



Enhancing Accountability

THE NATIONAL ASSEMBLY	
DATE: 16 NOV 2022	DAY: Wednesday
TABLED BY: LOM	
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OF

THE AUDITOR-GENERAL

ON

UNIVERSITIES FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**



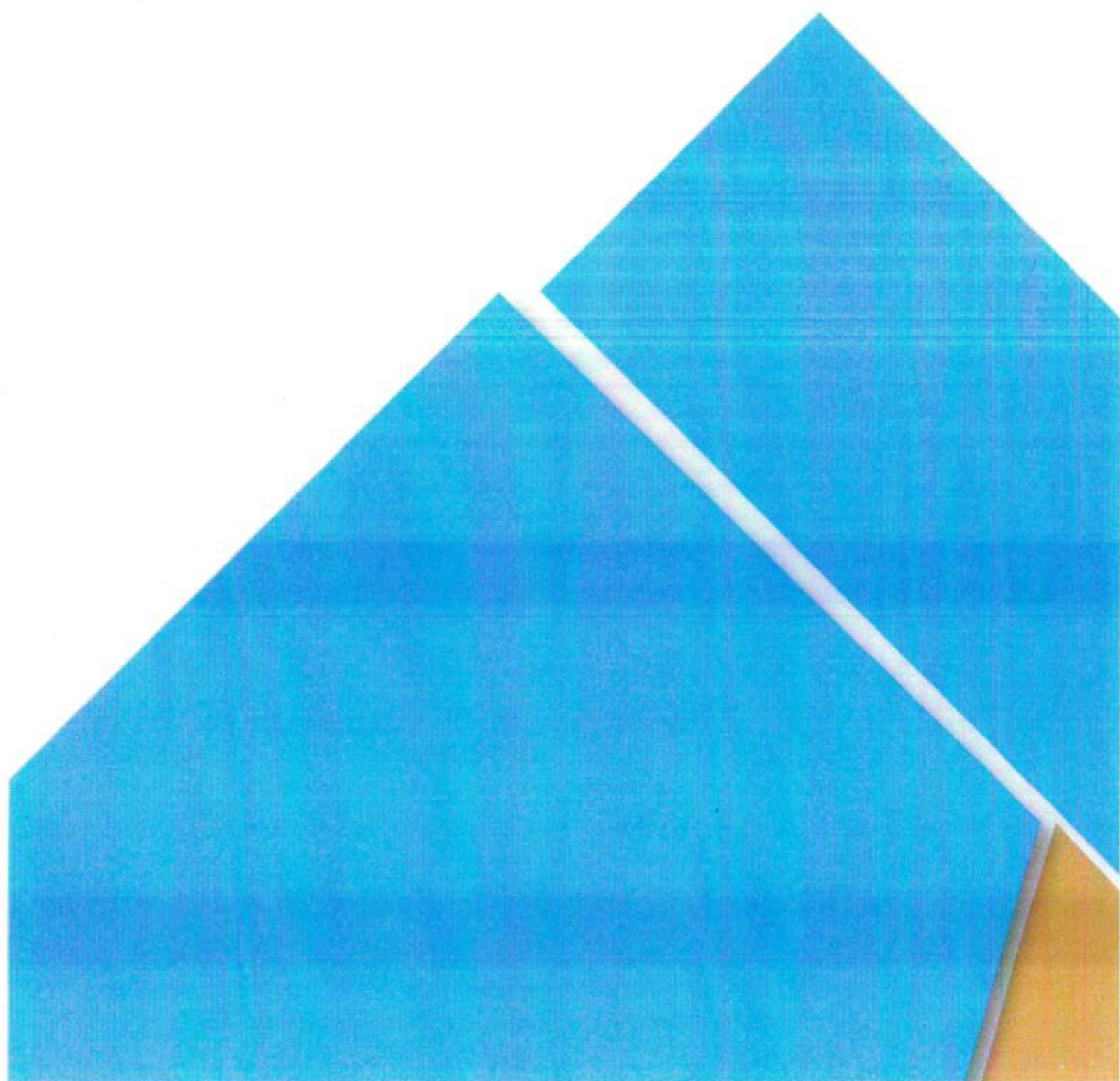
UNIVERSITIES FUND



**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30
JUNE 2021**

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



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ABBREVIATIONS AND ACRONYMS

AIA	Appropriation in Aid
CEO	Chief Executive Officer
CS	Cabinet Secretary
DUC	Differentiated Unit Cost
FY	Financial Year
GoK	Government of Kenya
GSS	Government Sponsored Students
HIA	Head of Internal Audit
ICT	Information & Communication Technology
KRA	Kenya Revenue Authority
MDUC	Maximum Differentiated Unit Cost
MoE	Ministry of Education
OAG	Office of the Auditor General
PPE	Property Plant and Equipment
PFM	Public Finance Management
PS	Principal Secretary
SAGA	Semi- Autonomous Government Agency
SDUE	State Department for University Education
UF	Universities Fund





KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal activities

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

Vision

Sustainable financing of Universities in Kenya for global competitiveness

Mission

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

Mandate

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

Core Values

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

Professionalism – Embrace competence in all our undertakings.

Efficiency - Achieving optimum output from our resources.

Teamwork –Working together for a common purpose.

Transparency - Ensure accurate information on the board activities.

Accountability - Responsible for decisions and actions

Customer focus - Strive to meet and exceed customer expectation



c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the period under review and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Geoffrey Monari
2.	Senior Legal Officer	Mary Kimani
3.	Senior Finance Officer	Titus Macharia
4.	Supply Chain Management Officer	Charles Rodney Muchemi
5.	Senior ICT /Ag. Senior Grants Management Officer	Mercy Gikonyo

e) Fiduciary Oversight Arrangements

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

- 1) Audit and Risk Committee of the Board;
- 2) Finance Administration and General-Purpose Committee of the Board;
- 3) Planning, Research and Resource Mobilization Committee of the Board;
- 4) Budget Implementation Committee;
- 5) Tender Committee (Appointed from time to time);
- 6) The National Treasury;
- 7) Internal Audit Division; and
- 8) The Office of the Auditor General.



f) Fund Headquarters

Universities Fund
NACOSTI Building 1st Floor
Off Waiyaki Way, Upper
Kabete P.O.BOX 28237-00100
Nairobi.

g) Fund contacts

Telephone: 0746737935
Email: info@ufb.go.ke
Website: www.ufb.go.ke
Facebook: universitiesfund
Twitter: @UFKenya

h) Fund Banker

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

i) Independent Auditors

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

j) Principal Legal Adviser

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





**PS UNIVERSITY EDUCATION WITH THE UNIVERSITY FUNDING BOARD
DURING STRATEGIC PLAN VISIONING CONFERENCE
at Burch Resort - Naivasha, 21st and 22nd June, 2021**



**PS UNIVERSITY EDUCATION, UNIVERSITY FUNDING BOARD AND SECRETARIAT
DURING STRATEGIC PLAN VISIONING CONFERENCE
at Burch Resort - Naivasha, 21st and 22nd June, 2021**

Board and UF Staff



BOARD OF TRUSTEES



Mr. Halakhe Dida Wago,
CBS MCIArb

Mr. Halakhe Dida Wago was appointed as the Board of Trustees Chairperson on 7th August, 2020. He is the immediate former Secretary and CEO of Ethics and Anti-Corruption Commission (EACC), Kenya where he completed his term in January, 2019. He has served as a commissioner, National Cohesion and integration commission -Kenya and also on the Great Lakes Region Genocide Prevention Committee in Kenyan Government. He has also served in the International Development Agencies where He worked as a Global coordinator, world Initiative for sustainable pastoralism, IUCN, Horn of Africa Advisor, world council on Religion for Peace (WCRP), International Emergencies and conflict Advisor, Action Aid International, Programme Head, Oxfam GB Rwanda and Programme Coordinator, Oxfam GB Kenya. Mr. Halakhe D. Wago served in Various Boards of development Agencies. He is a member of Chartered Institute of Arbitrators (CIArb), UK and Kenya and he has over 28 years working experience in Governance and international development and has been a chair/member of various task forces. Mr. Halakhe Wago was awarded state honour of the chief of the order of the Burning Spear (CBS) for outstanding achievement by the President of the Republic of Kenya.

Mrs. Gilda Odera joined the Board on 1st July 2019 as a Member of the Board. He is a chairperson of the Finance, Administration and General-Purpose Committee and a member of Audit and Risk Committee. She is a pioneer in the ICT industry in Kenya and was instrumental in shaping the ICT and Business Process Outsourcing (BPO) and Impact Sourcing sector in Kenya through policy advocacy and providing advice to Government in private/public sector task forces. Mrs. Gilda Odera is the 1st National Deputy president of the Federation of Kenya Employers and is a consultant Director in All About Marketing Ltd. She is a PhD candidate in Public Policy specializing in Management and Leadership and holds a Master of Arts in Leading Innovation and Change and a Bachelor of Arts Degree in Sociology. She has Vast board experience and has also attended various courses including Executive Business Education in Corporate Boards, Audit Committees and Compensation Committees at Harvard Business School.



