



ANNUAL REPORT & FINANCIAL STATEMENTS

JUNE
2023

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

a) Background information

The Universities Fund is a semi-autonomous government agency established under Section 53 of the Universities Act, 2012.

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. The Board should also develop resource mobilization strategies and raise funds to ensure sustainable financing of universities. 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. 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	Deputy Director Resource Mobilization & Partnership	Nelson Kwamini
3	Assistant Director Grants Management	Silas Owiti
4	Assistant Director ICT	Leah Miano
5	Ag. Assistant Director Human Resources	Veronica Kirugi
6	Senior Finance Officer	Titus Macharia

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
 Hazina Trade Centre 5th Floor
 Monrovia Street
 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

National Bank of Kenya Limited
A/C No. 01071243231200
Westlands Branch-Victoria Plaza
P.O. Box 1613-00606
Nairobi

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
Box 40112, City Square 00200
Nairobi, Kenya



Prof. Karuti Kanyinga was appointed as the Chairperson of the Universities Fund Board on 8th July 2022. He has vast experience in the university sector and is renowned for his contributions to scholarship and knowledge in governance and development. He is an accomplished development researcher and scholar with extensive national and international experience and exposure. He has published extensively on development and governance is renowned particularly for his extensive research and publications on land rights; civil society and development; ethnicity and development; and electoral politics and development. In addition to this, he has experience in Monitoring and Evaluation of major development programmes, as well as in tracking implementation of development programmes. He has led teams of project managers and researchers in the delivery of large, complex multi-donor funded initiatives. He has served as a resource person in the area of governance, project planning and implementation, among others, for many international organizations including the World Bank, USAID and other bilateral agencies. Further, he made intellectual contributions to the society through participation in community development efforts as well as providing intellectual insights on many national and international issues. He has served as a resource person in development studies for many international organisations in Africa. He holds a PhD in Social Sciences, International Development Studies (IDS), Master of Arts in Government and Bachelors of Arts from the University of Nairobi.



Dr. Charles Kirimi was appointed as a Trustee of the Universities Fund Board on 28th July 2022. He is the Chairperson of the Planning, Research and Resource Mobilization Committee and a member of Audit and Risk Committee. Dr. Charles Kirimi is the Chairperson to the Kenya Methodist University Council and therefore represents the interests of the university sector in the Universities Fund Board. He is a former Chief Executive Officer of Chai Trading Limited. He has also served in the position of Group General Manager at Kenya Tea Development Agency for a period of four years. He has served in other leadership positions in Mastermind (K) Tobacco Ltd, Caltex Oil (K) Ltd and Pan Africa Insurance Company. Dr. Charles Kirimi is a PhD holder in Business Management (Strategic Leadership) holds a Master in Business Administration (Marketing) and a Bachelor of Commerce (Business Administration). He also holds a Post Graduate Degree in Business Management and a Post Graduate Diploma in Advance Management Practices.



Ms. Zipporah W. Mungai was appointed as a Trustee of the Universities Fund Board on 28th July 2022. She is a member of the Planning, Research and Resource Mobilization Committee and Finance, Administration and General-Purpose Committee. Ms. Zipporah Mungai has vast finance experience having served in leadership positions in the Finance and Insurance Sector. She is the former Chief Executive Officer of Composite Insurance Company. She has also held the position of Country Managing Director of CIC Africa Holdings Uganda for a period of four years. She also served in similar positions in UAP Insurance Uganda, UAP Properties Limited Uganda as well as Jubilee Insurance Company Tanzania. Ms. Zipporah W. Mungai holds a Master of Science in Finance and a Bachelor of Commerce (Insurance). She holds other accolades such as Chartered Insurer, Associate Risk Manager as well as Associate of the Charter of Arbitrators.



Prof. Mwanda O. Walter joined the Board on 1ST July 2019 as a Member of the Board and reappointed as a member of the board on 28th July,2022. 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.



Dr. Ken Nyaundi was appointed as a Trustee of the Universities Fund Board on 28th July 2022. He is a member of the Planning, Research and Resource Mobilization Committee and the chairman of the Finance, Administration and General-Purpose Committee. He is the current Chairman of the Laikipia University Council and therefore represents the interests of the university sector in the Universities Fund Board. Dr. Ken Nyaundi is an Advocate of the High Court of Kenya with experiencing spanning over three decades. He is a Fellow of the Chartered Institute of Arbitrators, an expert in Alternative Dispute Resolution and sits as a member of the Chief Justice's Mediation Accreditation Committee. He serves as a Managing Partner of Marende and Nyaundi Advocates. Dr. Nyaundi has undertaken extensive consultancies in Private and Public International Law, Governance, Devolution, Wildlife Conservation, Rule of Law and Administrative of Justice. He has also served the public and private sector by holding various leadership positions. Dr. Nyaundi holds a PhD in Public International Law, a Masters of Laws in Public International law and a Bachelors of Law. He also holds a Diploma in Legal Practice.



Mrs Diana Mutisya joined the Board on 1st October,2021 as a PS Representative State Department for University Education & Research. She is a Member of Planning, Research and Resource Mobilization Committee,Audit &Risk Committee and a member of Finance Administration and General-Purpose Committee of the Board.Mrs Diana Mutisya is a Financial Analyst and currently working with the State Department for University Education & Research.

Mrs Diana Mutisya holds a Masters degree in business Administration {MBA} (Finance option) at Kenyatta university, a degree in Business Administration (Accounting and Finance option) at Kenya Methodist University (KEMU),a Diploma in Information Technology, Higher Diploma in Human Resources, Strategic Leadership Development Programme from KSG, Public Finance Management Course from KSG, Senior Management Course from KSG.

In addition, Mrs Diana Mutisya has successfully completed an Effective Board & Board Audit Committee and Internal Audit Function training from Institute of Internal Auditor Kenya and induction program for Public Sector Boards from Kenya school of Government (KSG), Board Master class from the Institute of Certified Public Accountants of Kenya (ICPAK).

Mrs Diana Mutisya further holds a Certification from the Kenya School of Government on Corporate Governance and other various relevant short courses obtained both locally and outside the country.

She has a wealth of experience in Government functions and operations for over 40 years.She has a wealth experience of over 40 years in the Public Service.



Mrs. Lynne Ngina Nyongesa was appointed as a PS Representative National Treasury on 20th May 2022. She is a Member of Audit and Risk Committee and a member of Finance Administration and General-Purpose Committee of the Board. Mrs. Lynne Nyongesa is in the ICT profession and currently acts as the Director of ICT & Head of ICT Unit in the National treasury. She is an accomplished leader in the ICT sector with extensive experience in the public sector. This saw her achieve the award of the Order of the Grand Warrior (OGW) in Kenya, Presidential award and recognition of out-standing Innovations in the Civil Service. She has spearheaded the development and implementation of various revolutionary ICT systems in the public sector such as: the first Integrated electronic Government Procurement system (E-GP) in the National Treasury, the first web-based integrated National Education management Information system (NEMIS) in Ministry of Education, the first ICT Online mineral cadaster system to facilitate the process of mineral identification and application of concession licenses, the first ICT implementation Master plan for the Ministry of Lands that led to the agile automation and digitization of the Lands docket, the first Online Recruitment and Selection Portal in Government for the Public Service Commission (PSC) of Kenya that earned the Commission the recognition during the 30th African Association of Public Administration (AAPM) Bronze award, and the Integrated Personnel and Payroll Database (IPPD) System for Government Civil Servants and Teachers Service Commission Secretariat. Mrs. Lynne Ngina Nyongesa holds a Masters degree in Masters in Management & Information Systems from University of Manchester, a degree in Bachelor of Science from the University of Nairobi.



