,
Nakuru, Kenya
Tel: (254) 051-851141
E-mail: info@ndu.ac.ke
Website: <https://:ndu-k.ac.ke>
- (i) Bankers**
- i. **KCB Bank Ltd**
Nakuru Branch,
P O Box 248-20115
Nakuru, Kenya
- ii. **Co-operative Bank of Kenya Ltd**
Nakuru Branch
P O Box 2982-20100
Nakuru, Kenya
- (j) Independent Auditors**
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P O Box 30084-00100
Nairobi, Kenya
- (k) Principal Legal Advisor**
The Attorney General
Sheria House Harambee
P O Box 40112-00100
Nairobi, Kenya

3. The Council

The following are NDU-K Council members:

- | | |
|----------------------------------|--|
| a. Gen C M Kahariri CBS | - Chairperson (Apr 2024- June 2024) |
| b. Gen F O Ogolla MGH EBS HSC | - Chairperson (July 2023- Mar 2024) |
| c. Lt Gen J M Omenda EBS SS OGW | - VCDF (April 2024- June 2024) |
| d. Lt Gen C M Kahariri CBS | - VCDF (Mar 2024) |
| e. Lt Gen J M Mwangi MGH CBS | - VCDF (July 2023-Feb 2024) |
| f. Mr N Haji | - DG NIS |
| g. Lt Gen D K Tarus CBS | - Comd KA (Mar 2024 – June 2024) |
| h. Lt Gen P M Njiru MGH CBS | - Comd KA (July 2023- Feb 2024) |
| i. Maj Gen F G Ahmed CBS OGW | - Comd KAF (Apr 2024- June 2024) |
| j. Maj Gen J M Omenda EBS SS OGW | - Comd KAF (July 2023- Mar 2024) |
| k. Maj Gen P O Otieno EBS | - Comd KN (April 2024 -June 2024) |
| l. Maj Gen T N Ng'ang'a EBS HSC | - Comd KN (Mar 2024) |
| m. Maj Gen J L Mutai MGH MBS | - Comd KN (July 2023- Feb 2024) |
| n. Dr Beatrice Muganda Inyangala | - PS SDHER |
| o. Dr Patrick Mariru | - PS Defence |
| p. Mr Geoffrey Malombe | - PS National Treasury Rep (Nov 23- Jun 24) |
| q. Mr Festus Kingóri | - PS National Treasury Rep (July 23- Oct 23) |
| r. Prof Isaac M Mbeche PhD | - Senior Academician |
| s. Mr Charles O Ogalo | - Private Sector |
| t. Dr Constansia Mumma-Martinon | - Diplomat |
| u. Lt Gen J L Mutai MGH MBS | - VC/Secretary (Mar 2024-June 2024) |
| v. Maj Gen S M Farah | - VC/Secretary (July 2023-Feb 2024) |

4. Key Management Team

A. University Management Board (UMB)

The NDU-K UMB members are:

a. Lt Gen J L Mutai	VC	- Chairperson (Mar 2024-Jun 24)
b. Maj Gen S M Farah	VC	- Chairperson (Jul 2023- Feb 24)
c. Lt Gen J S Mwinyikai	Comdt NDC	- Member (Mar 2024-June 24)
d. Maj Gen R Elmi	Comdt NDC	- Member (Jul 2023- Feb 24)
e. Maj Gen E M Kinuthia	Comdt JCSC	- Member
f. Maj Gen A M Kiugu	Comdt KMA	- Member (Mar 2024-June 24)
g. Maj Gen J M Nkoimo	Comdt KMA	- Member (Jul 2023- Feb 24)
h. Maj Gen W K Shume	DVC RISS	- Member
i. Maj Gen T N Ng'ang'a	DVC F & A	- Secretary (Apr 2024- Jun 24)
j. Maj Gen (Rtd) P A Amogola	DVC F & A	- Secretary (Jul 2023- Mar 24)
k. Prof A W T Muigai PhD	DVC ASA	- Member
l. Brig J Sitienei	Director IPSTC	- Member
m. Brig M D Ali	Principal DEFTEC	- Member
n. Brig D O Muleyi	Director CSSS	- Member
o. Col J M Ngatia	Head of Legal	- Member
p. Col H Kamocho	Principal DCHS	- Member
q. Dr S N Mailu	University Registrar	- Member
r. CPA M N Nginga	Director of Fin&Accts-	Member

B. University Senate

The NDU-K Senate members are:

a. Lt Gen J L Mutai MGH MBS	VC	- Chairperson (Mar 2024-Jun 24)
b. Maj Gen S M Farah CBS	VC	- Chairperson (Jul 2023- Feb 24)
c. Lt Gen J S Mwinyikai	Comdt NDC	- Member (Mar 2024-Jun 24)
d. Maj Gen R Elmi	Comdt NDC	- Member (Jul 2023- Feb 24)
e. Maj Gen E M Kinuthia	Comdt JCSC	- Member
f. Maj Gen A M Kiugu	Comdt KMA	- Member (Mar 2024-Jun 24)
g. Maj Gen J M Nkoimo	Comdt KMA	- Member (Jul 2023- Feb 24)
h. Maj Gen W K Shume	DVC RISS	- Member
i. Maj Gen T N Ng'ang'a	DVC F & A	- Member (Apr 2024- Jun 24)
j. Maj Gen (Rtd) P A Amogola	DVC F & A	- Member (Jul 2023- Mar 24)
k. Prof A W T Muigai PhD	DVC ASA	- Secretary
l. Brig J Sitienei	Director IPSTC	- Member
m. Brig M D Ali	Principal DEFTEC	- Member
n. Brig D O Muleyi	Director CSSS	- Member
o. Col J M Ngatia	Head of Legal	- Member
p. Col H Kamotho	Principal DCHS	- Member
q. Dr S N Mailu	University Registrar	- Member

5. Chairperson's Statement

National Defence University-Kenya (NDU-K) was awarded a charter on 27 May 2021 and gazetted as an institution of national strategic importance vide Kenya Gazette Notice No 95 dated 4 June 2021, making the commencement of mandate implementation in Financial Year (FY) 2021/22. To this end, implementation of the Strategic Plan 2023 - 2027 is on course. Indeed, in the year ended 30th June 2024, the University accomplished several milestones hence enabling operationalization of governance, management, administrative and academic functions. With regard to physical infrastructure, the construction of Phase 1 Administration Complex was completed in September 2023.

Financial Performance

In FY 2023/24, NDU-K operated under the mentorship of the Ministry of Defence through which financial support was extended. However, the budget for FY 2023/24 of Ksh. 331,400,000 was approved by the National Treasury. It is expected that the Government will continue to allocate resources for capacity building and development of physical infrastructure and ICT infrastructure.

Strategic Direction

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

These are as follows:

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

achieved within an environment of fluid missions, practices and capabilities that tap into the wealth of individual specialisation within a multi-agency framework.