Mrs. Gilda Odera





**Prof. Moses
Henry Thairu**

Prof. Henry Moses Thairu joined the Board on 1st July 2019 as a Trustee. He is a Chairperson of the Planning, Research and Resource Mobilization Committee and a member of Finance, Administration and General-Purpose Committee. He is the former Director of Kenyatta University Consultancy Unit as well as the Coordinator of the School of Creative Arts, Film and Media Studies at Kenyatta University. He is also the Chairman of Governing Council of Mater Hospital from March 2018 and of Daystar University Governing Council since August 2018. Prof. Henry Moses Thairu has served as the Chairman, Commission for University Education from January 2014 to October 2016 and as former Vice Chancellor of Inoorero University (IU) (2008-2013). He is the founder Managing Director of JKUAT Enterprises LTD, a company wholly owned by Jomo Kenyatta University of Agriculture and Technology (2005-2006). From 1999-2008 he served as the Chairman of the Board of Management of Kenya Education Network (KENET). He is former Chairman of the Board of Kenya Industrial Property Institute (KIPI, 2007-2010) and former Chairman of National Council of Science and Technology. His Chairmanship extended to the Chairman Radiation Protection Board (RPB) where he served for six years. He also chaired the Kenya ICT Board Innovation Grants Committee and the Kenya Private Sector Alliance (KEPSA) Higher Education, Science and Technology Sector Board (2010-

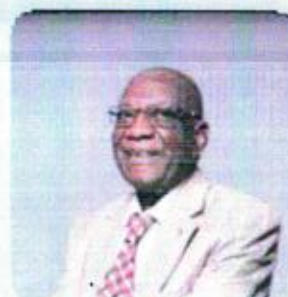
Prof. Mwanda O. Walter joined the Board on 1st July 2019 as a Member of the Board. He is a chairperson of the Audit and Risk Committee and a member of Planning, Research and Resource Mobilization Committee and also a member of Finance, Administration and General-Purpose Committee. He holds a Degree of Doctor of Medicine University of Nairobi, a Bachelor's of Medicine and surgery (MB ChB), Royal College of Pathologists, Postgraduate course in Epidemiology and Biostatistics in Clinical Epidemiology and Bio Statistics of John Hopkins University, Maryland USA. Postgraduate training in Haematology and Blood transfusion at Kenyatta National Hospital and he is a full professor of haematology and blood transfusion. He previously served as Chairman Department of Human Pathology, Syllabus and Curriculum Development School of Medicine University of Nairobi. Prof. Mwanda O. Walter was awarded an Elder of the Order of the Burning Spear (EBS) and he is also a member of several professional bodies nationally and also internationally. Before his appointment he was the Director University of Nairobi Institute of Tropical and Infectious Disease.



**Prof. Mwanda
O. Walter**



Prof. Migot-Adholla joined the Board on 1st July 2019 as a Member of the Board. He is a member of the Planning, Research and Resource Mobilization Committee and Audit and Risk Committee. He holds a PhD in Sociology of Development, Master of Arts in Sociology, both from University of California, was a Special Graduate Student in Agricultural Economics (Michigan State University) and earned a Bachelor of Arts (University of East Africa). He previously served as Vice-Chairman, Board of Directors, Kenya Wildlife Service, and was Lead Specialist on Land Policy and Administration for Africa Region in the World Bank. He has also served as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. He has also served as a consultant on agriculture and rural development, land policy reform and environmental issues.



**Prof. Shem Migot
Adholla**



**Mr. Samuel
Mugambi PS-
Representative**

Mr. Samuel Mugambi joined the Board on 3rd October, 2018 as a PS Representative - State Department for University Education and Research in the Board. He is a member of Planning, Research and Resource Mobilization Committee and also a member of the Finance, Administration and General-Purpose Committee. He is the Chief Finance Officer State Department for University Education and Research. He is the alternate member representing the Principal Secretary State Department for University Education and Research.

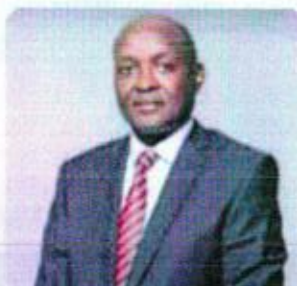
Mr. Geoffrey Monari joined the Fund as the Chief Executive Officer and Secretary to the Board of Trustees on 1st December, 2020. He holds a Bachelor's Degree in Commerce and a Master's degree in Business Administration from Jomo Kenyatta University of Agriculture and Technology. Mr. Monari has over 20 years working experience in various positions at the Higher Education Loans Board. Before his appointment he was the Chief Operations Officer at Higher Education Loans Board. Mr. Monari has been the team leader of the Operations Division which oversees the Documentation, Lending, Institutional Relations and Debt Management departments since March 2016. He is a member of the Institute of Directors of Kenya and a Non-Executive Director at the Institute of Economic Affairs.



**Mr. Geoffrey Monari
CEO-UF & Secretary to
the Board of Trustees**



MANAGEMENT



Mr. Geoffrey Monari
CEO-UF & Secretary
to the Board of
Trustees

Mr. Geoffrey Monari joined the Fund as the Chief Executive Officer and Secretary to the Board of Trustees on 1st December, 2020. He holds a Bachelor's Degree in Commerce and a Master's degree in Business Administration from Jomo Kenyatta University of Agriculture and Technology. Mr. Monari has over 20 years working experience in various positions at the Higher Education Loans Board. Before his appointment he was the Chief Operations Officer at Higher Education Loans Board. Mr. Monari has been the team leader of the Operations Division which oversees the Documentation, Lending, Institutional Relations and Debt Management departments since March 2016. He is a member of the Institute of Directors of Kenya and a Non-Executive Director at the Institute of Economic Affairs.

Mr. Titus M. Wangeci is the Senior Finance Officer of the Universities Fund. He holds a Bachelor's degree in Business Management-Finance. He has also pursued a Higher Diploma in Human Resource Management and CPA.



Mr. Titus Macharia
Senior Finance Officer



Ms. Mercy Gikonyo
Senior ICT Officer /Ag.
Senior Grants
Management Officer

Ms. Mercy Gikonyo is the Universities Fund Senior ICT officer /Ag. Senior Grants Management Officer. She holds a Bachelor's degree in ICT and Management and has also pursued a Diploma in ICT and Management



Ms. Mary Kimani
Senior Legal
Officer

Miss Mary Kimani is the Universities Fund Senior Legal Officer. She holds a Bachelor's of Law degree and a post graduate Diploma in Law.

Mr. Charles Rodney Matu is the Universities Fund Supply Chain Management Officer. He holds a Bachelor's degree in Purchasing and Supplies Management from Dedan Kimathi University of Technology. He is also a member of the Kenya Institute of Supply Chain Management (KISM).



**Charles Rodney
Matu Muchemi**



CHAIRMAN'S STATEMENT



"This annual report highlights the Fund's performance for the period giving an opportunity to celebrate our success and at the same time identify areas of improvement. I am delighted to report that the Universities Fund made great strides towards ensuring that the Fund delivers its mandate."

Introduction

On behalf of the Universities Fund, Board of Trustees, I take this opportunity to present to our stakeholders the Annual Report and Financial Statements of the Universities Fund for the Period ended June 30, 2021. This annual report highlights the Fund's performance for the period giving an opportunity to celebrate our success and at the same time identify areas of improvement. I am delighted to report that the Universities Fund made great strides towards ensuring that the Fund delivers its mandate.

Universities Fund Mandate

The Universities Fund is established under the Universities Act of 2012 No. 42 Section 53 and was mandated to finance universities in Kenya. The Universities Fund, Board of Trustees adopted the Differentiated Unit Cost (DUC) as a fair and transparent criterion to apportion funds to universities.

Key Activities

The following are the key activities undertaken by the Universities Fund thus far:

Development of the Universities Funding Framework

The Board of trustees has a great responsibility to ensure The Fund continues to grow and progressively work towards achieving its mandate. The Fund under the Ministry of Education and other various stakeholders in the university sector observed that there were emerging issues that had not been addressed with the DUC implementation.

In view of this, the Board has therefore undertaken to develop the Universities Funding Framework which has revised the Differentiated Unit Cost (DUC) to incorporate various

variables affecting the financial sustainability of universities in Kenya. The Framework has also introduced a model for financing capital development projects in universities.

Resource Mobilization

The Universities Fund has taken upon itself to revitalize resource mobilization initiatives in the university sector. It is expected that the Fund will smoothen the funding landscape in the university sector through the creation of robust resource mobilization framework, creation of donor appetite to fund university sector and effective monitoring and performance management initiatives. In light of this, the Universities Fund Board has developed a Resource Mobilization Policy which takes concerted effort to map major sources of revenue and aims to identify opportunities to expand activity and raise discretionary levels of income. The implementation will be based on establishing and enhancing efforts to generate funds.

CEO Recruitment

The Universities Fund, Board of Trustees achieved a great milestone when it was able to advertise and carry out a competitive recruitment process for its first substantive Chief Executive Officer. This has been a great development for the Fund as it progresses to operationalize its key functions.

Compliance

During the period under review, the Board of Trustees ensured that the Universities Fund is in compliance with all statutory financial requirements by ensuring that the FY 2020/2021 Quarterly financial report and statements was approved and forwarded as per the Public Finance Management Act, No. 83 of 2012.