Mr. Geoffrey Monari joined the Fund as the Chief Executive Officer and Secretary to the Board of Trustee 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.

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:

NAME OF THE COMMITTEE	COMMITTEE MEMBERS
Audit and Risk Committee	<ol style="list-style-type: none"> 1. Prof. Walter Mwanda – Chairman 2. Dr. Charles Kirimi Mbui - Member 3. Ms. Diana Mutisya – Temporary Member (PS Alternate responsible for university education) 4. Lynne Nyongesa (PS Alternate responsible for National Treasury)
Finance, Administration and General-Purpose Committee	<ol style="list-style-type: none"> 1. Dr. Ken Nyaundi – Chairman 2. Ms. Zipporah Mungai – Member 3. Ms. Diana Mutisya - Member (PS Alternate responsible for university education) 4. Lynne Nyongesa (PS Alternate responsible for National Treasury)
Planning, Research and Resource Mobilization Committee	<ol style="list-style-type: none"> 1. Dr. Charles Kirimi Mbui - Chairman 2. Prof. Walter Mwanda - Member 3. Dr. Ken Nyaundi – Member 4. Ms. Zipporah Mungai – Member 5. Ms. Diana Mutisya – Member (PS Alternate responsible for university education)



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. Nelson Kwamini joined the Fund as the Deputy Director on 1st August, 2022. He is the Head of the Resource Mobilization and Partnerships Department. Prior to his appointment he was the County Chief Officer in charge of Trade, Industrialization and Co-operatives, Busia County Government. Kwamini has over 12 years working experience in Senior Management positions in Banking and Government. Kwamini is a graduate of Kenya School of Government with SLDP and SMC certificates. He is a full member of Kenya Institute of Management and member of the Institute of Directors of Kenya.

He holds a Diploma in Business Management from the University of Nairobi, Bachelor's degree in Science from Kenyatta University and a Master's Degree in Business Administration [Strategic Management Optio] from Jaramogi University of Science and Technology. He is pursuing his PhD in the same field.





Mr. Sillas Otieno Owiti joined the Fund as an Assistant Director for Grants Management Department. Prior to his appointment, Sillas Otieno Owiti carried out the following roles at KCB foundation for a period of 2 years: Ag. Contracts & Partnership Manager and Senior Program Grant Accountant. Sillas worked as a program budget analyst with KCB group for over 2 years. He also worked as an accountant across different international bodies. He worked as a Project Accountant (Dadaab Refugee services Project)-National Council Churches of Kenya (Dadaab) for a period of two years as well as at the National Council Churches of Kenya (Head office Nairobi). He became the Country Accountant at Plan International Kenya for four (4) years and International Programs Accountant at the Fred Hollows Foundation Kenya for 2 years.

Sillas has Masters in Business Administration (Finance Option) from the University of Nairobi, Bachelor of Business Administration (Accounting & Finance Option) from Kenya Methodist University, Diploma in Project Management from Kenya Institute of Management. He is a Certified Public Accountant {Kenya} and ICPAK Member.

Mrs. Leah Miano spearheads and aligns technology with strategic goals at Universities Fund as the Assistant Director, Information Communication & Technology Division. Prior to joining the Universities Fund, she was the Strategy and Technology Consultant and the Head of ICT at International Peace Support Training Centre since 2014. She holds a Bachelor's degree in Software Engineering and a Master's in Business Administration in Strategic Management and Finance. Leah has over 13 years of extensive experience in technology services and operations, project management, strategy alignment and ICT governance and leadership. She is a member of the Computer Society of Kenya.



Ms. Veronicah Kajira Kirugi joined the Fund as a Senior Human Resource Officer in Human Resource and Administration Department and later took roles on acting capacity as an Assistant Director Human Resources and Administration.

She is a Seasoned Human Resource Practitioner with over eleven years of active experience in different roles in Human Resource and Administration within the Private sector.

She has proven success in leadership, operational excellence and organizational development with keen understanding of elements in People and Culture Management. She possesses a range of skills including, Labour laws, HRIS, Human Resource development, Human resources administration and Employee relations. She is responsible in ensuring that all employment practices, compensation, employee benefits, and human resources programs are within established standards, procedures, guidelines, and policies of Universities Fund and labour laws.

Veronicah Kirugi is a Certified Human Resource Professional (CHRP), She Holds a Bachelor's Degree in Business Management (Human Resource Management) from Moi University, A Diploma in Human Resource Management, and currently pursuing MBA in Human Resource Management at KCA University. She has a certificate in Strategic Leadership and Development Programme from Kenya School of Government (KSG). Veronicah is an active member of Institute of Human Resource Management (IHRM).



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





“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

I am pleased to present to you, on behalf of the Universities Fund, Board of Trustees the Annual Report and Financial Statements of the Universities Fund for the Period ended June 30, 2023. 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 takes cognizance of the critical role it plays in the university sector. In support of this, the Universities Fund has successfully implemented the first Financial Year of its 2021-2026 strategic Plan. The Strategic Plan is structured around four (4) pillars. These are:

- i. Sustainable financing and stewardship;
- ii. Customer focus;
- iii. Institution building and innovation; and
- iv. Developing and growing our people

The Universities Fund has implemented various initiatives in line with the Strategic Pillars through the following:

Human Resource Capacity Building

The first cohort of permanent and pensionable staff joined in July 2022. Currently, the Fund has 32 staff. This is a significant achievement for the Fund, and it sets the stage for continued progress and success in fulfilling its mandate of financing universities in Kenya.

Development of infrastructure

The Universities Fund has developed cutting edge ICT infrastructure to streamline its functions more so the universities Funding process. The following systems have been put in place: Data Management Systems, Data Analytical Tool and Data Center.

Development of key Policies

The Universities Fund has endeavoured to achieve its mandate and meet the expectations of its stakeholders by putting efforts towards achieving sustainable financing of universities in Kenya. This has necessitated the development various key policies.

Spearheading performance-based funding

The Fund has incorporated performance-based funding in the draft Universities Funding Framework as one of the funding parameters. This initiative is intended to reward universities for efficiency in teaching, research, community service, post-graduate programme and encourages competition among universities which will stimulate the evolution of centers of excellence. The World Bank has committed to support the Universities Fund 400 Million USD to implement this model. The discussions are still ongoing regarding the funding parameters.

Biennial conference

The Fund held a successful Biennial Annual Conference with key diverse stakeholders to critically look at the sustainable financing of the universities.

Higher Education Financing Reforms

The President appointed a taskforce to review and recommend transformative reforms for the education sector. The Universities Fund played a critical role in the review of the higher education financing model. Based on the recommendations of the Universities Fund, the Government has reformed higher education funding from institution based to student based. This was informed by the financial challenges that were being faced by the sector which saw the Government shoulder an ever-growing financial burden to finance higher education institutions.

Resource Mobilization

The mandate of the Universities Fund is to provide funds for sustainable financing to universities in Kenya. In the Universities Fund Strategic Plan, resource mobilization has been identified as a key strategic thrust towards sustainable financing of university education. To achieve this, the Fund has developed a Resource Mobilization Strategy whose central goal is to mobilize the required funds to support the development of university education in Kenya. The Fund has also been able to enter into various partnerships for resource mobilization purposes. The following projects are in progress:

- a) Kaimosi Friends University and Vihiga County Government to establish a Climate Change Center
- b) Kisumu County Government and Maseno University with the focus being climatic action and waste management.
- c) KEPSA and Global Employment Challenge with the focus being scholarship linkages.
- d) Cooperative Bank with the focus being Climate action, Solar energy, waste management, and hostels.
- e) CPF with the focus being Hostels and Infrastructure projects.