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

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

Future Outlook

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



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

6. Report of the Vice Chancellor

In the period ending 30th June 2024, the University remained focused on the attainment of its vision and mission as a centre of excellence in training, education and research in national security and strategy. Accordingly, human, financial and material resources were directed towards establishing a robust foundation to facilitate quality academic programmes, service delivery, and research outputs through enhanced stakeholder collaboration.

Education, Training and Research

The University has six (6) Ministry of Defence affiliated colleges and one (1) constituent college under the National Intelligence Service. In this context, twenty-four (24) programmes have been accredited by the Commission of University Education whilst a number of new programmes have been submitted for validation and accreditation. Furthermore, the University is keen on growing the number of colleges and programmes in response to changes in fields of Defence and security as well as contribution towards national development.

Other Activities

The construction of an Administration Complex for the University Seat and acquisition of an Enterprise Resource Planning (ERP) is underway and projected to be functional by the first quarter of FY 2024/25. Moreover, the recruitment of senior civilian management staff and full-time lecturers has been completed whilst that of support staff is on course. Student admission stands at 1296 students. The University held its inaugural graduation on 17th November, 2023.

Financial Performance

We are thankful for the financial support provided by Ministry of Defence which enabled achievement of the set goals in the period ending 30th June, 2024. A lean budget allocation for FY 2023/24 was optimized to enable seamless operations and service delivery to NDU-K stakeholders in the financial year.



Lieutenant General J L Mutai

Vice-Chancellor

7. Statement of Performance against Predetermined Objectives for FY 2023/2024

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

These are as follows:

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

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

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

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

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

These areas are:

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

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

Key Result Area 3: Strengthened Institutional Capacity

8. Corporate Governance Statement

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

Roles and Functions of the Council

The functions of the Council are:

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

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

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

Committees of the Council

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

The Council had three committees up to 31st October 2023 namely:

- i) Finance, Planning and General-Purpose Committee
- ii) Audit, Risk and Compliance Committee
- iii) Human Resource Management Committee

This was later re-organised in the year to:

- i) Finance, Planning and Human Resource Committee
- ii) Audit, Risk and Compliance Committee
- iii) Academic and Research Committee

The Terms of Reference for the Committees of Council are:

a) Finance, Planning and General-Purpose Committee

The Committee recommends to the Council for its approval the annual report and financial statements, annual estimates and expenditure, recommend policies on financial management. The Committee oversees planning and mobilization of financial resources for the development of the University, advocates on behalf of the University and ensures the marketing of the University locally and internationally, provides advice and assistance to the management with respect to corporate sponsorship and private funds raising and refers matters of major importance to Council for further direction.

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

b) Audit, Risk and Compliance Committee

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

c) Human Resource Committee

The Committee oversees formulation and subsequent monitoring as well as review of policies and strategies on employment of university staff, including policies on recruitment and selection, staff development and training performance management and salaries and other terms of service. The Committee reviews and monitors the implementation and effectiveness of the University's employment policies through regular reports provided by the University Management Board; reviews and recommends to Council the terms and conditions of service for university staff, remuneration, salaries, allowances and other staff payments as well as hears and deals with appeals from disciplinary or grievances processes handled by the University Management Board.

d) Finance, Planning and Human Resource Committee

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

e) Academic and Research Committee

The Committee advises on the development and implementation of academic and research programmes and policies; makes recommendations for the sourcing, administration and distribution of scholarships; oversees a reward scheme for excellence in teaching, research and extension; receives regular reports from and advises management on policy development and procedures relating to

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academic programmes and research; and considers and reports any matter referred to it by the University Management Board and Senate.

Council and Council Committee Meetings Attendance - 1st July 2023 to 30th June 2024:

REGULAR COUNCIL MEETING					
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETIN G 2	MEETING 3
			DATE	DATE	DATE
			14/07/2023	08/11/2023	16/02/2024
1	Gen C M Kahariri	CDF-Chairperson (March 2024-June 2024)	0	0	0
2	Gen F O Ogolla	CDF-Chairperson (July 2023-February 2024)	x	x	x
3	Lt Gen J M Omenda	VCDF (April 2024-June 2024)	0	0	0
4	Lt Gen C M Kahariri	VCDF (Mar 2024)	0	0	0
5	Lt Gen J M Mwangi	VCDF (July 2023-February 2024)	x	x	x
6	Dr. P Mariru	PS MOD	x	0	0
7	Dr. B M Inyangala	PS SDHER	x	0	0
8	Mr Geoffrey Malombe	PS National Treasury Rep (November 2023-June 2024)	0	0	0
9	Mr. Festus Kingori	PS National Treasury Rep (July 2023-October 2023)	0	x	0
10	Lt Gen D K Tarus	Comm KA (March 2024-June 2024)	0	0	0
11	Lt Gen P M Njiru	Comm KA (July 2023-February 2024)	x	x	x
12	Maj Gen F G Ahmed	Comm KAF (April 2024-June 2024)	0	0	0
13	Maj Gen J M Omenda	Comm KAF (July 2023-March 2024)	x	0	x
14	Maj Gen P O Otieno	Comm KN (April 2024-June 2024)	0	0	0
15	Maj Gen T N Ng'ang'a	Comm KN (Mar 2024)	0	0	0
16	Maj Gen J L Mutai	Comm KN (July 2023-February 2024)	x	x	x
17	Prof Isaac Mbeche	Senior Academician	x	x	x
18	Mr Charles Ogalo	Private Sector	x	x	x
19	Dr. Constansia Mumma-Martinon	Diplomat	x	x	x
20	Prof Mwenda Ntarangwi	NIS Rep	x	0	0
21	Ms Agnes Shikuku	NIS Rep	0	x	x
22	Lt Gen J L Mutai	VC-Secretary (March 2024-June 2024)	0	0	0
23	Maj Gen S M Farah	VC-Secretary (July 2023-February 2024)	x	x	x

**National Defence University-Kenya
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REGULAR FINANCE, PLANNING AND GENERAL-PURPOSE COUNCIL COMMITTEE				
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETING 2
			DATE	DATE
			06/07/2024	25.10.2023
1	Mr Charles Ogalo	Private Sector	X	0
2	Mr Geoffrey Malombe	PS National Treasury Rep (November 2023-June 2024)	0	0
3	Mr. Festus Kingori	PS National Treasury Rep (July 2023-October 2024)	X	X
4	Prof Mwenda Ntarangwi	NIS Rep	X	X
5	Dr. C K Chumba	NIS Rep	0	0
6	Lt Gen D K Tarus	Comm KA (March 2024-June 2024)	0	0
7	Lt Gen P M Njiru	Comm KA (July 2023-February 2024)	X	X
8	Lt Gen J L Mutai	VC-Secretary (March 2024-June 2024)	0	0
9	Maj Gen S M Farah	VC-Secretary (July 2023-February 2024)	X	X