Commitment

The Universities Fund is committed to ensuring equal access to quality and relevant university education as well as enhancing funding to support the programmes under the Big 4 Agenda in Universities. In light of the Fund's strong performance, the Board of Trustees is optimistic about the resilience demonstrated this far to create increasing value and better outcomes for our stakeholders in future. I have no doubt that the Universities Fund team is experienced enough to make the next FY 2021/2022 another year of success.

On behalf of The Universities Fund, I express my sincere gratitude to the Government of Kenya, our parent Ministry of Education, the University education sector in Kenya and other stakeholders for their support and partnership which has been invaluable during the period.

Finally, I wish to thank most sincerely my fellow Board members whose invaluable insights and contribution was key during the Financial Year and also the staff of the Universities Fund whose contribution on a daily basis helps us to execute the strategy set out by the Board. As a Board, we continue to build an organization that is responsive to the needs of its stakeholders and that can achieve the mandate placed on it by the people of Kenya.



Mr. Halakhe Dida Wago, CBS MCI Arb
CHAIRMAN, UNIVERSITIES FUND, BOARD OF TRUSTEES

CHIEF EXECUTIVE OFFICER'S REPORT TO STAKEHOLDERS



The Universities Fund is committed to creating a sustainable financial environment for Universities in Kenya. In line with this the Fund has undertaken to develop the Universities Funding Framework which has revised the Differentiated Unit Cost (DUC) to incorporate various variables affecting the financial sustainability of universities in Kenya.

Introduction

It is my pleasure to present the annual report and financial statements and an overview of the Fund's activities for the year ended June 30, 2021. On behalf of the management and staff of the Universities Fund (UF), I am honoured to be part of this service-oriented organization determined to ensure the achievement of its mandate.

Key Activities

The following are the key activities undertaken by the Universities Fund thusfar:

Strategic plan Review

The Universities Fund has undertaken a review of its Strategic Plan which is expected to run for the years 2021-2025. The Strategic Plan has taken stock of the current situation and emerging issues in the universities sub-sector while addressing opportunities and challenges to the growth and development of universities with a specific focus on the sustainable funding of universities as follows:

1. Reviewing and strengthening the operations (processes, technology, performance management, governance and ethics) and implementation in the Universities Fund;
2. Ensuring that the Fund's human, institutional capacity and structure is fit for purpose and enables the discharge of the Fund's mandate;

3. Developing models for engagement with key stakeholders in the university subsector and the education sector as a whole; and
4. Ensuring that the Universities Fund has a framework for resource mobilization and engages with potential providers of funding.

It is foreseen that the implementation of this strategic plan will be geared towards the provision of sustainable financing for universities in Kenya.

Situational analysis

During the period, the Fund was able to carry out a situational analysis of the organization. This was key in helping give a comprehensive view of the current situation and position of the Fund and help provide information necessary to create a plan to get to reach to the goals and identify best courses of action by the Fund.

Policy Framework

During the period the Fund was able to develop Policies in adherence of Performance Contract guidelines and to enhance the policy framework of the Fund. These policies have improved the efficiency of the operations of the Universities Fund.

To build the capacity of the Universities Fund, the Fund also initiated resource mobilization through the preparation of the following Grants proposals:

- Data Management System for the Universities
- Fund; Monitoring and evaluation framework; and
- Capacity building proposal.

These proposals will be at the forefront of discussions with potential partners. These initiatives complement the Fund's Strategic Plan by mobilizing the resources required to implement the Fund's mandate. They are aligned to the National Education Sector Plan (2018-2022) and the University Sector resource requirements and utilization.

Job Description Analysis

During the period, the Fund was able to carry out a job description analysis as required by the Salaries and Remuneration Commission. This will prospectively enable the Fund to be correctly graded in line with the responsibilities mandated to the Fund. The analysis was also to help in mapping out the various job descriptions per department correctly. The outcome of the analysis will go a long way in streamlining the activities of the various department as well as aligning to the strategic goals of the Fund

DUC Review

The Universities Fund is committed to creating a sustainable financial environment for universities in Kenya. In line with this the Fund has undertaken to develop the Universities Funding Framework which has revised the Differentiated Unit Cost (DUC) to incorporate



various variables affecting the financial sustainability of universities in Kenya. The Framework has also introduced a model for financing capital development projects in universities. This is a project that will be carried out by various Agencies in the public sector. This will finally be subjected to public participation before implementation.

Financial Performance

The financial performance for the period under review was mainly impacted by the Government, since the Fund depended fully on financial grants provided by the Government of Kenya for its operations.

The Fund's received a total disbursement of **KES 42,525,812** compared to **KES 25,436,752** received in the FY 2019/2020 which shows an increase of **KES 17,089,060**.


The total disbursement for the period included additional funding received under supplementary budget of **Ksh18,000,000**. The Fund also received an approval from the parent ministry to spend the balances carried forward of amount **3,694,453** from the financial year 2019/2020 which brought the Fund's approved budget available for expenditure to **KES 46,220,355**.

The Fund's total expenditure in the period under review amounted to **KES 44,766,034** which was **96.9%** of the total approved budget for the period.

It is also good to note that Fiscal discipline was observed during this financial year with all our expenditure being within the approved budget.

The Fund is dedicated to improvement of quality, efficiency, and service delivery to ensure stakeholders satisfaction.

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



GEOFFREY MONARI

CHIEF EXECUTIVE OFFICER, UNIVERSITIES FUND



REVIEW OF FUND'S PERFORMANCE FOR THE FINANCIAL YEAR 2020/2021

The Head of the Secretariat prepares the strategic plan, annual work plans and budget after consulting the relevant Board Committees, for consideration and approval by the Board. The Board submits the Fund's budget to the National Treasury for consideration in the National Budget. The annual work plan is prepared from the strategic plan in order to address the strategic objectives of the Fund.

In reference to Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 which requires the accounting officer to include in the financial statement, a statement of the entity's performance against predetermined objectives.

The Fund achieved its performance targets set for the FY 2020/2021 period, as indicated in the diagram below:

Strategic Pillar/Theme /Issues	Objective	Key Performance Indicators	Activities	Achievements
Institutional capacity of the Universities Fund	To provide physical infrastructure and equipment	Physical infrastructure and equipment	<ul style="list-style-type: none"> Acquire adequate office space. Procure office equipment and machinery. 	<ul style="list-style-type: none"> Procurement of Office Furniture and ICT Equipment. Reallocation to bigger office spaces at the NACOSTI Building.
Mobilization of financial resources	To mobilize resources for financing Universities	<ul style="list-style-type: none"> Increased resources Resource Mobilization policy 	Develop policy for resource mobilization	<ul style="list-style-type: none"> Resource Mobilization Policy Increased budget allocation

Compliance with Presidential Directive

The Fund aligned its procurement policies with the Constitution 2010, the PFM Act 2012 and Regulations, and the Procurement and Asset Disposal Act, 2015 and Regulations.

Access to Government Procurement Opportunities

The Fund ensures transparency in procurement of goods and services and that 30% of the procurement is awarded to AGPO suppliers (Women, people with disabilities and the youth).

Payment pending bills

Following presidential directive on the payments of all pending bills which was meant to support and deepen the positive economic growth to provide tangible opportunities and benefits to the people; The Fund remained steadfast in settling all its pending bills. It is gratifying to note that during the Financial Year 2020/2021 the Fund had no Pending bills and will work towards maintaining a clean slate as regards to pending bills.

CORPORATE GOVERNANCE STATEMENT

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

At the Universities Fund, the Board aims to help build an environment of integrity, transparency, teamwork, accountability and customer focus. This is to facilitate the Fund's vision towards financial sustainability of Universities in Kenya and Provide control systems commensurate with the risks involved.

Roles and Functions of the Board

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

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

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

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

a) Board of Trustees Committees

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

The Board Committees operate under set terms of reference.



These Committees are as follows:

(i) Audit and Risk Committee

Functions of the Committee are;

- To participate in the recruitment & selection process of the HIA.
- To drive the assessment of the performance of the HIA.
- To examine internal and external audit reports and recommendations after management response to ensure that action is taken.
- To facilitate implementation of all the recommendations from the Parliamentary Audit Committee and the Public Investment Committee.
- The Committee is responsible for communicating with the internal and external auditors. In its oversight role, the committee focuses on:
 - a. The changing financial reporting requirements;
 - b. The changing business environment;
 - c. Audit findings and recommendations, including comments on controls;
 - d. Proposed audit scope and audit coverage and approaches with respect to complex and high risks areas; and
 - e. Management response to specific audit recommendations.

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

- 1) Prof. Mwanda O. Walter - Chairperson
- 2) Prof. Shem Migot Adholla - Member
- 3) Mrs. Gilda Odera - Member

(ii) Finance, Administration and General-Purpose Committee

Functions of the Committee are;

- a. Review and recommend the annual budgets for the Universities Fund to the Board of Trustees for approval;
- b. Review the Universities Fund budgetary performance on quarterly basis;
- c. Review the Universities Fund annual report and financial statements;
- d. Review the Universities Fund Annual Procurement Plans which should be aligned to the annual budget;
- e. Ensure establishment of procurement policies that promote sustainability, ethical standards and best practice in accordance with the laws of Kenya;
- f. Review the Universities Fund capital projects and monitor and evaluate their implementation;
- g. Review the implementation of the Universities Fund strategic plan;
- h. Review the staff establishment structures and their operational activities that will facilitate the running of the Universities Fund;
- i. Report quarterly to the full Board with their recommendations for ratification; and



- j. Any other function allocated to the Committee by the Board.
- k. Develop performance targets for top officials of the Universities Fund; and
- l. Evaluate performance of senior staff of the Fund.