Challenges

The Universities Fund faced the following challenges in the implementation of its mandate of financing universities.

a) **Non-operationalization of the Universities Fund**

The Universities Fund is yet to be operationalized. The Board so far has been apportioning funds to universities and issuing advisories on the financing of universities. The Ministry of Education has been carrying out the disbursement of the apportioned funds.

b) **Low staff remuneration**

The Universities Fund salary scale is very low and does not fairly remunerate staff for the services rendered. This is currently being renegotiated with SRC.

c) **Data Management**

The Universities Fund faces the challenge of university data management. The Fund heavily relies on the universities and the Kenya Universities and Colleges Placement Service (KUCCPS) for student data.

d) **Resource Mobilization**

The Universities Fund is still building its capacity to carry out intensive resource mobilization to augment funding provided by the Government.

e) **Poor Organizational Visibility**

The Universities Fund mandate is yet to be appreciated by the public, stakeholders and potential partners and donors.

f) **Inadequate University Funding**

The Government has increased access to universities however it has not provided adequate funding to sustain quality university programmes.

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 Financial Year 2022/2023 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 Bottom-UP Economic Transformation 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 Financial Year 2023/2024 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.

PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES





The Management of the UF has been committed in laying a strong foundation for the successful implementation of the Universities Fund mandate. This has been evidenced by the annual report and financial statements of the Universities Fund for the year ended 30 June, 2023.

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 30 June, 2023. 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.

The growth of the Universities Fund has been on an upward trend in particular the capacity of the Secretariat to carry out its mandate as directed by the Board of Trustees. The key activities I would like to report are outlined as follows:

Key Activities

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

Implementation of the Universities Fund 2021-2026 strategic Plan

The UF developed its 2021-2026 Strategic plan. The strategic plan is an important document that articulates the ambitions, values and goals that will guide the Fund in the next five years. The Strategic Plan is structured around four (4) pillars.

- Sustainable financing and stewardship.
- Customer focus.
- Institution building and innovation.
- Developing and growing our people.

The Financial Year under review is the first of the Fund's Strategic Plan (2021-2026) implementation.

Human Resource Capacity Building

Currently, the Fund comprises 32 staff members. This accomplishment holds considerable importance, as it lays the groundwork for sustained advancement in carrying out its mission to financially support Kenyan universities. Notably, this achievement has led to the operationalization of crucial departments within the Universities Fund, including Resource Mobilization, Grants Management, Corporate Communication, and Human Resources.

1st Biennial Universities Funding Conference

The Universities Fund successfully held the 1st Biennial Universities Funding Conference which attracted the participation of various stakeholders across different sectors. Various reforms that emanated from the conference formed part of the considerations for the higher education reforms.

Performance Management

The Universities Fund has embraced performance management and actions that allow for the maximization of the performance of employees at the Fund. The UF has integrated a performance management system which provides employees with a clear understanding of job expectations; regular feedback about performance; advice and steps for improving performance; rewards for good performance; and sanctions for poor performance.

Development of the Universities Fund Data Management System

The Universities Fund has successfully developed a data management system known as the Universities Fund Data Management Information System (UFDNIS). This system gathers vital information from government-funded universities in Kenya, including details about 500,000 students and their study programs. It also integrates an ERP component for the Fund's daily operations, enabling real-time fund allocation and promoting transparency. The system is in its final stages, with around 95% completion.

Data Analytics tool

The UF has acquired a data analytical tool which aims to enhance Monitoring and Evaluation as well as Audit processes. The tool acquired is called the Continuous Auditing and Continuous Monitoring program. It will combine process and technology to detect risk and compliance issues associated with the financial and operation environment at the Fund and all its partners/ stakeholders. It is expected that it will enable the UF carry out the following:

- a. Tracking the number of beneficiaries at each university
- b. Ascertain the level of debt at every university funded
- c. Status of registered students in universities.
- d. Determine the status of projects funded by Government in universities.

Data Security tools

Data is the most valuable asset to the UF as it helps in predicting trends, analysing performance, identifying pitfalls and opportunities, and much more. In this regard, the UF has acquired the following tools as a cyber security measure:

- Implementation of a Next Generation Firewall (NGFW)
- Data Centre Redundancy Components and Network Equipment
- ERP Redundancy in the Cloud

Relocation

The Fund moved its offices to Hazina Trade Centre, a more fitting and accessible space with a modern business atmosphere that appeals to both staff and stakeholders. The new location presents several benefits, such as enhanced work coordination due to its proximity to key stakeholders. This closeness will facilitate improved collaboration, efficient resource sharing, and the utilization of our collective strengths to provide better services to our stakeholders.

ISO certification

The Fund has undertaken the ISO 9001:2015 certification process. Two external audits have already been carried out by KEBS and the feedback has been positive towards certification. This significant milestone will not only streamline operations within the Fund but also enhance its international recognition and visibility, making it more appealing to potential donors and stakeholders.



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 274,525,812 compared to Kes 244,525,812 received in the Financial Year 2021/2022 which shows an increase of Kes 30,000,000. Following the Board approval, the Fund invested part of its disbursements with KCB Fixed deposit account and National Bank of Kenya which yielded total interest of Kes 5,362,277. In addition the Fund received donations of kes 2,900,000 and insurance recoveries of kes 113,400. The Fund total receipt for the period under review was kes 282,901,489.

The Fund's total expenditure in the period under review amounted to Kes 265,443,307 which was 96.69 % 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, guidance, and invaluable support, 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

The UF developed a Corporate Work Plan for the FY 2022/2023 which was anchored on the UF Strategic Pillars. This was cascaded to departmental workplans and individual staff balance score cards. The key following activities and targets were met during the Financial Year

- Strategic Objective 1.1: Grow funding to Universities Fund
- Strategic Objective 1.2: Diversify the portfolio of funding available to the Fund
- Strategic Objective 1.3: Enhanced stewardship of funding and assets
- Strategic Objective 3.1: Leverage information, communication, and technology (ICT) for effectiveness
- Strategic Objective 3.2: Strengthen the research, monitoring and evaluation function in the Fund
- Strategic Objective 3.3: Codify standards, policies and procedures to streamline processes
- Strategic Objective 3.4: Establish offices and facilities for the Fund
- Strategic Objective 4.1: Adequately staff the Fund
- Strategic Objective 4.2: Enhance team engagement and culture
- Strategic Objective 4.3: Embed leadership, learning and development

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 Fund's performance against predetermined objectives.

The Fund achieved its performance targets set for the Financial Year 2022/2023 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	Acquire adequate office space. Procure office equipment and machinery.	Recruitment of 28 members of staff. Procurement of Office Furniture and ICT Equipment. Acquiring more office space at NACOSTI Building and relocating to Hazina Trade Centre.
Mobilization of financial resources	To mobilize resources for financing Universities	Increased resources. Resource Mobilization policy	Develop policy for resource mobilization	Operationalization of the Resource Mobilization Department. Resource Mobilization Policy and Strategy Increased budget allocation

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.

Training

The Universities Fund and Board undertook various trainings on Audit and Risk as well as Risk Management in Mombasa. This training improved its capacity to perform its oversight role over the operations of the Secretariat as well as incorporate Risk Management in strategic planning.

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 2022/2023.

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

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.

a) 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.

b) 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.