SPECIAL FINANCE, PLANNING AND GENERAL-PURPOSE COUNCIL COMMITTEE ATTENDANCE			
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1
			DATE
			31.10.2023
1	Mr Charles Ogalo	Private Sector	0
2	Mr Geoffrey Malombe	PS National Treasury Rep (November 2023-June 2024)	0
3	Mr Festus Kingori	PS National Treasury Rep (July 2023-October 2024)	X
4	Prof Mwenda Ntarangwi	NIS Rep	0
5	Dr. C K Chumba	NIS Rep	X
6	Lt Gen D K Tarus	Comm KA (March 2024-June 2024)	0
7	Lt Gen P M Njiru	Comm KA (July 2023-February 2024)	X
8	Lt Gen J L Mutai	VC-Secretary (March 2024-June 2024)	0
9	Maj Gen S M Farah	VC-Secretary (July 2023-February 2024)	X

**National Defence University-Kenya
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REGULAR FINANCE, PLANNING AND HUMAN RESOURCE COUNCIL COMMITTEE				
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETING 2
			DATE	DATE
			29/01/2024	11/4/2024
1	Mr Charles Ogalo	Private Sector	X	X
2	Lt Gen K C Tarus	Comm KA (March 2024-June 2024)	0	X
3	Lt Gen Njiru	Comm KA (July 2023-February 2024)	0	0
4	Dr. C K Chumba	NIS Rep	X	0
5	Dr. David Okomba	NIS Rep	0	X
6	Mr. Festus Kingori	PS National Treasury Rep (July 2023-October 2023)	0	0
7	Geoffrey Malombe	PS National Treasury Rep (November 2023-June 2024)	0	0
8	Lt Gen J L Mutai	VC-Secretary (March 2024-June 2024)	0	0
9	Maj Gen S M Farah	VC-Secretary (July 2023-February 2024)	X	0

ACADEMIC AND RESEARCH COMMITTEE					
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETING 2	MEETING 3
			DATE	DATE	DATE
			25/10/2023	31/01/2024	12/4/2024
1	Dr. C A Martinon-Mumma	Diplomat	x	0	x
2	Mr Charles Ogalo	Private Sector	0	x	x
3	Maj Gen F G Ahmed	Comm KAF (April 2024-June 2024)	0	0	0
4	Maj Gen J M Omenda	Comm KAF (July 2023-March 2024)	x	x	0
5	Dr P K Mariru	PS MOD	0	x	0
6	Dr. B M Inyangala	PS SDHER	x	0	0
7	Lt Gen J L Mutai	VC-Secretary (March 2024-June 2024)	0	0	x
8	Maj Gen S M Farah	VC-Secretary (July 2023-February 2024)	x	x	0

**National Defence University-Kenya
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AUDIT AND RISK COMMITTEE				
S/NO	COUNCIL MEMBER	OFFICE	MEETING 1	MEETING 2
			DATE	DATE
			05/07/2023	17/05/2024
1	Prof Isaac Mbeche	Senior Academician- Chair Person	x	x
2	Dr Patrick Mariru	PS MOD	x	0
3	Dr. Beatrice Inyangala	PS SDHER	x	x
4	Maj Gen F G Ahmed	Comm KAF (April 2024-June 2024)	0	x
5	Maj Gen J M Omenda	Comm KAF (July 2023-March 2024)	x	0
6	Maj Gen P O Otieno	Comm KN (April 2024-June 2024)	0	x
7	Maj Gen T N Ng'ang'a	Comm KN (Mar 2024)	0	0
8	Lt Gen J L Mutai	Comm KN (July 2023-February 2024)	0	0
9	CPA James Mbogo	Internal Auditor - MOD- Secretary	0	x
10	Mr John Kariuki	Internal Auditor - MOD- Secretary	x	0

Appointment, Removal from Office and Succession Plan

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

Council Remuneration

Council members are remunerated as per guidelines set out in State Corporations Advisory Committee circulars and the National Treasury directives as well as guidance of the Salaries and Remuneration Commission (SRC) in respect to sitting allowances, mileage and accommodation costs as guided by Executive Order No. 3 of 2024 (Gazette No. 6265) dated 24th May 2024.

**National Defence University-Kenya
Annual Report and Financial Statements
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9. Management Discussion and Analysis

Section A

Operational and Financial Performance

That the University has prepared the financial year's Annual Report and Financial Statements for the period ended 30th June 2024 in conformity with Article 83 of the Public Finance Management Act (PMFA) No 18 of 2012. The report ending 30th June 2024 highlights are:

i. Revenue

The revenues of the University have been as shown in table 1 below over the last two years. The MOD Grant KDF salaries, mess annexes have been received in kind. Students payables bill was settled by MOD and graduation tentage bill remains outstanding. Ksh. 2,050,000 donations were received in the year to support graduation expenses.

Type of Income	FY23/24	FY22/23
GoK Recurrent Capitation Grant	306,000,000	106,000,000
Partner Recurrent Grants -MOD Grants-Cash	-	19,101,483
Partner Recurrent Grants -MOD Grants-Salaries	348,946,316	208,711,228
Partner Recurrent Grants -MOD Grants-Mess Annexes	21,101,400	16,270,800
Partner Recurrent Grants -MOD Grants-Student payables	7,940,800	-
Tuition and Related Fees	24,284,720	205,259,820
Other Services Rendered-CSSS	19,022,825	6,918,286
Donations	2,050,000	-
Total	729,346,061	562,261,617

ii. Expenses

The following table 2 indicate the expenditure trends over the period:

Type of Expenditure	FY23/24	FY22/23
Staff Costs	421,146,998	258,174,628
Council Expenses	3,747,242	1,602,241
Insurance and Medical Expenses	3,911,727	4,080,307
Contracted Services	2,682,937	-
Use of Goods and Services	46,097,581	6,805,904
Administrative and Central Services	147,070,875	58,971,181
Repairs and Maintenance Expenses	19,263,994	14,651,413
Revenue Refunded to The National Treasury		14,892,516
Depreciation Expenses	11,993,390	964,056
Total	655,914,744	360,142,246

**National Defence University-Kenya
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iii. Assets

The MoD assets allocated to the Seat have not been vested to the University hence they are not recorded in University books but a stock count of the same has been done as at 30th June 2024. The University has recorded and depreciated **Kshs 52 Million** assets in its books as at the end of the period.

iv. Current Assets

The following table 3 indicate the trends over the period:

Type of Expenditure	FY23/24	FY22/23
Cash at Bank	67,899,052	22,783,893
Student Debtors	12,182,012	6,698,450
Accrued CSSS Income	6,720,000	-
Total	86,801,064	29,482,343

v. Current Liabilities

The following table 4 indicate the trends over the period:

Type of Expenditure	FY23/24	FY22/23
Student Payables	144,000	8,087,810
Student Prepayments	1,588,301	3,781,010
Accrued Expenses	47,463,477	12,769,677
Deferred Income		3,729,810
Total	49,195,778	28,368,307

Section B

Compliance with Statutory Requirements

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

Section C

Key Projects and Investment Decisions

MOD has constructed Phase 1 of a modern administration complex to house the Seat at an estimated cost of Kshs. 476 Million. The ERP system Phase 1 is completed awaiting implementation of Phase 2 which is scheduled for in FY2025/26 MTEF budget.

Section D

Major Risks Facing the Entity

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

Section E

Material Arrears in Statutory / Financial Obligations

The University has no pending bills.