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

- 1) Mrs. Gilda Odera - Chairperson
- 2) Prof. Moses Henry Thairu - Member
- 3) PS Representative, University Education - Member
- 4) Prof. Mwanda O. Walter – Member

(iii) Planning, Research and Resource Mobilization Committee

Functions of the Committee are;

- a. To work with the Secretariat to formulate and review the development strategies and work plans;
- b. To coordinate the development of strategic plan;
- c. To work with the Secretariat to develop research, resource mobilization and investment policies and guidelines;
- d. To provide leadership on formulation of the Trustees Research and Innovation agenda;
- e. To collect, disseminate and maintain data on university funding in Kenya (knowledge management);
- f. To determine the allocation of funds to universities;
- g. To identify and recommend to the Board potential multi-lateral donors, bilateral donors, foundations, development agencies and industry partners;
- h. To develop and recommend mechanisms which support public private partnerships;
- i. To develop proposals for the Board to work with specific universities in support of their resource mobilization and investment initiatives;
- j. To explore and recommend potential capital / equity investment and any other investment opportunities for purposes of the Universities Fund;
- k. To lead the Board's outreach resource mobilization efforts;
- l. To oversee the endowments grants and gifts from whatever source that is designated for the Fund;
- m. To provide guidance and appropriate investments and ensure the Board's investment objectives, policies and guidelines are consistent and also comply with existing legislations; and
- n. To propose and/or determine the priority areas for the Fund.



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

- 1) Prof. Moses Henry Thairu - Chairperson
- 2) Prof. Shem Migot Adholla - Member
- 3) PS Representative, University Education - Member
- 4) Prof. Mwanda O. Walter - Member

b) Board of Trustees Composition

The following table represents the Board composition and its three committees and chairs of each committee.

	Members	Full Board	Audit & Risk	Finance, Administration & General-Purpose	Planning, Research and Resource Mobilization
1	Prof. Henry Moses	√		√	√*
2	Mrs. Gilda Odera	√	√	√*	
3	Prof. Shem Migot	√	√		√
4	Prof. Mwanda O Walter	√	√*	√	√
5	Mr. Samuel Mugambi-PS Representative, SDUE&R	√		√	√
6	PS National Treasury	√	√	√	
7	Mr. Milton K. Njuki	√		√	√
8	Mr. Geoffrey Monari	√		√	√



c) Board of Trustees attendance

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

Sno	Names	Number of meetings during the year	Number of meetings Attended
1	Mr. Halakhe Waqo	8	7 of 8
2	Prof. Henry Moses Thairu	8	7 of 8
3	Mrs. Gilda Odera	8	8 of 8
4	Prof. Shem Migot Adholla	8	7 of 8
5	Prof. Mwanda O Walter	8	8 of 8
6	Mr. Samuel Mugambi-PS Representative, SDUE&R	8	8 of 8
7	Mr. Milton K. Njuki	8	3 of 8
8	Mr. Geoffrey Monari	8	5 of 8

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

a) Audit and Risk Committee

Members	Number of meetings during the year	Number of meetings Attended
Prof. Mwanda O. Walter*	6	6 of 6
Mrs. Gilda Odera	6	6 of 6
Prof. Shem Migot Adholla	6	6 of 6
*Chairperson to the committee		



b) Finance Administration and General-Purpose Committee

Members	Number of meetings during the year	Number of meetings Attended
Mrs. Gilda Odera*	10	10 of 10
Prof. Henry Moses Thairu	10	9 of 10
Prof Mwanda O. Walter	10	10 of 10
Mr. Samuel Mugambi-PS Representative, SDUE&R	10	9 of 10
Milton K. Njuki	10	5 of 10
Mr. Geoffrey Monari	10	5 of 10
*Chairperson to the committee		

c) Planning, Research and Resource Mobilization Committee

Members	Number of meetings during year	Number of meetings attended
Prof. Henry Moses Thairu*	6	6 of 6
Prof. Shem MigotAdholla	6	6 of 6
Prof. Mwanda O. Walter	6	6 of 6
Mr. Samuel Mugambi-PS Representative, SDUE&R	6	6 of 6
Milton K. Njuki	6	2 of 6
Mr. Geoffrey Monari	6	4 of 6
*Chairperson to the committee		



Board Charter

The Universities Fund has developed a draft Board Charter which is aimed at ensuring that the Universities Fund Board meets its objectives and purpose; establishes sound financial and risk-management criteria and policies; oversees their implementation; accounts to the Ministry and stakeholders for the performance and activities of the Fund.

It is expected that it will be fully implemented during the Financial Year 2021/2022.

Appointment and Removal of Directors and Succession Plan

The Universities Fund is managed by a Board of Trustees. The Universities Fund, Board of Trustees currently constitutes of seven members. Provisions of Section 54(1)(c) and 54(3) as read together with Section 6(1) of the Universities Act, 2012, provide the manner in which the members of the Universities Funding Board are to be appointed.

Induction and Training

The Universities Fund, Board undertook an induction exercise upon the appointment of the Trustees. The induction was carried out from 17th – 18th September, 2019 at Naivasha. The Board was taken through the history of the organization, mandate of the Board, the expectations of the stakeholders and the way forward for the Board.

Board and Member Performance

The Universities Fund, Board of Trustees undertook its annual Board Evaluation exercise on 10th October, 2020. The Board conducted a self-evaluation of its performance for the Financial Year 2019/2020 and the rating scale used was 1 – 5. The exercise was facilitated by the State Corporations Advisory Committee (SCAC).

The Board received the results of the Board Evaluation on 14th April, 2021 and proceeded to discuss the results at an individual level. Areas of self-improvement were noted and taken up as actionable for the Board.

Ethics and Conduct and Governance Audit

The Universities Fund, Board was not able to carry out an Ethics and Conduct and Governance Audit due to insufficient financial resources and human resource personnel. The Board has however engaged the relevant stakeholders seeking for support to operationalize some its key functions. It is expected that this audit will be carried out in the Financial Year 2021/2022.

Board remuneration

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



Conflict of interest and Declaration of interest

The Universities Fund, Board Trustees are obligated to inform the Board or the Chairman, as soon as the Member becomes aware of any conflict or potential conflict of interest, which that Member may have in relation to any transaction or matter relevant to UF or its business. Unless the Board decides or the law requires otherwise, the Member shall not participate in the deliberation and decision on that transaction or matter.

This is recorded in the Board Minutes and Conflict of Interest Register as deemed appropriate.



MANAGEMENT DISCUSSION AND ANALYSIS

Universities Fund Operational and Financial Performance

The Universities Fund is a Semi-Autonomous Government Agency (SAGA) established by section 53 of the Universities Act No 42 of 2012. The mandate of the Fund is to provide funding resources for financing universities in Kenya. It gets its funds from the Government of Kenya through the Ministry of Education, State Department of University Education and Research, well as any other source as prescribed by the Act.

- i. Below is the analysis of the Fund's financial performance

Statement of Financial Performance

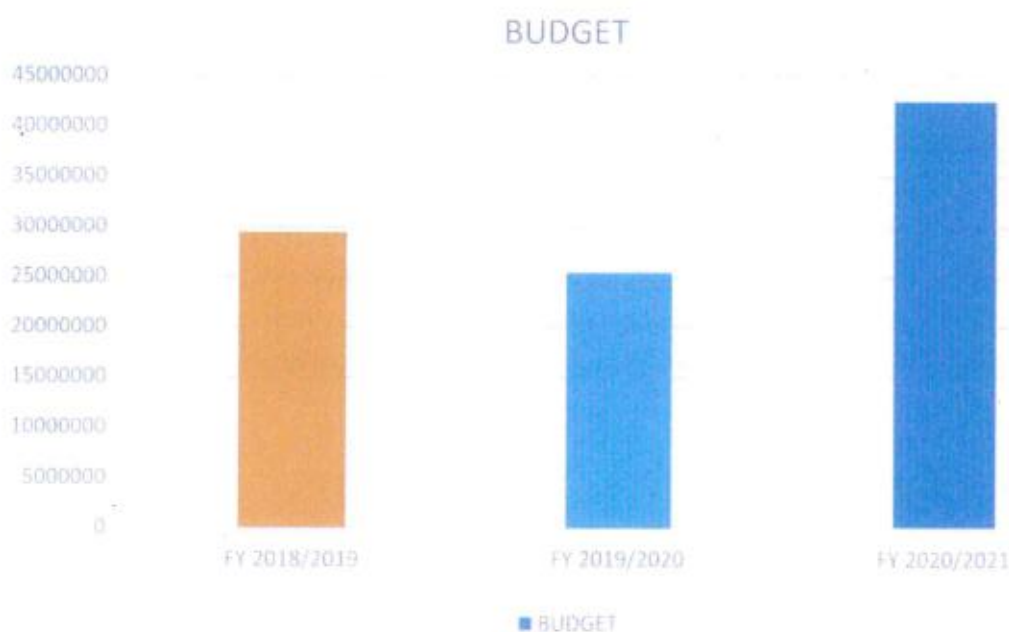
Receipts

The National Government supports the Fund through the National Treasury by transferring funds for operational use. The funds are channeled to the Fund through its bank account and are budgeted for and approved by the Board of Trustees.