- a) The Committee is responsible for communicating with the internal and external auditors. In its oversight role, the committee focuses on: 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. Walter Mwanda -Chairman
2. Dr. Charles Kirimi Mbui
3. Ms. Diana Mutisya (PS Alternate responsible for university education)
4. Lynne Nyongesa (PS Alternate responsible for National Treasury)

(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. Dr. Ken Nyaundi - Chairman
2. Ms. Zipporah Mungai - Member
3. Ms. Diana Mutisya - Member (PS Alternate responsible for university education)
4. Lynne Nyongesa (PS Alternate responsible for National Treasury)

(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. Dr. Charles Kirimi Mbui - Chairman
2. Prof. Walter Mwanda - Member
3. Dr. Ken Nyaundi - Member
4. Ms. Zipporah Mungai - Member
5. Ms. Diana Mutisya - Member (PS Alternate responsible for university education)

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. Karuti Kanyinga	✓			
2	Dr. Charles Kirimi Mbui - Chairman	✓	✓		✓*
3	Prof. Walter Mwanda - Member	✓	✓*		✓
4	Dr. Ken Nyaundi - Member	✓		✓*	✓
5	Ms. Zipporah Mungai - Member	✓		✓	✓
6	Lynne Nyongesa (PS Alternate responsible for National Treasury)	✓	✓	✓	
7	Ms. Diana Mutisya - Member (PS Alternate responsible for university education)	✓	✓	✓	✓

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	Prof. Karuti Kanyinga*	9	9 of 9
2	Dr. Charles Kirimi Mbui - Chairman	9	9 of 9
3	Prof. Walter Mwanda - Member	9	9 of 9
4	Dr. Ken Nyaundi - Member	9	8 of 9
5	Ms. Zipporah Mungai - Member	9	8 of 9
6	Lynne Nyongesa (PS Alternate responsible for National Treasury)	9	5 of 9
7	Ms. Diana Mutisya - Member (PS Alternate responsible for university education)	9	9 of 9

N.B Kindly note that Mrs. Lynne Nyongesa became a board member after the first two meetings for 22/08/2022 and 20/09/2022 had already been held.

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. Walter Mwanda *	3	3 of 3
Dr. Charles Kirimi Mbui	3	3 of 3
Ms. Diana Mutisya (PS Alternate responsible for university education)	3	2 of 3
Lynne Nyongesa (PS Alternate responsible for National Treasury)	3	2 of 3

*Chairperson to the committee: Prof. Walter Mwanda

b) Finance Administration and General-Purpose Committee

Members	Number of meetings during the year	Number of meetings Attended
Dr. Ken Nyaundi*	5	5 of 5
Ms. Zipporah Mungai	5	5 of 5
Ms. Diana Mutisya - (PS Alternate responsible for university education)	5	5 of 5
Lynne Nyongesa (PS Alternate responsible for National Treasury)	5	3 of 5

*Chairperson to the committee: Dr. Kennedy Nyaundi

c) Planning, Research and Resource Mobilization Committee

Members	Number of meetings during year	Number of meetings attended
Dr. Charles Kirimi Mbui – Chairman*	3	3 of 3
Prof. Walter Mwanda - Member	3	3 of 3
Dr. Ken Nyaundi – Member	3	3 of 3
Ms. Zipporah Mungai – Member	3	2 of 3
Ms. Diana Mutisya – Member (PS Alternate responsible for university education)	3	3 of 3

*Chairperson to the committee: Dr. Charles Kirimi Mbui

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.

In the quest for efficiency in the Fund operations, the fund began automating its processes by procuring the data centre and Fund data management information system which is meant to integrate all the Fund's functions.

Analysis of the Fund's financial performance

i. Statement of Financial Performance

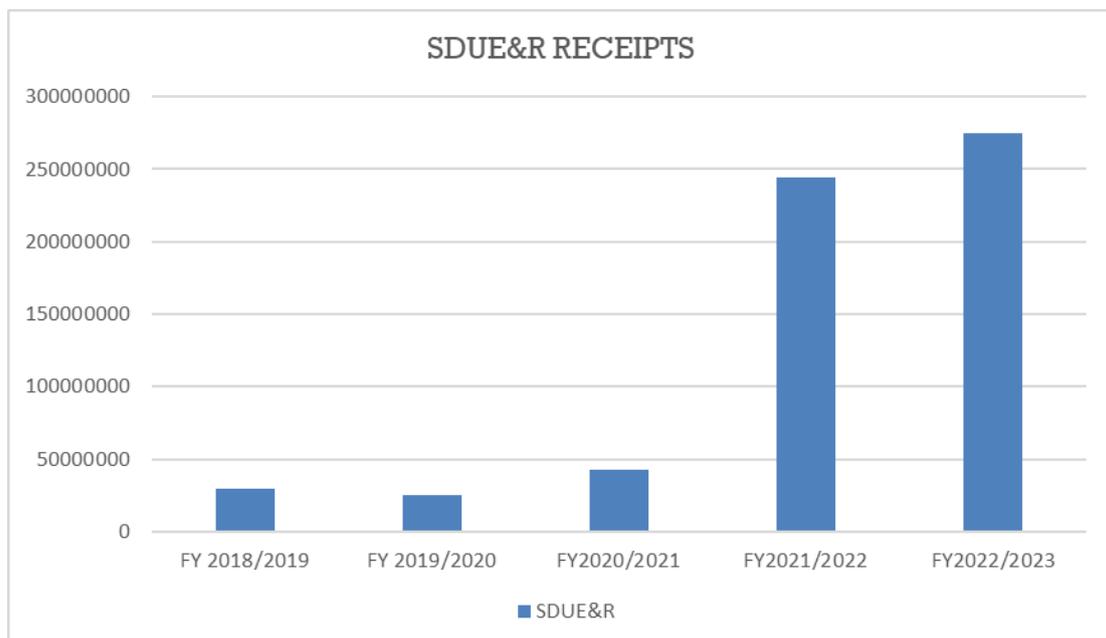
Receipts

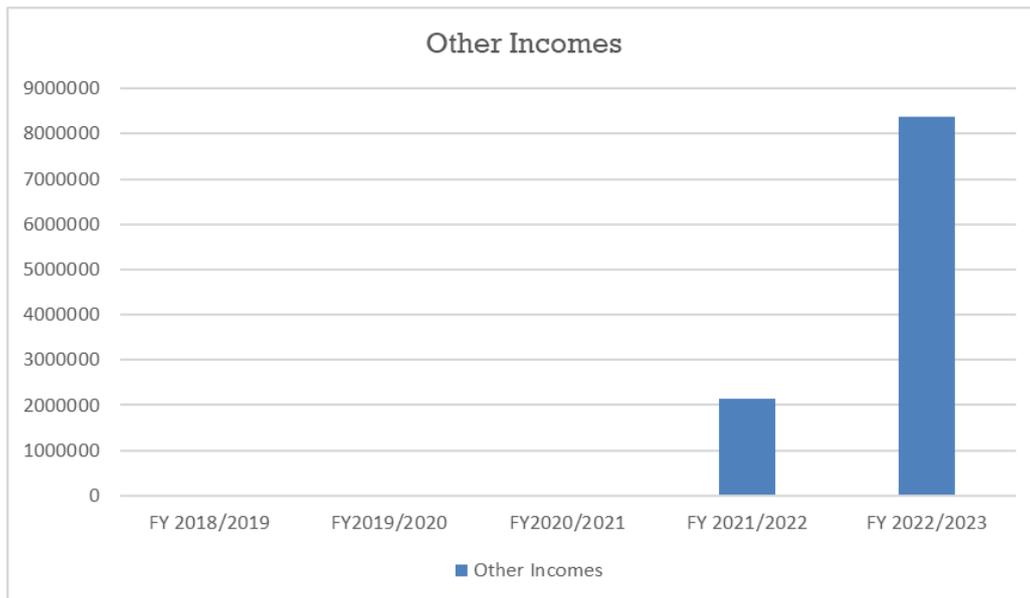
The National Government supports the Fund through the National Treasury by transferring funds for operational use. The funds are channelled to the Fund through its bank account and are budgeted for and approved by the Board of Trustees.