Section F

The University's Financial Probity and Serious Governance Issues

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

10. Environmental and Sustainability Reporting

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

a. Sustainability Strategy and Profile

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

b. Environmental Performance

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

c. Employee welfare

The University has an approved Human Resource Policy and Procedures Manual (2024). The manual provides a chapter on recruitment, selection, appointment, promotions and transfers/deployment of employees. The University is an equal opportunity employer and does not discriminate on any basis its recruitment and selection. The University also through this policy has provided for employee training and development to improve skills and work efficiency as well as the existence of a performance management system. Through this policy, the University is also compliant with the Occupational Safety and Health Act of 2007 (OSHA) by maintaining a safe physical environment conducive for all employees.

d. Market place practices

The University has made efforts to:

(1) Responsible completion practice

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

(2) Responsible Supply chain and supplier relations

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

(3) Responsible marketing and advertisement

Maintain ethical marketing practices.

(4) Product stewardship

Safeguard consumer rights and interests.

- e. Corporate Social Responsibility/Community Engagements**
Engage communities in Ngorika Forest's greening.

11. Report of the Council Members

The Council members submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the University's affairs.

i) Principal activities

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

ii) Results

The results of the University performance for the year ended June 30, 2024, are set out on pages 1-8.

iii) Council Members

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

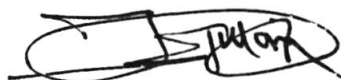
iv) Surplus remission

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

v) Auditors

The Auditor-General is responsible for the statutory audit of the University in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2024.

By Order of the Board



.....

Lieutenant General J L Mutai

Secretary to the Council

12. Statement of University Council Responsibilities

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

The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2024. 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 University; (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 University; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Council members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2024, and of the University's financial position as at June 30, 2024. The Council members further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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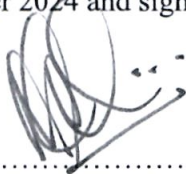
In preparing the financial statements, the Council members have assessed the University's ability to continue as a going concern.

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

Approval of the financial statements

The University's financial statements were approved by the Council on _____
September 2024 and signed on its behalf by:

25th

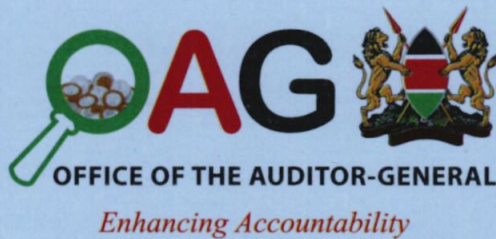


.....
Name: **General C M Kahariri**
Chairperson of the Council



.....
Name: **Lieutenant General J L Mutai**
Accounting Officer

REPUBLIC OF KENYA



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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL DEFENCE UNIVERSITY – KENYA FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Defence University - Kenya set out on pages 1 to 39, which comprise the statement of financial position as at

30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Defence University – Kenya as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

Undisclosed Property, Plant and Equipment

The statement of financial positions reflects a balance of Kshs.39,356,950 under property, plant and equipment as disclosed in Note 20 to the financial statements. However, the balance excludes land and buildings of undetermined value where the University's Headquarters sits. Further, land ownership documents in form of title deeds, certificates of lease or undertaking from the Ministry of Defence allocating land to the University, were not provided for audit. In addition, the cost of implementing the University's ICT infrastructure (ERP- Phase 1) funded by the Ministry of Defence was not determined and included in the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.39,356,950 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the other information set out on page v to xxxi which comprise of Key University Information and Management, The University Council, Key Management Team, Chairperson's Statement, Report of the Vice Chancellor, Statement

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Approved Staff Establishment and Remuneration Structure

The University developed a staff establishment in April 2024 consisting of two hundred and fifteen (215) technical staff and ninety-three (93) support staff totalling to three-hundred and eight (308) total staff establishment. The establishment was presented to State Corporation Advisory Committee (SCAC) and duly approved during the year under review.

However, there is no evidence of approval of the staff establishment by the Public Service Commission and the Salaries and Remuneration Commission. This was contrary to the Public Service Commission Circular Ref. No. PSC/SEC/93/37/VOL.IV/(37) dated 30 July, 2018 on staff establishment which provides that, proposals on review of the staff establishment shall be approved by the Public Service Commission in consultation with the authorized officer. Further, Article 230(4) (a & b) of the Constitution of Kenya, 2010 states that the powers and functions of the Salaries and Remuneration Commission shall be to set and regularly review the remuneration and benefits of all State officers; and advise the national and county governments on the remuneration and benefits of all other public officers.

In the circumstances, Management was in breach of the law.

2. Understaffing of the University

Review of the organizational structure, staff grading and establishment revealed that the optimal staffing level for the University is three-hundred and eight (308) substantive positions. However, examination of human resource records indicates that the total staff level was one hundred and twenty-seven (127) as at 30 June, 2024, resulting in understaffing by one-hundred and eighty-one (181) staff members.

This was contrary to Standard No.4 of the University Standards for Accreditation and Operations, 2014 which stipulates that a University shall have adequate and competent human resources to carry out its mandate in accordance to its human resource policy.

In the circumstances, Management was in breach of University accreditation standards and the University might not be able to effectively achieve its mandate.

3. Delay in Implementation of Enterprise Resource Planning System

The Ministry of Defence entered into a contract with the University of Nairobi Enterprise Services Limited for supply, installation, commissioning, testing and maintenance of ICT infrastructure at the National Defence University- Kenya on 23 September, 2022. The contract was to be implemented in two phases within a period of two years. Phase 1 was expected to be completed on 30 June, 2023 at a contract sum of Kshs.54,647,600 with project activities including; ICT infrastructure, email solutions, University website, student learning, and library management information systems. Phase 2 was to be completed on 30 June, 2024 at a contract sum of Kshs.81,206,467 with project activities including; finance, procurement and human resource management information systems hence a total project contract sum of Kshs.135,854,067.

However, review of the system in December 2024 revealed that the vendor had completed the contractual milestones for Phase 1 and was yet to begin execution of Phase 2. Further, the University had not operationalized the student information management system modules under Phase 1 which comprised of course registration, lecturer module, student portal, fees management and examination management. In addition, Management did not provide implementation plan and timelines for Phase 2.

This was contrary Section 72(I) of the Public Finance Management Act, 2012 which states that the Accounting Officer for a national government entity shall (a) be responsible for the management of the entity's assets and liabilities; and (b) manage those assets in a way which ensures that the national government entity achieves value for money in acquiring, using and disposing of those assets.