During the period under review, the National Treasury through the State Department for University Education and Research transferred **KES 42,525,812** as compared to **KES 25,436,752** and **KES 29,338,356** in FY 2019/2020 and FY 2018/2019 respectively.

The Fund utilizes close to 100% of its allocated Funds.

The figure below shows the receipts from state department for University Education and Research for Fund's Operations for the current period and the past 2 years



Expenditures

During the period under review, Capital expenditure amounted to **KES 11,688,557** as compared to **KES 548,200** and **KES 2,868,597** FY 2019/2020 and FY 2018/2019 respectively. which constituted purchase of Motor vehicle, furniture and computers.

Recurrent expenditure for the period under review amounted to **KES 32,847,734** Which includes Staff cost of **KES 12,428,229**, Board Expense of **KES 5,044,257**, Core mandate expenses of **KES 4,476,965** and General expense of **KES 10,898,284** as compared to Staff cost of **KES 7,291,689**, Board Expense of **KES 2,752,319** and General expense of **KES 11,563,586** for the FY 2019/2020 and Staff cost of **KES 9,676,419**, Board Expense of **KES 5,258,792**, and General expense of **KES 10,811,289** for the FY 2018/2019.

The figure below shows the Expenditure for current period and the past 2 years

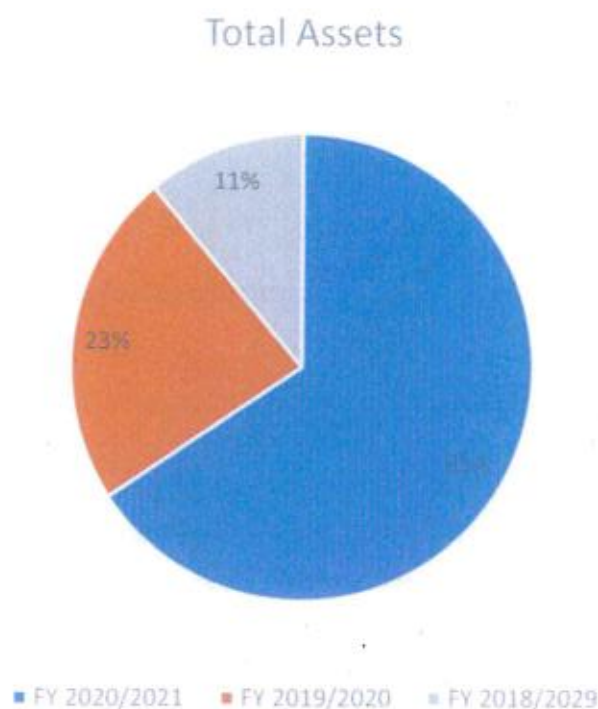


The Fund reported a cumulated surplus of **KES 16,096,586** for the period as compared to **KES 6,966,194** in the FY 2019/2020 and **KES 3,591,856** in the FY 2018/2019.

ii. Statement of Financial Position

An analysis of the statement of financial position shows that the Fund's total assets have increased from **KES 3,591,856** in the FY 2018/2019 to **KES 6,966,194** in the FY 2019/2020 and **KES 19,708,666** in the FY 2020/2021. The increase was mainly contributed by the assets acquired during the Period and other assets transferred from state department for university education and research which were initially not in the Fund's books of accounts.

The figure below shows the Total Assets for the current period and past 2 years



iii. Statement of Cash Flows

The statement shows reconciliation between opening and closing cash and bank balances. The items are classified into investing, financing and operating activities.

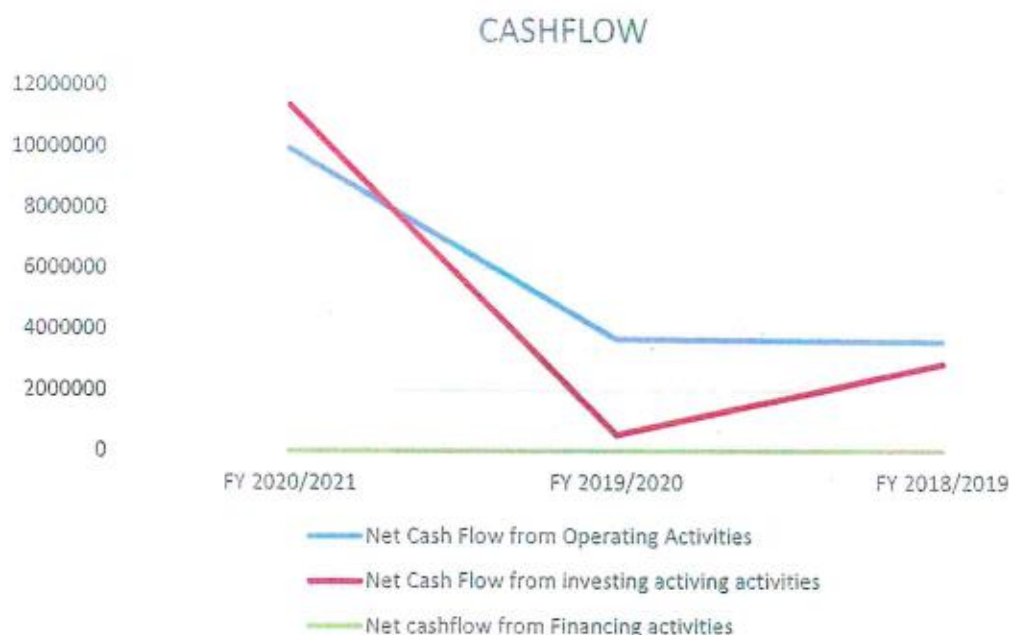
During the period under review the Fund had net cash flow from operating activities of **KES 9,954,942** as compared to **KES 3,674,695** in FY 2019/2020 and **KES 3,591,856** in FY 2018/2019.

Net cash flows from the financing activities were zero in all the reported periods.

During the period under review the Fund had net cash flow from Investing activities amounted to **KES 11,370,615.00** as compared to **KES 548,200** in the FY 2019/2020 and **KES 2,868,597** in the FY 2018/2019.



The figure below shows the Cashflow activities for the current period and past 2 years



iv. Statement of comparison of budget and actual performance

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is presented in the statement of comparison of budget and actual amounts.

Summary of financial results against the budget

	Budget FY 2020/2021 KES	Actuals FY 2020/2021 KES	Utilization FY 2020/2021 %
Receipts	46,220,355	46,220,355	
Payments	46,220,355	44,766,034	96.9

The Fund received 100% of the approved budget from Government grants. The utilization was **96.9%**. The variance was due to changes in the market prices of some goods and services budgeted for in the Procurement Plan.

Compliance to laws and other legal requirements

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



Fund's compliance with statutory requirements

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

Major risks facing the entity

The Fund mainly faces financial risks in its operations as detailed below. The Fund does not hedge any risks but has in place a risk management framework that seeks to minimize any adverse effects that these risks may pose to the Fund.

i. Fiduciary risk

The Fund has exposure to fiduciary risk, which is the risk that an agent handling funds on behalf of a principal will not live up to his/her full fiduciary responsibility. Fiduciary risk arises mainly from the possibility of the funds entrusted to the fund by the government being mismanaged as well as the various advances given to staff as standing Imprests being inappropriately used. This could result to litigation cases and lack of value for money. To counter this, the Fund has set out various policies as well as an internal audit function to ensure that any mismanagement of funds is detected in due time.

ii. Liquidity risk management

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

iii. Market risk

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

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



The Fund's financial probity and serious governance issues

There are no any major financial improbity situations as reported by both the internal auditor and Board audit and risk committee.

The Fund's compliance with statutory requirements

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

Auditors

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

The Universities Fund is a young institution that is focused on revolutionizing funding of Universities in Kenya through the employment of short, medium, and long-term strategies to solve the financial challenges being faced by universities. In keeping with the Universities mandate as a statutory body, its viability and relevance has been founded in its current Strategic Plan.

As indicated in its Strategic Plan, the Universities Fund has committed to integrating effective and efficient Performance Management System and Practices in the organizational functions. This will be further supported by the attainment of ISO-Certification which will enable the Universities Fund to achieve its objectives, increase relevance and credibility in the issuance of high-quality service.

ii) Environmental performance

Under the UN Sustainable Development Goals, (SDG) number 15 addresses the need to sustainably manage forests, combat desertification, halt & reverse land degradation and halt biodiversity loss. UF supported efforts towards environmental stability, by engaging in conservation activities. In fulfilling the Government's Forestry Strategy for a 10% tree cover in the country by 2022, the Universities Fund participated in Tree Planting exercise on 28th of May 2021 by planting trees with medicinal values i.e., *Prunus Africana* which is commonly used for treating prostate cancer and the leaves are used as inhalant for fever and also infused in drinks to improve appetite among others.



**The Universities Fund staff
team during tree planting exercise,**



**The Universities Fund
management team during tree
planting exercise,**



iii) Employee welfare

UF has procured Medical Insurance for its staff and their dependants and also the Board of Trustees as a way of enhancing productivity through ensuring that access to medical services is taken care of.

iv) Market place practices-

The Fund is involved in the following in relation to responsible market place practices:

a) Responsible competition practice.