During the period ended June 30,2023, the National Treasury through the State Department for Higher Education and Research transferred KES 274,525,812 as compared to KES 244,525,812 in the FY 2021/2022, KES 42,525,812 in the Financial Year 2020/2021, KES 25,436,752 in Financial Year 2019/2020 and KES 29,338,356 in Financial Year 2018/2019.

Following the Board approval, the Fund invested part of its disbursements with KCB Fixed deposit account and National Bank of Kenya which yielded total interest of kes5,362,277. In addition, the Fund received donations of kes 2,900,000 and KES 113,400 from insurance recoveries totalling to other revenue of Kes 8,375,677 in the FY under review and KES 2,146,285 in the FY 2021/2022.

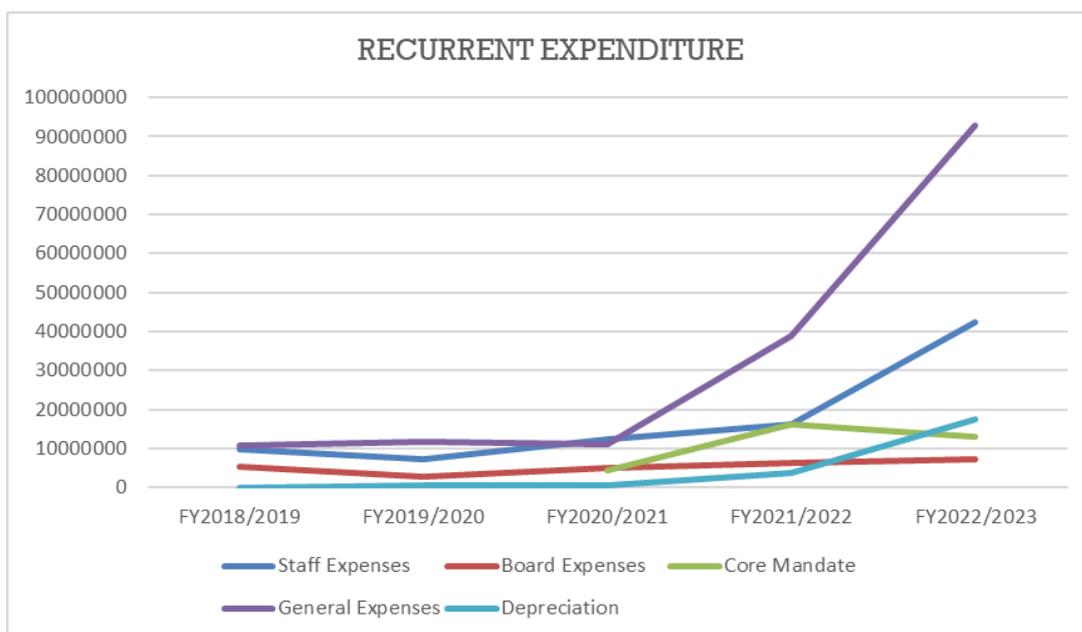
The total amount of revenue for the period ended June 30,2023 amounted to Kes 282,901,489





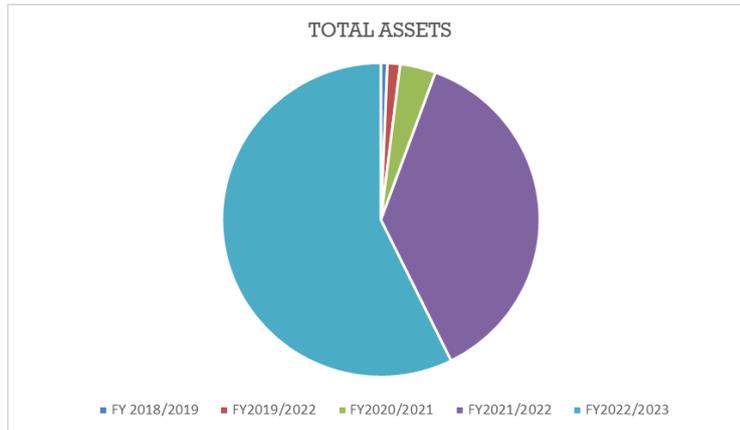
Expenditures

Recurrent expenditure for the period ended Under review amounted to Kes 173,052,157 which includes Staff cost of KES 42,443,396, Board Expense of KES 7,148,538, Core mandate expenses of KES 12,999,570 and General expense of KES 92,968,188 and provision for depreciation amounting to KES 17,492,465 ,as compared to Ksh 81,161,446 which includes Staff cost of KES 16,246,723, Board Expense of KES 6,313,547, Core mandate expenses of KES 16,120,745, General expense of KES 38,904,185 and provision for depreciation amounting to KES 3,576,246 in the Financial Year 2021/2022;to Staff cost of KES 12,428,229, Board Expense of KES 5,044,257, Core Mandate of KES 4,476,965, General expense of KES 10,898,284 and provision for depreciation amounting to KES 547,684 in the Financial Year 2020/2021, Staff cost of KES 7,291,689, Board Expense of KES 2,752,319,General expense of KES 11,563,586 and Provision for depreciation of KES 477,324 for the Financial Year 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 Financial Year 2018/2019.



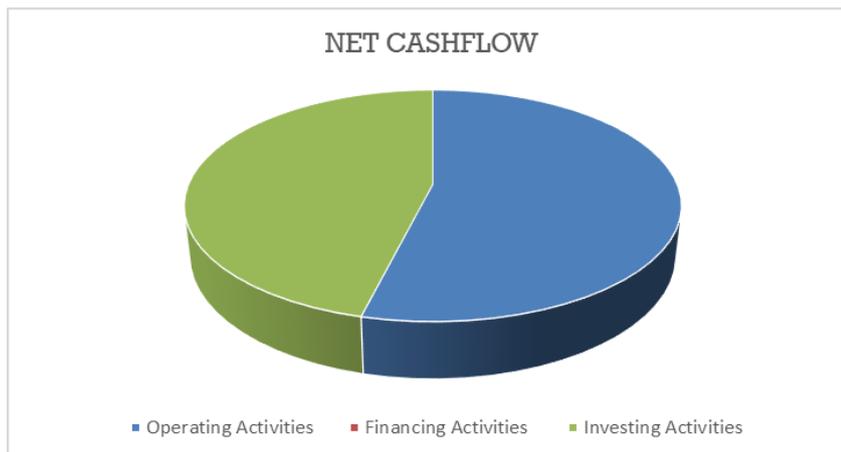
ii. Statement of Financial Position

An analysis of the statement of financial position shows that the Fund's total assets have increased from KES 3,591,856 in the Financial Year 2018/2019 to KES 6,966,194 in the Financial Year 2019/2020 to KES 19,708,666 in the Financial Year 2020/2021, to KES 201,029,087 in the Financial Year 2021/2022 and Kes 310,235,824 in the period under review. The increase was mainly contributed by the procurement of Universities Fund data management information system & data centre, the cash and cash equivalent and prepayments which majorly were the insurance Covers.



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 131,956,458. During the period under review the Fund had nil net cash flow from financing activities. During the period under review the Fund had net cash flow from Investing activities amounted to KES 113,011,256.



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.

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 Fund

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 is no major financial improbity as reported by internal audit/Board of Trustees Audit committee, external auditors or other National Government Agencies proving oversight.