In the circumstances, value for money has not been achieved from the ERP modules that have not been operationalized.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and the University Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


27 December, 2024

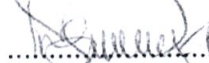
**National Defence University-Kenya
Annual Report and Financial Statements
for the year ended June 30, 2024.**


14. Statement of Financial Performance for the year ended 30 June 2024

Particulars	Notes	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Revenue from Non-Exchange Transactions			
GoK Recurrent Capitation Grant	6. a	306,000,000	106,000,000
Partner Recurrent Grants -MOD Grants	6 b	377,988,516	244,083,509
Donations	7	2,050,000	-
Total Revenue from Non-Exchange Transactions		686,038,516	350,083,509
Revenue from Exchange Transactions			
Revenue - Tuition and Related Fees	8	24,284,720	205,259,820
Revenue - Other Services Rendered-CSSS	9	19,022,825	6,918,286
Total Revenue from Exchange Transactions		43,307,545	212,178,106
Total Revenue		729,346,061	562,261,615
Expenditure			
Personnel Emoluments	10	421,146,998	258,174,628
Council Expenses	11	3,747,242	1,602,241
Insurance and Medical Expenses	12	3,911,727	4,080,307
Contracted Services	13	2,682,937	-
Use of Goods and Services	14	46,097,581	6,805,904
Administrative and Central Services	15	147,070,875	60,123,376
Repairs and Maintenance Expenses	16	19,263,994	13,499,218
Revenue Refunded to The National Treasury	17	-	14,892,516
Depreciation Expenses	20	11,993,390	964,056
		655,914,744	360,142,246
Other Gains/(Losses)			
(Decrease)/increase in Provision for bad debts	19 b	-	198,588,450
			198,588,450
Surplus for the Period		73,431,317	3,530,919
Attributable to:			
Owners of the controlling entity	22	73,431,317	3,530,919

The notes set out on pages 6-35 form an integral part of these Financial Statements. The Financial Statements set out on pages 1-5 were signed on behalf of the Council by:


.....
Lt Gen J L Mutai
Vice-Chancellor


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


.....
Gen C M Kahariri
Chairman of the Council

Date: 25.09.2024

Date: 25.09.2024

Date: 25.09.2024

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15. Statement of Financial Position as at 30 June 2024

Particulars	Notes	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
ASSETS			
Current Assets			
Cash in Bank and in Hand	18	67,899,052	22,783,893
Receivables from Exchange Transactions	19	18,902,012	6,698,450
		86,801,064	29,482,343
Non Current Assets			
Property, Plant & Equipment	20	39,356,950	2,416,884
		39,356,950	2,416,884
Total Assets		126,158,014	31,899,227
LIABILITIES			
Current Liabilities			
Trade and Other Payables	21 a	1,732,301	11,868,820
Provisions and Accruals	21 b	47,463,477	12,769,677
Deferred Income	21 c	-	3,729,810
		49,195,778	28,368,307
		49,195,778	
Non Current Liabilities			
Bank Loans		-	-
		-	-
Total Liabilities		49,195,778	28,368,307
Net Assets		76,962,236	3,530,920
Capital and Revenue Reserves			
Capital Fund		-	-
Accumulated Surplus	22	76,962,236	3,530,920
Total Capital and Reserves		76,962,236	3,530,920

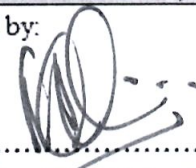
The Financial Statements set out on pages 1-5 were signed on behalf of the Council by:



Lt Gen J L Mutai
Vice-Chancellor



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



Gen C M Kahariri
Chairman of the Council

Date: 25.09.2024

Date: 25.09.2024

Date: 25.09.2024

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16. Statement of Changes in Net Assets for the year ended 30 June 2024

Particulars	Capital Reserves	Revenue Reserves	Cumulative 2023-2024 Total Kshs.
At July 1, 2022	-	-	-
Capital Grants	-	-	-
Surplus from Operations	-	3,530,919	3,530,919
At June 30, 2023	-	3,530,919	3,530,919
At July 1, 2023			
Capital Grants	-	-	-
Surplus from Operations	-	73,431,317	73,431,317
At June 30, 2024	-	76,962,236	76,962,236

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17. Statement of Cash Flows for the year ended 30 June 2024

Particulars	Notes	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Operating Activities			
Surplus for the year		73,431,317	3,530,919
Adjustments for			
Provision for Depreciation	20	11,993,390	964,056
Provision for Bad Debts	19 b	-	198,588,450
Movement in Provisions for accrued expense	21 b	34,693,800	12,769,677
Movement in Deferred Income for the Year	21 c	(3,729,810)	3,729,810
		116,388,697	219,582,913
Changes in Working Capital			
(Increase)/Decrease in Receivables	19	(12,203,562)	(205,286,900)
Increase/(Decrease) in Payables	21 a	(10,136,519)	11,868,820
		(22,340,081)	(193,418,080)
Cash Generated from Operations		94,048,616	26,164,833
Investing Activities			
Purchase of Property, Plant and Equipment	20	(48,933,457)	(3,380,940)
Net Cash from Investing Activities		(48,933,457)	(3,380,940)
Financing Activities			
		-	-
Net Cash from Financing Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		45,115,159	22,783,893
Cash and Cash Equivalents at the start of the Period		22,783,893	-
Cash and Cash Equivalents at the Close of the Period	18	67,899,052	22,783,893

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18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

Particulars	Note	Original Budget	Adjustments	Final Budget	Actual on	Performance	Performance	% of
		2023/2024 Kshs.	2023/2024 Kshs.	2023/2024 Kshs.	Comparable basis 2023/2024 Kshs.	Difference 2023/2024 Kshs.	Difference 2023/2024 %	Utilization
Revenue from Non-Exchange Transactions								
GoK Recurrent Capitation Grant	6	306,000,000	-	306,000,000	306,000,000	-	0%	100%
Partner Recurrent Grants -Student Payables	7	-	-	-	7,940,800	-	-	-
Partner Recurrent Grants -MOD Grants-Salaries	7	-	348,946,316	348,946,316	348,946,316	-	0%	100%
Partner Recurrent Grants -Graduation Donation	7	-	2,050,000	2,050,000	2,050,000	-	-	-
Partner Recurrent Grants -MOD Grants-Graduation S	7	-	-	-	-	-	0%	#DIV/0!
Partner Recurrent Grants -MOD Grants-Mess Amnex	7	-	21,101,400	21,101,400	21,101,400	-	0%	100%
Total Revenue from Non-Exchange Transactions		306,000,000	372,097,716	678,097,716	686,038,516	-	-	-
Revenue from Exchange Transactions								
Revenue - Tuition and Related Fees	8	-	26,640,800	26,640,800	24,284,720	2,356,080	-9%	0%
Revenue - Other Services Rendered by CSSS	9	-	19,022,825	19,022,825	19,022,825	-	0%	100%
		-	45,663,625	45,663,625	43,307,545	2,356,080		
Total Revenue		306,000,000	417,761,341	723,761,341	729,346,061	2,356,080	-	-
Expenditure								
Personnel Emoluments	10	154,735,553	267,809,367	422,544,920	421,146,998	1,397,922	0%	94%
Council Expenses	11	10,000,000	- 1,300,000	8,700,000	3,747,242	4,952,758	57%	43%
Insurance and Medical Expenses	12	9,500,000	- 5,000,000	4,500,000	3,911,727	588,273	13%	87%
Contracted Services	13	9,000,000	- 6,000,000	3,000,000	2,682,937	317,063	11%	89%
Use of Goods and Services	14	15,775,700	36,525,926	52,301,626	46,097,581	6,204,045	12%	88%
Administrative and Central Services	15	87,173,507	75,855,394	163,028,901	147,070,875	15,958,026	10%	83%
Repairs and Maintenance Expenses	16	15,347,215	3,840,000	19,187,215	19,263,994	(76,779)	0%	107%
Revenue Refunded to The National Treasury	17	-	-	-	-	-	0%	0%
Depreciation	20	-	-	-	11,993,390	-	0%	0%
Total Expenditure		301,531,975	371,730,687	673,262,662	655,914,744	29,341,308	-	-
Surplus/ (Deficit) from Recurrent Budget		4,468,025	46,030,654	50,498,679	73,431,317	(26,985,228)	-	-
Bank Loan		-	-	-	-	-		
GoK Development Grant		-	-	-	-	-		
Capital Expenditure		4,468,025	46,030,654	50,498,679	48,933,457	1,565,222	0%	0%
Surplus/ (Deficit) for the Period		(0)	-	(0)	24,497,860	(28,550,450)	-	0%

19. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

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

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

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Standard	Effective date and impact:
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The University will apply the accounting standard should a transfer provider shall arise.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The University will apply the accounting standard on reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants</p>

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the University and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

Interest income

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

b) Budget information

The original budget for the Current FY was approved by the National Assembly on September 29, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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

c) Taxes

Current income tax

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

d) Property, plant and equipment

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

The annual rates used are:

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Intangible assets

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

f) Research and development costs

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

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

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

g) Financial instruments

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

a) Financial assets

Classification of financial assets

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

Subsequent measurement

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Trade and other receivables

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

Fair value through surplus or deficit

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Impairment

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

b) Financial liabilities

Classification

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

h) Inventories

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

j) Social Benefits

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

k) Contingent liabilities

The University does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

l) Contingent assets

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) Nature and purpose of reserves

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

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

The University provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions into Government Superannuation Scheme and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to the fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p) Foreign currency transactions

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Related parties

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management are regarded as related parties and comprise the Council members, the Vice Chancellor and the Deputy Vice Chancellors.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. (a) Transfers from the Government

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
GoK Capitation Grants		
September	76,500,000	26,500,000
December	76,500,000	26,500,000
March	76,500,000	26,500,000
June	76,500,000	26,500,000
Total GoK Recurrent Grants	306,000,000	106,000,000

b) Transfers from the Ministry of Defence

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Partner Recurrent Grants -MOD Grants-Cash	-	19,101,481
Partner Recurrent Grants -Others-MOD Student Payable	7,940,800	-
Partner Recurrent Grants -MOD Grants-Salaries (In Kind)	348,946,316	208,711,228
Partner Recurrent Grants -MOD Grants-Mess Annex Rent (In Kind)	21,101,400	16,270,800
	377,988,516	244,083,509

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

7. Donations

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Donations for Graduation	2,050,000	-
	2,050,000	-

These were cash donations from KCB Bank Limited and Equity Bank of Kenya in support of Graduation expenses.

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Notes to the Financial Statements (Continued)

8. Tuition and Related Fees

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Application Fees	231,000	1,498,000
Tuition Fees	16,187,230	142,642,080
Registration Fees	432,000	2,772,000
Orientation Fees	79,000	654,000
Information Communication Technology Charges	571,000	6,734,000
Library Fees	385,000	4,810,000
Student Identity Card	141,000	1,962,000
Activity Fees	77,000	962,000
Examination Fees	1,347,000	4,329,000
Material Development	346,500	15,735,000
Online Subscription Fees	836,990	10,456,940
Thesis Examination	900,000	2,400,000
Research Project Examination	120,000	2,280,000
Project Processing	18,000	454,000
Convocation Fees	312,000	640,000
Hire of Academic Dress	218,000	1,640,000
Thesis Processing	400,000	1,249,000
KMA Laboratory	-	1,770,000
Commission of University Education (CUE)	41,000	-
Insurance	142,000	68,000
Field Trips	1,500,000	1,358,800
Field Attachment	-	845,000
	24,284,720	205,259,820

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

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
CSSS-Ministry of Health	3,729,810	6,918,286
CSSS-Kenya Revenue Authority	5,818,800	-
CSSS-Head of Public Service	7,280,000	-
CSSS-Anti-Counterfeit Authority	2,194,215	-
	19,022,825	6,918,286

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

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Notes to the Financial Statements (Continued)

10. Personnel Emoluments

Particulars	Cumulative	Cumulative
	2023-2024	2022-2023
	Kshs.	Kshs.
Basic Salary	378,720,107	230,434,161
Other salary	6,097,715	6,975,048
House Allowance	9,330,984	6,712,667
Commuter Allowance	1,728,067	1,115,017
Air Time Allowance	1,698,333	1,432,000
Entertainment Allowance	1,625,200	1,419,221
Extraneous Allowance	3,105,000	1,161,000
Responsibility Allowance	2,385,833	1,801,667
Research Allowance	3,355,833	2,016,081
Management Support Allowance	-	1,129,113
Non Use Car Allowance	2,885,833	1,725,081
Book Allowance	430,000	-
Pension -Employer	1,465,152	1,647,344
National Industrial Training Authority	8,000	4,500
National Social Security Fund-Employer	174,600	136,728
Affordable Housing Levy-Employer	805,878	-
Gratuity	1,241,610	-
Casual wages	4,019,686	-
Emergency	720,000	-
Medical Extraneous Allowance	200,000	-
Non Practice Allowance	460,000	-
Leave Allowance	689,167	465,000
Total Staff Costs	421,146,998	258,174,628

KDF Staff salaries of Kshs.348,946,316.00 graded in kind has been incorporated.

11. Council Expenses

Particulars	Cumulative	Cumulative
	2023-2024	2022-2023
	Kshs.	Kshs.
Sitting Allowances	2,268,300	1,501,825
Mileage/Travel	17,292	66,816
Chairman's Allowance	1,187,550	-
Accommodation	274,100	33,600
	3,747,242	1,602,241

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Notes to the Financial Statements (Continued)

12. Insurance and Medical Expenses

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Emergency Medical Drugs / Medical Insurance	3,911,727	4,080,307
	3,911,727	4,080,307

13. Contracted Services

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Contracted Professional Services	-	-
Maintenance of Ground and cleaning	2,682,937	-
	2,682,937	-

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

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Research and Development - workshops, seminars	12,170,602	-
Examinations expenses	3,011,996	-
Curriculum Development - Accreditation & Inspection	1,943,951	-
Student Admission, Registration, Certificates and Transcripts	31,000	-
Library expenses/Research Expenses/Journal Launch	5,803,096	-
Publishing and Printing/ Discemination and Publicity	3,154,462	2,158,147
Training Expenses/Capacity Building/Honoraria	2,388,988	820,249
Quality Assurance	946,577	-
Student Activites	1,213,120	-
CSSS Expenses	15,433,790	3,827,508
	46,097,581	6,805,904

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Notes to the Financial Statements (Continued)