UF has ensured responsible competition practices with issues like anti-corruption, through the development of an Anti-corruption policy which serves to provide guidance on the ethical business practices as we endeavour to have a corrupt -free organization. A whistle blowing policy has also been put in place to help in reporting of corruption cases in the organization. fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations

UF has maintained good business practices, through treating its own suppliers responsibly and by honouring contracts and respecting payment practices as indicated in the contract agreements with suppliers.

c) Responsible marketing and advertisement

UF has maintained ethical marketing practices through its social media handles specifically Instagram, and Facebook in order to reach out to its stakeholders all over the country. UF has also been advertising its service including tender adverts through the centralized government advertising system under the Government Advertising Agency.

d) Corporate Social Responsibility / Community Engagements

UF acknowledges its responsibility to the society in the capacity of a corporate citizen. UF's social responsibility is driven by the need to preserve the environment. It also means a commitment to integrate responsible practices into its daily business operations and also as an indication to our stake holders that the organization cares about the community. During the year under review, the Fund participated in the in the Streets for Life Campaign and the 6th Global Road Safety Week. As part of the participation in this campaign, the Universities Fund (UF) team facilitated signing of the campaign's 'Streets for Life' open letter/poster and shared the posters to the UF social media handles as requested by the event organizers and as awareness to the public on Speed Management.



The Universities Fund

Annual Reports and Financial Statements for the Year Ended 30 June 2021

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees submit their report together with the unaudited financial statements for the year ended June 30, 2021, which show the state of the Fund's affairs.

i) Principal activities

The principal activities of the Fund are to provide funds for financing universities in Kenya as prescribed by the Universities Act No. 42 of 2012.

ii) Results

The results of the Fund for the year ended June 30, 2021, are set out from page 1 to 6 of the Financial Statements.

iii) Board of Trustees

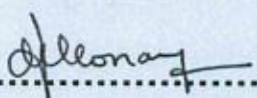
The members of the Board of Trustees who served during the year are shown from page vii to ix of the Financial Report.

iv) Auditors

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

By Order of the Board

Geoffrey Monari
Secretary to the Board

Signature.....

Date.....04/08/2022

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of Trustees of the Fund has ensured preparation and presentation of the financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year ended on June 30, 2021. These Financial Statements are set out from page 1 to 6. The Board of Trustees ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund as well as safeguarding the assets of the Fund.

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

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

The Board of Trustees accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board of Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Board of Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 13 July 2021 and signed on its behalf by:



HALAKHEWAQO, CBS MCIArb
CHAIRMAN, BOARD OF TRUSTEES

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICE

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITIES FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Universities Fund set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets,

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Universities Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Payment of Allowances

The statement of financial performance reflects general expenses of Kshs.10,677,285 as detailed in Note 11 to the financial statements. Examination of the payment records revealed that, during the year under review, members of staff were paid meal and taskforce allowances totaling Kshs.592,605. However, the allowances were not consistent with the Salaries and Remuneration Commission's guidelines on allowances payable to public officers and Section 52(3) of Human Resource Policies and Procedures Manual for the Public Service (May, 2016) on meal allowances as the officers were

discharging their normal duties during the working hours. Further, the reports of the taskforce were not provided for audit review.

In the circumstances, the allowances paid were irregular and not a proper charge to public funds. The Fund was also in breach of the Salaries and Remuneration Commission guidelines.

2.0 Non-Compliance with the Universities Act, 2012

a) Funding to Universities

As reported in 2019/2020, the Universities Fund was established with an objective of providing funds for financing universities. Review of the records indicates the Fund has not been allocating funds to the public universities as required by Section 53(1) and (2) of the Universities Act, 2012. The Fund had adopted the Differentiated Unit Cost (DUC) criteria for allocating funds to public Universities in 2016 as provided for in the Universities Act, 2012 and which has been operational since the financial year 2017/2018.

However, the State Department for University Education has been directly financing all state Universities contrary to the law. The Fund has only been advising the State Department for University Education on how to allocate and disburse the funds to the public universities.

In the circumstances it has not been possible to confirm whether the Fund has been carrying out its mandate as required by the Universities Act, 2012.

b) Board of Trustees Composition

Section 54(1) of the Universities Act, 2012 states that the Fund shall be managed by a Board of Trustees which shall consist of nine members appointed by the Cabinet Secretary with (a) a chairperson who has knowledge and experience in matters related to finance, investment and fundraising; (b) the Principal Secretary in the Ministry responsible for Finance, (c) the Principal Secretary in the Ministry for University Education; (d) six persons who have proven knowledge and experience in financial matters of which at least two (2) and not more than three (3) will be of the same gender. However, the Fund in the year 2020/2021 had seven (7) members instead of 9 (nine) members and out of which only one was of the female gender and there was no representation from the Ministry responsible for Finance.

The Fund Management was in breach of the law to this extent.

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, except for the matter described in the Basis for conclusion on effectiveness of Internal Controls, Risk management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Board Expenditures

The statement of financial performance for the year ended 30 June, 2021 reflects Board allowances of Kshs.5,044,257 as detailed in Note 9 to the financial statements. However, sitting allowances for online Board meetings held in the financial year 2020/2021 were not supported by attendance register or log-ins to confirm attendance by all the Board Members paid, which is an indication of weak internal controls

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

Responsibilities of Management and the Board of Trustees

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

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 August, 2022

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2021

	Notes	2020-2021 KES	2019-2020 KES
Revenue from non-exchange transactions			
Transfers from State Dept for University Education	6	42,525,812	25,436,752
Revenue from exchange transactions			
Other income	7	-	22,500
Total revenue		42,525,812	25,459,252
Expenses			
Staff costs	8	12,428,229	7,291,688
Board Allowances	9	5,044,257	2,752,316
Core Mandate Expenses	10	4,476,965	-
General expenses	11	10,898,284	11,563,586
Depreciation	12	547,684	477,324
Total expenses		33,395,419	22,084,914
Surplus		9,130,393	3,374,338

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



HALAKHEWAQO, CBS MCIARB
CHAIRMAN, BOARD OF TRUSTEES



GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER



MR. TITUS M. WANGECI
SENIOR FINANCE OFFICER

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020-2021 KES	2019-2020 KES
Assets			
Current assets			
Cash and cash equivalents	13	2,278,870	3,694,543
Prepayments	14	345,738	185,000
Receivables	15	-	48,533
Inventories	19	372,465	98,645
Total Current Assets		2,997,073	4,026,721
Non-Current assets			
Property Plant & Equipment (PPE)	16	16,711,593	2,939,473
Total Non-current assets		16,711,593	2,939,473
Total Assets		19,708,666	6,966,194
Liabilities			
Current liabilities			
Payables	17	780,833	-
Provisions for audit fees		200,000	-
Total current liabilities		980,833	-
Financed by;			
Capital Fund		2,631,247	
Acc Surplus		16,096,586	6,966,194
Total Net Assets		19,708,666	6,966,194

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

HALAKHEWAQO, CBSMCIARB
CHAIRMAN, BOARD OF TRUSTEES

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER

TITUS M. WANGECHI
SENIOR FINANCE OFFICER

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 30 June 2021

	Capital Fund KES	Accumulated surplus KES	Total KES
Balance as at 1 July 2019		3,591,856	3,591,856
Surplus/(deficit) for the period		3,374,338	3,374,338
Fund received in Kind			-
Revaluation gain			-
Balance as at 30 June 2020		6,966,194	6,966,194
Balance as at 1 July 2020		6,966,194	6,966,194
Surplus/(deficit) for the period		9,130,393	9,130,393
Capital Fund received in Kind (transferred assets)	2,631,247		2,631,247
Revaluation gain			-
Balance as at 30 June 2021	<u>2,631,247</u>	<u>16,096,587</u>	<u>18,727,834</u>

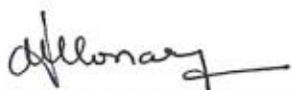


STATEMENT OF CASHFLOW

For the Year Ended 30 June 2021

	Notes	2020-2021 KES	2019-2020 KES
Cash flows from operating activities			
Receipts			
Transfers from the Ministry	6	42,525,812	25,436,752
Other Incomes	7		22,500
Total Receipts		42,525,812	25,459,252
Payments			
Staff Cost	8	12,379,696	7,340,221
Board Expense		5,044,257	2,752,316
Core Mandate expenses		4,476,965	
General expenses	11	10,669,952	11,692,020
Total Payments		32,570,870	21,784,557
Net cash flows from operating activities	18	9,954,942	3,674,695
Cash flows from investing activities			
Purchase of Property Plant & Equipment (PPE)		-11,370,615	-548,200
Net cash flows used in investing activities		-11,370,615	-548,200
Cash flows from financing activities			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		-1,415,673	3,126,495
Cash and cash equivalents at beginning of the period	13	3,694,543	568,048
Cash and cash equivalents at period end	13	2,278,870	3,694,543