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

Environmental and Sustainability Reporting

i. Sustainability strategy and profile

The UF seeks to take conscious and proactive use of processes that do not lead to the harm of people, planet, or profit whilst leaving a positive impact. The processes used to achieve sustainability shall be reliable, replicable, and measurable; any outcomes must be auditable, especially by outside scrutiny. This policy shall cover all three periods: rectifying past mistakes; reducing or eliminating current problems; building legacies for the future.

ii. Environmental performance

The UF has developed a Corporate Sustainability policy to ensure long term business success while contributing towards economic, social development, a healthy environment, and a stable society. By adopting this policy, the UF seeks to formalise the CSP and to provide guidelines for the introduction, development, maintenance and exercising of proactive economic, environmental, social management processes, and procedures in accordance with the UF commitment of sustainable financing of universities in Kenya.

iii. Employee welfare

The UF has developed Human Resource Policies which form a framework for making decisions on matters relating to management and administration of an organization's human capital, thus enabling an organization to resolve human resource issues in a fair, objective, consistent and timely manner. The Universities Fund has developed the following Human Resource instruments:

- a) UF Approved Grading and Organisation Structure;
- b) UF Approved Staff Establishment;
- c) UF Approved Career Guidelines; and
- d) UF Approved Human Resources and Procedures Manual

The policies are intended to inform, guide and provide an objective way of handling issues between UF and its employees. It provides details of the pertinent processes and procedures related to attraction, motivation, retention and exit of staff from the Fund. It also creates and maintains an environment where employees and other persons are safe to transact official business. The overall objective of the manual is to streamline our business processes and enhance controls in the management of human resources.

The UF endeavours to provide a healthy, safe and conducive work environment for its employees at all times. It is expected that with the policies in place, many routine decisions and transactions will proceed with minimal impediment.

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

The UF has always prided itself to maintaining high quality customer services. This includes honouring our obligations with suppliers and contractors. The UF highly regards the needs of its suppliers and therefore makes payments in accordance with contractual agreements. This can be evidenced through reporting zero pending bills and resolution of all complaints relayed to the UF.

c. Responsible marketing and advertisement

UF has maintained ethical marketing practices through its social media handles specifically Twitter, 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.

v. Corporate Social Responsibility / Community Engagements

The UF makes a constant promise to operate with great regard to the quality of life of our employees, the local communities where it operates and society at large. We are committed to do business in an ethical manner which yields long-term, sustainable benefits for all our stakeholders. The UF has made strides to contribute to Kenya’s forest cover through various tree planting sessions in universities located in semi-arid areas.



The Board of Trustees submit their report together with the unaudited financial statements for the year ended 30 June, 2023, 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 30 June, 2023, are set out from page 1 to 7. of the Financial Statements.

iii) Board of Trustees

The members of the Board of Trustees who served during the year are shown from page ix to xii 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

Signature.....

Date.....

SECRETARY TO THE BOARD

As per the requirement of Section 81 of the Public Finance Management Act, 2012, 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, 2023 and the operating results of the Fund for that Financial Year 2022-2023. These Financial Statements are set out from page 1 to 7. 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 Fund;
- (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 Public Finance Management (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, 2022, 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, 2023 and signed on its behalf by:

PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICE

REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF THE UNIVERSITIES FUN





STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2023

	Note	Period ended June 30, 2023	Period ended June 30, 2022
		Kes	Kes
Revenue from non-exchange transactions			
Transfers from the SDHE&R	6	274,525,812	244,525,812
Revenue from Exchange transactions			
Finance Income	7	5,362,277	
Other Income		8 3,013,400	2,146,285
Total revenue		282,901,489	246,672,097
Expenses			
Staff costs	9	42,443,396	16,246,723
Board Expenses	10	7,148,538	6,313,547
Core mandate Expenses	11	12,999,570	16,120,745
General expenses	12	92,968,188	38,904,185
Depreciation&amortization	13	17,492,465	3,576,246
Total expenses		173,052,157	81,161,446
Other gains/losses			
Loss on Disposal of Assets	17	319,755	
Surplus/(deficit) for the period		109,529,577	165,510,651

The notes set out on pages 8 to 29. form an integral part of the quarterly financial statements. The Financial statements set out on Pages 1 to 7. were signed on behalf of Board by:

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER

TITUS MACHARIA
HEAD OF FINANCE

PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES

DATE.....

DATE.....

DATE.....

CAROLINE MBAKA
SENIOR ACCOUNTANT
MEMBER NO 28728

DATE.....

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Assets	Note	Period ended June 30, 2023	Period ended June 30, 2022
Current assets		Kes	Kes
Cash and cash equivalents	14	98,305,924	79,360,722
Prepayments	15	1,242,181	2,091,310
Receivables	16	13,300	1,816,628
Inventories	21	2,265,511	1,422,913
Total Current Assets		101,826,915	84,691,573
Non-current assets			
PPE	17	156,083,811	63,793,642
Intangible assets/software	18	875,098	1,093,872
Work In progress	17	51,450,000	51,450,000
Total non current assets		208,408,909	116,337,514
Total assets		310,235,824	201,029,087
Liabilities			
Current liabilities			
Trade Payables	19	16,067,763	16,390,603
Provisions for Audit fees	20	400,000	400,000
Total current liabilities		16,467,763	16,790,603
Non-current liabilities			
Financed by;			
Capital Fund Received in Kind		2,631,247	2,631,247
Acc Surplus		291,136,814	181,607,237
Total liabilities		310,235,825	201,029,087

The Financial statements set out on Pages 1 to 7 were signed on behalf of Board by:

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER

TITUS MACHARIA
HEAD OF FINANCE

PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES

DATE.....

DATE.....

DATE.....

CAROLINE MBAKA
SENIOR ACCOUNTANT
MEMBER NO 28728

DATE.....

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Capital Fund	Accumulated surplus	Total
Description	Kes	Kes	Kes
As at July 1, 2021	2,631,247	16,096,586	18,727,833
Surplus/(deficit) for the period		165,510,651	165,510,651
Capital Fund received in Kind			-
Revaluation gain			-
As at June 30, 2022	2,631,247	181,607,237	184,238,484
			-
As at July 1, 2022	2,631,247	181,607,237	184,238,484
Surplus/(deficit) for the period	-	109,529,577	109,529,577
Capital Fund received in Kind	-	-	-
Revaluation gain	-	-	-
As at June 30, 2023	2,631,247	291,136,814	293,768,061

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2023

	Note	Period ended June 30, 2023	Period ended June 30, 2022
Cash flows from operating activities		Kes	Kes
Receipts			
Transfers from the SDHE&R	6	274,525,812	244,525,812
Finance Income	7	5,362,277	
Other Income	8	3,013,400	2,146,285
Total Receipts		282,901,489	246,672,097.00
Payments			
Staff Cost		41,106,431	16,311,951
Board Expense		7,034,538	6,313,547
Core mandate		12,442,870	15,640,745
General expenses		90,361,192	39,473,893
Total Payments		150,945,031	77,740,136.00
Net cash flows from operating activities		131,956,458	168,931,961
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		- 113,011,256	- 91,850,109
Net cash flows used in investing activities		- 113,011,256	- 91,850,109
Cash flows from financing activities			
Net cash flows used in financing activities			

Net increase/(decrease) in cash and cash equivalents		18,945,202	77,081,852
Cash and cash equivalents at beginning of the period	14	79,360,722	2,278,870
Cash and cash equivalents at period end	14	98,305,924	79,360,722