15. Administrative Costs

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Domestic Travel, Accomodation	18,712,912	12,384,593
Foreign Travel , Accomodation & Subsistencve	2,559,722	-
Water & Sewarage Charges	450,084	649,233
Electricity Expenses	3,172,234	1,853,825
Purchase of Stationery - General Office Supplies	3,270,850	3,651,697
Refined Fuel , Oil & Lubs	11,078,370	7,673,122
Hospitality Supplies & Services	15,193,242	5,122,157
Telephone. Telex. Internet.Fascilime Expenses	5,270,797	1,240,000
Courier & Postal Services	11,450	10,010
Subscription to Newspapers & Magazines	1,249,234	2,162,532
Strategic Initiatives	4,441,796	507,792
Seminars. Trainings. Workshops	1,100,729	-
Audit Fee	900,000	-
Bank Charges	92,286	33,546
Cleaning Materials	2,937,689	1,370,471
Mess Annexes Rent	26,164,051	16,270,800
Fuel & Gas	443,040	403,311
Graduation Expenses	33,309,163	-
Subscription to Proffessional Bodies	134,143	-
Laundry Expenses-Linen and Clothing	711,610	-
Part-time lecturers	10,426,306	6,790,288
Commission of University Education Charges	699,000	-
Thesis	4,742,167	-
	147,070,875	60,123,376

16. Repairs and Maintenance

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Maintenance of Equipment	308,489	-
Maintenance of Building	-	658,875
Maintenance Expenses- Motor Vehicles	11,454,589	6,319,417
Computer Accessories and Techstores	7,500,916	6,520,927
	19,263,994	13,499,218

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Notes to the Financial Statements (Continued)

17. Revenue Refunded to the National Treasury

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Revenue refund to MOD-Tuition and related Collected Fees	-	7,974,230
Revenue refund to MOD-CSSS training and Collected Fees	-	6,918,286
	-	14,892,516

18. Cash and Cash Equivalents

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Bank balances		
Main - Bank Balances	67,899,052	22,783,893
Total Bank Balances	67,899,052	22,783,893
Petty Cash		
Main - Cash in Hand	-	-
Total Cash in Hand	-	-
Total Cash in Bank and in Hand	67,899,052	22,783,893
Total Cash and Cash Equivalents	67,899,052	22,783,893

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	Cumulative 2023-2024	Cumulative 2022-2023
		Kshs	Kshs
Current Account			
KCB Bank Kenya	1296801357	56,370,540	7,349,019
Cooperative Bank of Kenya.	01141883144800	11,528,512	15,434,874
Grand Total		67,899,052	22,783,893

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Notes to the Financial Statements (Continued)

19. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions (Current)

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Outstanding Imprest	-	56,000
Accrued CSSS Income-Head of Public Service	6,720,000	-
Student Debtors	12,182,012	205,230,900
	18,902,012	205,286,900

(b) Receivables from Exchange Transactions (Long-term)

Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2022-2023 Kshs.
Provision for bad debts	-	198,588,450
Student Debtors	-	-
	-	198,588,450
Net Receivables from Exchange Transactions	18,902,012	6,698,450

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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

Cost	Furniture and fittings (12.5%)	Computers (33.3%)	Other Assets (Equipment) (20%)	Total
	Kshs	Kshs	Kshs	Kshs
As At 1 July 2022	-	-	-	-
Additions	756,000	2,590,740	34,200	3,380,940
As at 30th June 2023	756,000	2,590,740	34,200	3,380,940
As At 1 July 2023	756,000	2,590,740	34,200	3,380,940
Additions	8,125,899	13,925,451	26,882,107	48,933,457
As at 30th June 2024	8,881,899	16,516,191	26,916,307	52,314,397
Depreciation				
At 1 July 2022	(94,500)	(862,716)	(6,840)	(964,056)
Depreciation this year	(1,110,237)	(5,499,892)	(5,383,261)	(11,993,390)
As At 30th June 2024	1,204,737	6,362,608	5,390,101	12,957,447
Net Book Values				
As at 30 th June 2024	7,677,162	10,153,583	21,526,205	39,356,950
As at 30 th June 2023	661,500	1,728,024	27,360	2,416,884

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Notes to the Financial Statements (Continued)

21. a. Trade and Other Payables

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Caution Money	144,000	75,000
Commission of University Education Charges	-	367,000
Nursing Council of Kenya Indexing	-	470,000
Nursing Council of Kenya Training Materials	-	413,600
Nursing Council of Kenya Indexing Licencing Exam	-	152,000
Clinical Placement Fee	-	4,840,000
Uniform-Higher Diploma	-	1,770,210
Student Prepayments	1,588,301	3,781,010
	1,732,301	11,868,820

b. Accruals and Provisions

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Accrued Expenses	47,463,477	12,769,677
	47,463,477	12,769,677

c. Deferred Income

Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Deferred Income - Main	-	3,729,810
	-	3,729,810

22. Employee Benefit Obligations

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

Notes to the Financial Statements (Continued)

23. Financial Risk Management

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

i) Credit risk

The University has exposure to credit risk, which is the risk that a 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 University's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

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Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2024				
Receivables from exchange transactions	18,902,012	18,902,012	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	67,899,052	67,899,052	-	-
Total	86,801,064	86,801,064	-	-
As at 30 June 2023				
Receivables from exchange transactions	6,698,450	6,698,450	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	22,783,893	-	-	-
Total	29,482,343	6,698,450	-	-

Financial Risk Management

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University's Council, who have built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the University under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

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Notes to the Financial Statements (Continued)

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2024				
Trade payables	-	1,657,301	75,000	1,732,301
Provisions for bad debts and accruals	-	47,463,477	-	47,463,477
Deferred Income	-	-	-	-
Total	-	49,120,778	75,000	49,195,778
As at 30th June 2023				
Trade payables	-	11,868,820	-	11,868,820
Provisions for bad debts and accruals	-	12,769,677	198,588,450	211,358,127
Deferred Income	-	-	3,729,810	3,729,810
Total	-	24,638,497	202,318,260	226,956,757

iii) Market risk

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

Financial Risk Management

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

a) Foreign currency risk

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

b) Interest rate risk

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

iv) Capital Risk Management

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

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Notes to the Financial Statements (Continued)

Financial Risk Management

Description	Cumulative 2023-2024	Cumulative 2022-2023
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	74,331,317	3,530,919
Capital Reserve	-	-
Total Funds	74,331,317	3,530,919
Total Borrowings	-	-
Less: Cash and Bank Balances	67,899,052	22,783,893
Net Debt/ (Excess Cash and Cash Equivalents)	(67,899,052)	(22,783,893)
Gearing	0%	0%

24. Related Party Disclosures

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

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

Other related parties include:

i) Ministry of Defence

Related Parties Transactions-MOD		
Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Partner Recurrent Grants -MOD Grants-Cash	-	19,101,481
Partner Recurrent Grants -Others-MOD Student Payable	7,940,800	-
Partner Recurrent Grants -MOD Grants-Salaries (In Kind)	348,946,316	208,711,228
Partner Recurrent Grants -MOD Grants-Mess Annex Rent (In Kind)	21,101,400	16,270,800
	377,988,516	244,083,509