HALAKHEWAQO, CBSMCIARB
CHAIRMAN, BOARD OF TRUSTEES


GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER


TITUS M. WANGECI
SENIOR FINANCE OFFICER



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

For the Year Ended 30 June 2021

Details	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUALS	VARIANCE	VARIANCE %
	KES	KES	KES	KES	KES	
REVENUE						
Transfers from SDUE.	24,525,812		24,525,812	42,525,812	-	-
Bal b/f		3,694,543	3,694,543			
Supplementary		18,000,000	18,000,000			
Total Revenue	24,525,812	21,694,543	46,220,355	42,525,812		
EXPENDITURE						
Staff Cost	12,386,273	50,000	12,436,273	12,428,229	8,044	0.06
Board Allowances	4,050,806	1,000,400	5,051,206	5,044,257	6,949	0.14
Resource Mobilization Expenses	460,000	0	460,000	453,200	6,800	1.48
Policy, regulatory framework and review of DUC expenses	536,000	60,000	596,000	587,100	8,900	1.49
Policy guidelines development & implementation expenses	1,510,743	2,290,760	3,801,503	3,436,665	364,838	9.60
Membership Subscription	37,500	20,000	57,500	57,188	312	0.54
Communication, supplies and services	262,000	68,000	330,000	314,725	15,275	4.63
Office general supplies & services	713,898	0	713,898	466,609	247,289	34.64
Transport cost	180,000	500,000	680,000	561,491	118,509	17.43
Printing and publishing	480,745	785,000	1,265,745	861,256	404,489	31.96
Hospitality	450,000	-30,000	420,000	330,000	90,000	21.43
Fuel, oils & Lubricants	373,000	127,000	500,000	499,000	1,000	0.20
Conferences and Seminars	706,740	669,790	1,376,530	1,375,100	1,430	0.10
Training	449,100	60,000	509,100	486,400	22,700	4.46

Maintenance of Motor Vehicle	100,000	8,000	108,000	107,861	139	0.13
Maintenance of ICT Equipment	5,000	103,000	108,000	100,698	7,302	6.76
Maintenance of furniture	5,000	0	5,000	0	5,000	100.00
Contracted services	0	390,000	390,000	364,540	25,460	6.53
Software license	0	10,000	10,000	8,100	1,900	19.00
Telephone and internet services	0	314,320	314,320	237,950	76,370	24.30
Rent and rates	0	1,926,180	1,926,180	1,926,180	0	0.00
Insurance	0	2,245,000	2,245,000	2,035,915	209,085	9.31
Audit Fees	0	400,000	400,000	400,000	0	0.00
Bank Commissions & Charges	100,000	0	100,000	89,870	10,130	10.13
Total operating expense	23,520,722	10,961,993	34,482,715	32,847,734	1,634,981	4.74
LESS CAPITAL EXPENDITURE					0	
purchase of furniture	199,800	3,700,000	3,899,800	3,882,137	17,663	0.45
purchase of printers	805,290	260,550	1,065,840	1,064,420	1,420	0.13
purchase of motor vehicle	0	6,772,000	6,772,000	6,742,000	30,000	0.44
Total capital expenditure	1,005,090	10,732,550	11,737,640	11,688,557	49,083	0.42
Depreciation				547,684		

*The changes between original and final budget is due to reallocations.

Material variances between actual and budget explanations

***Office general supplies & services variance of 34.64%** was mainly attributed to by the variations in market prices and the inventory that had not been consumed as at the period under review end and hence it was accounted for as part of the closing inventory under the statement of financial position.

***Transport cost variance of 17.43%** was mainly due to minimized physical operations.

***Printing and publishing variance of 31.96%** was mainly attributed to by the variations in market prices and the inventory that had not been consumed as at the period under review end and hence it was accounted for as part of the closing inventory under the statement of financial position.

***Maintenance of furniture variance of 100%**. There was Maintenance of furniture variance of 100% since maintenance is done as and when need arises. For the period under review, no furniture maintenance request was done.

***Software license variance of 19%** was mainly due to variations in market prices.

***Telephone and internet services variance of 24.30%** was mainly due to variations in market prices.

***Bank Commissions & Charges of 10.13%** was mainly attributed by increased bulk payments.

DISCLOSURES

1. The total receipt for the Period under review from the State Department for University Education and Research was **KES 42,525,812** and the Fund also received an approval from the parent ministry to spend the balances carried forward of amount **KES3,694,453**.
2. The Board composition necessitates appointment of a Representative of The PS National Treasury. Several correspondences have been made requesting for the National treasury representative, but no one has been appointed so far. As a result, some of the Board members who sit in the Finance Administration and General-Purpose committee also sit in the Audit and Risk Committee.
3. The assets bought when the organization was operating under the state Department for University Education were revalued as per the Board approval and were therefore included in the UF books of account as follows.

Major Category	Total amounts KES
ICT Equipment	221,312.50
Furniture and other office equipment	352,841.81
Motor vehicle	<u>2,057,120.00</u>
TOTAL	<u>2,631,247.31</u>



NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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



3. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards and interpretations in issue effective in the year ended 30 June 2021. Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. <p>(The improvement of IPSAS 13, 17, 26, 31 and 33 did not have any impact on the business of the Universities Fund.)</p>



i. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(The Fund did hold any financial instruments in the financial year ended June 30, 2021)</i></p>



IPSAS 42: Social Benefits

Applicable: 1st January 2023

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

- (a) The nature of such social benefits provided by the entity;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

(The Fund has no social Benefit scheme in the year under Review)

Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments

Applicable: 1st January 2023:

- a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
- b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
- c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.

Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

(The Fund did hold any financial instruments in the financial year ended June 30, 2021)

ii. **Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year ended 2021.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Revenue recognition**

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

Transfers from other government entities

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

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 entity.

b) **Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of **KES 18,000,000** on the 2020-2021 budget following the governing body's approval. The Fund's budget is prepared on a same 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. 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.



c) **Property, plant and equipment**

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

Depreciation of Property, plant and equipment

The Universities Fund adopts reducing balance method in depreciating its assets as guided by its Finance policy and procedures manual. No depreciation is charged on the financial year of purchase of the asset. The UF's depreciation rates as per each asset classification are outlined below.

Table: Depreciation rates for non-current assets.

Category	Depreciation rate
Buildings	2.5%
Software	20%
Office Equipment	12.5%
Motor Vehicles	25%
ICT equipment	33.3%
Furniture and Fittings	12.5%

d) **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.

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.



e) Nature and purpose of reserves

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

f) Changes in accounting policies and estimates

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

g) Related parties

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

h) Cash and cashequivalents

Cash and cash equivalents comprise cash at hand and cash at bank. Bank account balances include amounts held at the Kenya commercial bank at the end of the financial year.

i) Comparative figures

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

j) 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, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Fund



- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Transfers from the Ministry	2020 -2021	2019-2020
	KES	KES
Transfers from State Dept for University Education	42,525,812	25,436,752
Total	42,525,812	25,436,752

6b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 2020/21	2019/2020
	KE S	KES	KES	KES	KES
Transfers from State Dept for University Education	42,525,812	-	2,631,247	45,157,059	25,436,752
Total	42,525,812	-	2,631,247	45,157,059	25,436,752

7. OTHER INCOMES

Description	2020-2021	2019-2020
	KES	KES
Sale of tender documents	-	22,500
Total other income	-	22,500



8. STAFF COST

Staff costs	2020-2021	2019-2020
	KES	KES
Salaries and wages	7,286,597	4,601,408
House Allowances	2,449,742	1,403,000
Commuter Allowances	508,032	351,000
Social Security Contributions	19,000	33,600
Other Staff costs	<u>2,164,858</u>	<u>902,680</u>
Total	<u>12,428,229</u>	<u>7,291,688</u>

The difference between KES 12,428,229 in the Statement of Financial performance and KES 12,379,696 in the Cash Flow statement is KES 48,533 which is receivable from salary advance see note 15

9. BOARD ALLOWANCE

Board allowances	2020-2021	2019-2020
	KES	KES
Chairman's Honoraria	861,935	-
Sitting Allowances	3,620,000	2,306,888
Mileage	60,051	49,628
DSA and other allowances	218,400	395,800
Airtime	<u>283,871</u>	-
Total	<u>5,044,257</u>	<u>2,752,316</u>

10. CORE MANDATE

Core Mandate expenses	2020-2021	2019-2020
	KES	KES
Resource Mobilization Expenses	453,200	-
Monitoring and evaluation expenses	-	-
Policy, regulatory framework and review of DUC	587,100	-
Policy guidelines development & implementation	<u>3,436,665</u>	-
Total	<u>4,476,965</u>	<u>-</u>



11. GENERAL EXPENSES

	FY 2020-2021	FY 2019-2020
Details	KES	KES
Membership Subscription	57,188	37,500
Communication, supplies and services	314,725	77,064
Office general supplies & services	466,609	617,913
Transport cost	561,491	258,430
Printing and publishing	861,256	437,434
Hospitality	330,000	550,000
Fuel, oils & Lubricants	499,000	683,498
Conferences and Seminars	1,375,100	1,120,860
Training	486,400	505,184
Administration expenses	675,400	404,375
Maintenance of Motor Vehicle	107,861	388,303
Maintenance of ICT Equipment	100,698	
Maintenance of furniture	0	
Contracted services	364,840	
Software license	8,100	
Telephone and internet services	237,950	
Rent and rates	1,926,180	
Insurance	2,035,915	
Audit Fees	400,000	
Daily travel and subsistence allowance	0	6,378,525
Bank Commissions & Charges	89,870	104,500
Total General expense	10,898,284	11,563,586