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

	Original Annual Budget	Adjustment	Final Annual Budget	Actual on Comparable Basis	Performance Difference	% Of Performance Difference
Recurrent Revenue:						
Government Grants for Recurrent Exp.	274,525,812	-	274,525,812	274,525,812	0	0
Other Income		-		8,375,677	8,375,677	0
Total Recurrent Revenue	274,525,812	-	274,525,812	282,901,489	8,375,677	3.0
Operating expenses:						
Staff Cost	50,027,136	-3,450,993	46,576,143	42,443,396	4,132,747	9.7
Board expenses	12,420,000	-3,920,000	8,500,000	7,148,538	1,351,462	18.9
Resource Mobilization	6,500,000	-2,200,000	4,300,000	4,004,050	295,950	7.4
Monitoring and Evaluation	5,000,000	-4,200,000	800,000	765,500	34,500	4.5
PC Dynamics	6,500,000	-3,800,000	2,700,000	2,492,520	207,480	8.3
Policy Regulatory Framework activities and Review of DUC	2,000,000	-1,830,000	170,000	158,900	11,100	7.0
Policies Development and Implementation	4,000,000	2,100,000	6,100,000	5,578,600	521,400	9.3
Consultancies and Contracted services	14,225,000	-4,225,000	10,000,000	9,746,229	253,771	2.6
Insurance	13,100,000	-100,000	13,000,000	12,759,588	240,412	1.9
Communication Supplies and Services	2,000,000	-700,000	1,300,000	1,258,124	41,876	3.3
Travelling and transport costs	6,500,000	-500,000	6,000,000	5,870,709	129,291	2.2
Air Tickets	3,000,000	-700,000	2,300,000	2,136,410	163,590	7.7
Office General Supplies and Services	3,455,000	-2,200,840	1,254,160	1,147,159	107,001	9.3
Printing Publishing and Advertising	3,000,000	4,000,000	7,000,000	6,761,860	238,140	3.5
Hospitality and office refreshments	1,500,000	300,000	1,800,000	1,747,007	52,993	3.0
Fuel Oil and Lubricants	1,600,000	-200,000	1,400,000	1,346,523	53,477	4.0
Training and Capacity Building	8,000,000	7,500,000	15,500,000	15,492,563	7,437	0.0

Membership and subscriptions	1,000,000	-700,000	300,000	259,760	40,240	15.5
Rent and Rates and other service charge	7,904,720	5,106,833	13,011,553	12,792,270	219,283	1.7
Telephone, mobile and internet services	1,000,000	3,265,750	4,265,750	4,165,748	100,002	2.4
Seminars, Conference and Workshops Facilities	7,500,000	3,100,000	10,600,000	10,350,483	249,517	2.4
Staff Welfare	2,500,000	-2,050,000	450,000	395,001	54,999	13.9
Postage Courier	100,000	-80,000	20,000	18,900	1,100	5.8
Newspapers and periodicals	500,000	0	500,000	399,472	100,528	25.2
Corporate social Responsibility	1,000,000	-700,000	300,000	287,320	12,680	4.4
Audit Fees	400,000	400,000	800,000	800,000	0	0.0
Recruitment Costs	500,000	-500,000	0	0	0	0.0
Bank Charges and Commissions	500,000	350,000	850,000	826,699	23,301	2.8
Legal Fees	200,000	-150,000	50,000	0	50,000	100.0
Relocation charges	0	2,800,000	2,800,000	2,790,852	9,148	0.3
Repairs and maintenance	2,550,000	-850,000	1,700,000	1,615,510	84,490	5.2
Sub-Total	168,981,856	-4,634,250	164,347,606	155,559,692	8,787,914	5.6
Capital Expenditure		-			-	
Office Furniture	3,500,000	100,000	3,600,000	3,497,500	102,500	2.9
Motor Vehicles	0	0	0	-	-	
Renewals and Connectivity	0	0	0		-	
Computers Hardware, Software, Printers, Renewals, Connectivity & other IT Equipment	62,543,956	484,250	63,028,206	63,227,983	142,890	0.2
Storage facilities and equipment	500,000	1,550,000	2,050,000	2,026,440	23,560	1.2
Works and Renovations	39,000,000	2,500,000	41,500,000	41,131,692	368,308	0.9
Sub-Total	105,543,956	4,634,250	110,178,206	109,883,615	637,258	0.6
Total	274,525,812	-	274,525,812	265,443,307	9,425,172	3.6
Depreciation				17,492,465	17,492,465	

Performance Difference explanations (underutilization>10%)

Board expenses (18.9%)- Most of the board meetings were held virtually hence mileage and travelling cost for the board was not fully utilized

Membership and subscriptions (15.5%)- CEO Club membership budget was not utilized

Staff Welfare (13.9%)- The budget amount for the team building was not fully utilized.

Newspapers and periodicals (25.2%)- Due to changes in market prices, the newspapers and periodicals budget was not utilized as budgeted for.

Legal Fees (100%)- The budgeted amount under legal fees was not spent since its utilized as and when need arises.

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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 the Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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 the Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>(The Fund did hold any financial instruments in the Financial Year ended June 30,2023)</i>
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: <ul style="list-style-type: none">a) The nature of such social benefits provided by the Entity.b) The key features of the operation of those social benefit schemes; andc) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <i>(The Fund did not have social Benefit scheme in the year under Review)</i>

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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 guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(The Fund did hold any financial instruments in the Financial Year ended June 30,2023)</i></p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>(The Fund did hold any financial instruments in the Financial Year ended June 30,2023)</i></p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The Fund did not have leases in the Financial Year ended June 30,2023</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>(The Fund did hold any Non- Current Assets Held for Sale and Discontinued Operations in the Financial Year ended June 30,2023)</i></p>

i. Early adoption of standards

The Fund did not early – adopt any new or amended standards in year ended 2023.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from Exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a reducing balance basis over the lease terms and included in revenue.

b. Budget information

The original budget for FY 2022/2023 was ksh 274,525,812 as approved by the National Assembly on 24th June,2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded

additional revenue of kes 113,400 from insurance recoveries, kes 2,900,000 from donations and kes 5,362,277 from investment from call deposits following the board approval.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

c. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-

assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund 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%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

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

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

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

i) Financial instruments

a) Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Trade and other receivables

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

Fair value through surplus or deficit

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

Impairment

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments are made by management in determining the expected credit loss (ECL).

b) Financial liabilities

Classification

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

j) Inventories

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

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

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

k) Provisions

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

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) 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.

c. Employee benefits

Retirement benefit plans

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

d. Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

The Fund regards a related party as a person or the Fund 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, the CEO and senior managers.

r) Service concession arrangements

The Fund analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Cash and cash equivalents

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

t) Comparative figures

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

u) 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 30 June, 2022.

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 judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next Financial Year, are described below. The 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 value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The Fund provided for audit fees upon comparing with other preceding quotations and invoices

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Transfers from the Ministry	Period ended 30 June 2023	Period ended 30 June 2022
	KES	KES
Transfers from State Dept for Higher Education & Research	274,525,812	244,525,812
TOTAL	274,525,812	244,525,812

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	Total transfers FY 2022/23	Prior year FY 2021/22
	KES	KES	KES	KES
Transfers from State Dept for Higher Education & Research	<u>274,525,812</u>	<u>0</u>	<u>274,525,812</u>	<u>244,525,812</u>
TOTAL	<u>274,525,812</u>	<u>0</u>	<u>274,525,812</u>	<u>244,525,812</u>

7 FINANCE INCOME

Description	Period ended 30 June 2023	Period ended 30 June 2022
	KES	KES
Cash investments and fixed deposits	<u>5,362,277</u>	<u>2,146,285</u>
TOTAL	<u>5,362,277</u>	<u>2,146,285</u>

8 OTHER INCOME

Description	Period ended 30 June 2023	Period ended 30 June 2022
	KES	KES
Insurance recoveries	113,400.00	
Donations	<u>2,900,000</u>	
TOTAL	<u>3,013,400</u>	

9 STAFF COST

Description	Period Ended 30 June 2023	Period Ended 30 June 2022
	KES	KES
Basic Salary	33,387,574.07	16,246,723
House Allowance	4,738,491.95	