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Notes to the Financial Statements (Continued)

ii) The Council

Related Parties Transactions-Council		
Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Sitting Allowances	2,268,300	1,501,825
Mileage/Travel	17,292	66,816
Chairman's Allowance	1,187,550	
Accommodation	274,100	33,600
	3,747,242	1,602,241

iii) Senior management

Related Parties Transactions-Senior Management		
Particulars	Cumulative 2023-2024 Kshs.	Cumulative 2022-2023 Kshs.
Basic Salary	40,574,108	40,574,108

25. Events after the Reporting Period

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

26. Ultimate and Holding University

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

27. Currency

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

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28. Appendices

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

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

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Use of Unapproved Human Resource Policy Instruments	The University has been using draft Human Resource Instruments. However, the University submitted its HR Instruments to SCAC & PSC in 2022. While PSC did not have a problem with the HR Instruments as such, SCAC demanded to undertake a further review of the same in conjunction with NDU-K. The review process has now been concluded and the University is awaiting approval of the HR Instruments by SCAC any time from now. The HR Instruments have been approved by SCAC, now awaiting SRC job evaluation for purposes of salaries and allowances approval.	The Human Resource Instruments have been approved by SCAC. The University is awaiting the approval of the salary structure by SRC.	Not Resolved.
2.	Lack of a Management Information System	The necessary ICT hardware infrastructure and software platforms have been put in place through the establishment of a data centre at the University seat. The development of the ERP system is currently ongoing with phase one (which consists of the Student Information Management System, Learning Management	ERP Phase 2 has started	Not Resolved

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		System, and Library Management System) scheduled for rollout in March 2024. Phase 2 of the ERP (Procurement, Finance and Human resource) will take off immediately.		
3.	Staff Under-Establishment	The University is not adequately staffed to effectively execute its mandate. However, the University Management and the Council has endeavoured to fully operationalize the University functions and has approved the recruitment of both academic, technical and administrative staff in a phased approach. Phase 1&2 (Administrative and Academic) has been completed however Phases 3&4 (Support Cadre) was paused after the SCAC & PSC stopped the recruitment process pending approval of the University HR Instruments by both SCAC and PSC and the evaluation of the positions in the University authorized Establishment is done by SRC.	MOD has recruited 8 Academic staff for the University. Further, Phase 3 of the recruitment is scheduled as soon as The National Treasury approval is made	Not Resolved
4.	Lack of Internal Audit Function	The University requested on inception for the secondment of an internal Auditor and the request is still under consideration by the PS, National Treasury.	MOD has seconded the MOD Head of Audit as University	Resolved

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		In addition, the University management sought a waiver from SCAC to recruit an internal Auditor prior to the HR Instruments approval given the critical role performed by the Officer. SCAC is currently considering the waiver request as it processes the HR Instruments approval.	Internal Auditor.	
5.	Failure to Meet Council Meetings Thresholds	The Council, as established under the University Charter, is composed of the Chief of Defence Forces, Vice Chief of Defence Forces, the three Service Commanders, Director General NIS, PS MoD, PS MoE, PS National Treasury and three other appointed independent members (CS Defence Rep, Academia Rep, Private Entrepreneurship Rep) who sit following the set agenda. In the period 2022-2023, the University was in its infancy stage and was in the process of operationalizing its functions following the granting of the Charter on 27 th May 2021. Equally, the Council was still placing itself in a position to operationalize the functions of the University and therefore	The issue is resolved since a Council is in place and Council meetings almanac is in place.	Resolved

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		it was working in tandem with the management work plans that were used to generate agendas.		



.....
Vice Chancellor

Date: 25.09.2024

Appendix II: Projects implemented by the University

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

Appendix III: Status of Projects completion

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

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Defence	26.09.2023	Recurrent	153,000,000	153,000,000	-	-	-	-	153,000,000
	09.02.2024	Recurrent	50,000,000	50,000,000	-	-	-	-	50,000,000
	27.02.2024	Recurrent	50,000,000	50,000,000	-	-	-	-	50,000,000
	29.02.2024	Recurrent	53,000,000	53,000,000	-	-	-	-	53,000,000
Total			306,000,000	306,000,000	-	-	-	-	306,000,000

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Appendix V- Inter-Entity Confirmation Letter

Name of Transferring Entity: Ministry of Defence

Name of Beneficiary Entity: National Defence University-Kenya

Confirmation of amounts received by National Defence University-Kenya as at 30th June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	26.09.2023	153,000,000.00	-	153,000,000.00	1 st Allocation
	09.02.2024	50,000,000.00	-	50,000,000.00	2 nd Allocation
	27.02.2024	50,000,000.00	-	50,000,000.00	3 rd Allocation
	29.02.2024	53,000,000.00	-	53,000,000.00	4 th Allocation
Total		306,000,000.00		306,000,000.00	

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

Head of Accounts Department - Ministry of Defence:
 Name Sign Date

Head of Accounts Department – National Defence University-Kenya:
 Name Sign Date.....

Telephone: 051- 851141
Fax: 051-851046
Email: ndu-kenya@mod.go.ke
When Replying Please Quote:



National Defence University-Kenya
P O Box 3812 - 20100
Nakuru, Kenya

Ref: NDU-K/A&F/17

01 August 2024

Hon Patrick Mariru
Principal Secretary
Ministry of Defence
P.O Box 40668-00100
NAIROBI



(Attn: Head of Accounts DHQ)

NDU-K INTER-ENTITY TRANSFERS CONFIRMATION LETTER - FY 2023/24

Reference is made to the National Treasury year end closing procedures for the Financial Year 2023/2024 Circular referenced AG.3/88/Vol.11 (30) dated 15th May, 2024.

The National Defence University-Kenya wishes to confirm the amounts disbursed by the Ministry of Defence as at 30th June 2024 as indicated in table below. The amount disbursed and received by the University is populated in the **column E** in the table below. Please sign and stamp in the space provided on confirmation that the amounts shown below are correct and return this document to us.

Confirmation of Amounts Received by NDU-K as at 30 th June 2024							
Amounts Disbursed to NDU-K AS AT 30 th June 2024						Amounts Received by NDU-K (Kshs.) as at 30 th June 2024 (E)	Differences (Kshs.) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total(D) =(A+B+C)		
1	26.9.2023	153,000,000	-	-	153,000,000	153,000,000	-
2	09.2.2024	50,000,000	-	-	50,000,000	50,000,000	-
3	27.2.2024	50,000,000	-	-	50,000,000	50,000,000	-
4	29.2.2024	53,000,000	-	-	53,000,000	53,000,000	-
Total		306,000,000	-	-	306,000,000	306,000,000	-

Head of Accounts Department

HEAD OF ACCOUNTING UNIT
MINISTRY OF DEFENCE

Name: E. W. Wanganyi Sign: _____ Date: 06.08.2024

Yours sincerely,

T N NG'ANG'A
Major General
for Vice Chancellor

06 AUG 2024
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