The difference between KES 10,898,284 in the Statement of Financial performance and KES 10,669,952 in the Cash Flow statement is as a result of changes in prepayments, payables and inventory. *See note 14,17 and 19*

12. DEPRECIATION

Depreciation	2020-2021	2019-2020
	KES	KES
Furniture and fittings	259,284	287,324
Computers and accessories	288,400	190,000
Total	547,684	477,324



13.i) CASH AND CASH EQUIVALENT

Cash and cash equivalents	2020-2021	2019-2020
	KES	KES
Current Account (KCB Kipande House)	2,212,195	3,504,343
Cash in hand	66,675	190,200
Total cash and cash equivalents	<u>2,278,870</u>	<u>3,694,543</u>

ii) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENT

Detailed analysis of the cash and cash equivalents are as follows:	2020-2021	2019-2020
Financial institution	KES	KES
Current Account		
Kenya Commercial bank	2,212,195	3,504,343
d) Others(specify)		
Cash in hand	66,675	190,200
Grand total	<u>2,278,870</u>	<u>3,694,543</u>

14.PREPAYMENT

Prepayments	2020-2021	2019-2020
	KES	KES
Fuel and lubricants prepaid	159,000	185,000
Insurance	186,738	-
Total Prepayments	<u>345,738</u>	<u>185,000</u>

15.RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables from exchange transactions	2020-2021	2019-2020
	KES	KES
Receivables		
Salary Advance		48,533
Total Receivables	-	48,533



16. PROPERTY PLANT AND EQUIPMENT

	Motor Vehicle	Furniture and fittings	Computer and accessories	TOTAL
Depreciation Rate	25%	12.50%	33.30%	
As at 1st July 2019		2,298,597	570,000	2,868,597
Additions		63,000	485,200	548,200
Addition; Valuation				
Disposals				
Transfers/adjustments				
As at 30th June, 2020		2,361,597	1,055,200	3,416,797
Additions	6,742,000	3,882,137	1,064,420	11,688,557
Addition; Valuation	2,057,120	352,842	221,312	2,631,274
Disposals				
Transfers/adjustments				
As at 30th June, 2021	8,799,120	6,596,549	2,340,932	17,736,601
Depreciation and impairment				
At 1 July 2019	-	-	-	-
Depreciation				
Impairment				
Transfers/ Adjustments				
As at 30th June, 2020	-	287,324	190,000	477,324
Depreciation		259,284	288,400	547,684
Impairment				
Transfers/ Adjustments				
As at 30th June, 2021	-	546,608	478,400	1,025,008
Net book values				
As at 30th June, 2021	8,799,120	6,049,941	1,862,532	16,711,593
As at 30th June, 2020		2,074,273	865,200	2,939,473

Valuation

Land and buildings were valued by Syagga & Associates Limited an independent valuer on June 2021 on the basis of ascertaining the true value of the transferred assets for recognition into the Fund's books of accounts. These amounts were adopted on June 2021.



16 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	KES	KES	KES
Motor vehicle	3,956,000	-	3,956,000
Computers and related equipment	1,729,000	-	1,729,000
Office furniture and fittings	1,505,100	-	1,505,100
Total	7,190,100	-	7,190,100

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or Valuation	Normal Annual depreciation Charge
	KES	KES
Motor vehicle	2,057,120	-
Computers and related equipment	221,312.50	-
Office furniture and fittings	352,841.81	-
Total	2,631,247.31	-

Depreciation is not charged on the FY of acquisition

17. TRADE PAYABLES

	FY 2020-2021	FY 2019-2020
Details	KES	KES
Purchase of Furniture and fittings	317,943	
Telephone, Mobile and Internet Services	237,950	
Contracted Services	224,940	
Total General expense	780,833	-

18. CASH GENERATED FROM OPERATIONS

Cash Generated from operations	FY 2020-2021	FY 2019-2020
	KES	KES
Surplus for the period	9,130,393	3,374,338
Depreciation for the period	547,684	477,324
Adjusted for Non-operating payable (PPE Payable)	-317,943	
Adjusted for;		
Working Capital Adjustments		
Increase or decrease in prepayments	-160,738	-135,000
Increase or decrease in inventory	-273,820	6,566
Increase or decrease in payables	980,833	
Increase or decrease in receivables	48,533	-48,533
Net Cashflow from operating activities	9,954,942	3,674,695

19. INVENTORY

	FY 2020-2021	FY 2019-2020
Details	KES	KES
Office General Supplies	103,130	
Communication Expenses/Airtime	16,915	
Printing and publishing	252,420	
Total General expense	372,465	98,645

20. FINANCIAL RISK MANAGEMENT

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

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

a) Credit risk

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



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

	Total amount	Fully performing
	KES	KES
At 30 June 2021		
Receivables from exchangetransactions	345,738	345,738
Receivables from non-exchangetransactions	-	-
Bank balances	2,212,194	<u>2,212,194</u>
Total	<u>2,557,932</u>	<u>2,557,932</u>
At 30 June 2020		
Receivables from exchangetransactions	185,000	185,000
Receivables from non-exchangetransactions	48,533	48,533
Bank balances	<u>3,504,343</u>	<u>3,504,343</u>
Total	<u>3,737,876</u>	<u>3,737,876</u>

b) **Liquidity risk management**

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

c) **Market risk**

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

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

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

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

d) **Foreign currency risk**

The Fund has no transactional currency exposures.

21. **CAPITAL RISK MANAGEMENT**

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

	FY 2020/2021	FY 2019/2020
	KES	KES
Retained earnings		
Total funds	9,130,393	3,374,338
Total borrowings	9,130,393	3,374,338
Cash and bank balances	-	-
Net debt/ (excess cash and cash equivalents)	-2,278,870	-3,694,543
Gearing	0%	0%

22. **RELATED PARTY BALANCES**

Nature of related party relationships

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



Government of Kenya

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

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

	2020/2021	2019/2020
	KES	KES
Transactions with related parties		
a) Grants from the Government		
Grants from State Department for University Education and Research	42,525,812	25,436,752
Total	42,525,812	25,436,752
b) Key management compensation		
Compensation to the AgCEO	715,500	1,785,030
Compensation to the CEO	3,593,296	
Compensation to key management	4,885,617	2,371,938
Total	9,194,413	4,156,968

23. EVENTS AFTER THE REPORTING PERIOD

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

24. ULTIMATE AND HOLDING ENTITY

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

25. CURRENCY

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



The Universities Fund

Annual Reports and Financial Statements for the Year Ended 30 June 2021

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Fund had no unresolved or ongoing audit issues pending address.

GEOFFREY MONARI
CHIEF, EXECUTIVE, OFFICER

Date... 04/08/2021



APPENDIX II: INTER-ENTITY TRANSFERS

STATE DEPARTMENT FOR UNIVERSITY EDUCATION & RESEARCH

Breakdown of Transfers from the State Department for University Education & Research for FY2020/2021

Recurrent Grants	Bank Statement Date	Amount (KES)	FY to which the amounts relate
	18th August,2020	6,131,453	2020/2021
	3rd December,2020	6,131,453	2020/2021
	4th February,2021	6,131,453	2020/2021
	10th May,2021	24,631,453	2020/2021
	Total	42,525,812	2020/2021

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

Senior Finance Officer
The Universities Fund

Head of Accounting Unit
SDUE&R


Sign-----

Sign-----



APPENDIX III: CASHFLOW ANALYSIS

Details	FY 2020-2021 KES
Cash Inflow	
Transfers from SDUE.	42,525,812
Opening cash and cash equivalent	3,694,543
Total Cash Inflow	<u>46,220,355</u>
Cash outflow	
Operating Activities	
staff cost	12,379,696
board expense	5,044,257
Resource Mobilization Expenses	453,200
Policy, regulatory framework and review of DUC expenses	587,100
Policy guidelines development & implementation expenses	3,436,665
Membership Subscription	57,188
Communication, supplies and services	318,970
Office general supplies & services	483,764
Transport cost	561,491
Printing and publishing	1,113,676
Hospitality	330,000
Fuel, oils & Lubricants	473,000
Conferences and Seminars	1,375,100
Training	486,400
Administration expenses	675,400
Maintenance of Motor Vehicle	107,861
Maintenance of ICT Equipment	100,699
Maintenance of furniture	
Contracted services	139,600
Software license	8,100
Telephone and internet services	0
Rent and rates	1,926,180
Insurance	2,222,653
Audit Fees	200,000
Bank Commissions & Charges	89,870
Total Cashflow from operating expense	32,570,870
LESS CAPITAL EXPENDITURE/Cash outflow from Investing activities	
purchase of furniture	3,564,195
purchase of printers	1,064,420
purchase of motor vehicle	6,742,000
Total cash outflow from investing activities capital expenditure	11,370,615
Cash and Cash Equivalent	2,278,870

APPENDIX IV: RECORDING OF 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	Total Transfers during the Year
State Department for University Education & Research	FY 2020/2021	Recurrent	42,525,812	42,525,812	42,525,812
Total			<u>42,525,812</u>	<u>42,525,812</u>	<u>42,525,812</u>