Commuter Allowance	1,287,667.43	
Entertainment Allowance	390,000.00	
Extraneous Allowance	1,116,000.00	
Leave Allowance	403,293.00	
Other Allowances	169,328.20	
Service Gratuity	278,185.60	
Pensions	450,766.00	
NSSF Employer	<u>222,080.00</u>	
TOTAL	<u>42,443,396</u>	<u>16,246,723</u>

10 BOARD EXPENSE

Description	Period Ended 30 June 2023	Period Ended 30 June 2022
	KES	KES
Chairman's Honoraria	917,936	560,000
Sitting Allowances	3,412,000	4,000,000
Mileage/Transport costs	228,458	79,147
DSA and other allowances	<u>2,590,144</u>	<u>1,674,400</u>
TOTAL	<u>7,148,538</u>	<u>6,313,547</u>

11 CORE MANDATE

Description	Period Ended 30 June 2023	Period ended 30 June 2022
	KES	KES
Resource Mobilization Expenses	4,004,050	2,123,372
Monitoring and evaluation expenses	765,500	7,773,772
Policy, regulatory framework and review of DUC	158,900	1,500,000
PC Dynamics	2,492,520	
Policy guidelines development & implementation	<u>5,578,600</u>	<u>4,723,600</u>
TOTAL	<u>12,999,570</u>	<u>16,120,745</u>

12 GENERAL EXPENSES

	Period ended 30 June 2023	Period ended 30 June 2022
Consultancies and Contracted services	9,746,229	5,503,226
Insurance	12,759,588	5,227,084
Communication Supplies and Services	1,258,124	607,406
Travelling and transport costs	5,870,709	5,239,936
Air Tickets	2,136,410	969,360

Office General Supplies and Services	1,147,159	1,096,018
Printing Publishing and Advertising	6,761,860	
Printing Publicity		458,019
Advertising & publicity	0	3,542,581
Hospitality and office refreshments	1,747,007	680,072
Fuel Oil and Lubricants	1,346,523	770,297
Training and Capacity Building	15,492,563	5,334,634
Membership and subscriptions	259,760	63,760
Rent and Rates and other service charge	12,792,270	3,852,360
Telephone, mobile and internet services	4,165,748	325,243
Seminars, Conference and Workshops Facilities	10,350,483	3,076,890
Staff Welfare	395,001	
Postage Courier	18,900	21,690
Newspapers and periodicals	399,472	73,604
Corporate social Responsibility	287,320	98,480
Audit Fees	800,000	400,000
Recruitment Costs	0	480,000
Bank Charges and Commissions	826,699	304,707
Legal Fees	0	
Relocation charges	2,790,852	
Repairs and maintenance	1,615,510	778,818
TOTAL	92,968,188	38,904,185

13 DEPRECIATION AND AMORTIZATION

Description	Period ended 30 June 2023	Period ended 30 June 2022
	KES	KES
Furniture and fittings	1,044,337	756,243
Motor vehicle	6,722,335	2,199,780
Computer and accessories	9,507,019	620,223
Software	218,774	
TOTAL	<u>17,492,465</u>	<u>3,576,246</u>

14 CASH AND CASH EQUIVALENT

Description	Period ended 30 June 2023	Period ended 30 June 2022
KCB	KES	KES
Current account	38,993,497	23,616,977
On - call deposits	0	
Sub Total	38,993,497	
NBK		
Current account	59,312,427	55,743,745.05
Fixed deposits	0	
Sub Total	<u>59,312,427</u>	<u>79,360,722</u>
TOTAL	<u>98,305,924</u>	<u>79,360,722</u>

15 PREPAYMENT

Description	Period ended June 30, 2023	Period ended June 30, 30,2022
	KES	KES
Fuel and lubricants prepaid	1,242,181	988,703
Insurance		1,102,607
TOTAL	<u>1,242,181</u>	<u>2,091,310</u>

16 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Description	Period ended June 30,2022	Period ended June 30,2022
	KES	KES
Current Receivables		
PC Dynamics	13,300	
Staff Cost	-	65,228
Policy & Guidelines development imprest	-	570,000
Training and capacity Building		1,181,400
TOTAL	<u>13,300</u>	<u>1,816,628</u>

17 PROPERTY PLANT AND EQUIPMENT

	Motor Vehicle	Furniture & fittings and office equipment	Computer and accessories	Capital Work in progress	TOTAL
Depreciation/Amortization Rate	25%	12.50%	33.30%	-	
As at 1 st July, 2022	26,889,340	8,354,698	28,549,604	51,450,000	115,243,642
Additions		46,655,632	63,227,983		109,883,615
Disposals		293,090	26,666		319,756
Transfers/adjustments					-
As at 30th June, 2023	26,889,340	54,717,240	91,750,921	51,450,000	224,807,501
Depreciation/amortization At 1 July 2022					-
Depreciation/amortization	6,722,335	1,086,207	9,520,330	0	17,328,872
Disposals		41870	13313		55,183
Transfers/ Adjustments					
As at 30th June, 2023	6,722,335	1,044,337	9,507,017	0	17,273,689
Net book values					-
As at 30th June, 2022	26,889,340	8,354,698	28,549,604	51,450,000	115,243,642
As at 30th June, 2023	20,167,005	53,672,903	82,243,904	51,450,000	207,533,812

18 INTANGIBLE ASSETS

Description	Period ended June 30,2022	Period ended June 30,2022
	KES	KES
Cost		1,093,872
At beginning of the year	1,093,872	-
Additions	-	1,093,872
At end of the year	1,093,872	1,093,872
Additions-internal development	-	-
At end of the year	1,093,872	1,093,872
Amortization and impairment		
At beginning of the year	-	-
Amortization	218,774	-
At end of the year	218,774	-
Impairment loss	-	-
At end of the year	-	-
NBV	875,098	1,093,872

19 TRADE PAYABLES

Description	Period ended June 30 2023	Period ended June 30 2022
	Kes	Kes
Staff cost	1,271,736	
Board Allowance	114,000	
Review of DUC	1,050,000	1,050,000
Office general supplies	5,289	9,405
Consultancy and Contracted services	730,480	1,552,080
Telephone, internet and mobile services	1,144,398	59,094
Repair and maintenance	279,113	
Printing, publishing and advertising	472,168	
Airticket		110,970
Printing & publishing		320,550
Advertising and publicity		1,414,504
Audit fees	400,000	
Training and capacity building	1,898,570	
Conference seminars and workshop	159,650	204,000
Data Management System	4,800,000	9,600,000
Software licensing and connectivity	2,070,000	2,070,000
Purchase of computers, printers	342,667	-
Works &renovations	1,329,692	
TOTAL	<u>16,067,763.27</u>	<u>16,390,603</u>

20 PROVISIONS

Description	Period ended June 30 2023	Period ended June 30 2022
	KES	KES
Provision for audit fees	400,000	400,000
TOTAL	400,000	400,000

21 INVENTORY

Description	Period ended June 30 2023	Period ended June 30 2022
	KES	KES
Communication	18,711.00	67,196
Office general supplies	1,638,555.90	363,828
Printing and publishing	608,243.80	991,889
TOTAL	<u>2,265,510.7</u>	<u>1,422,914</u>

22 TRADE PAYABLES AGING ANALYSIS

Ageing analysis: (Trade and other payables)	Period ended June 30 2023	% of the Total	Period ended June 30 2022	% of the Total
Less than 1 year	8,147,763.27	50.71%	16,390,603	100%
1-2 years	7,920,000	49.29%	-	-
Total	<u>16,067,763.27</u>		<u>16,390,603</u>	

23 RECEIVABLES FROM NON-EXCHANGE TRANSACTION AGING ANALYSIS

Ageing Analysis- Receivables from non-exchange transactions	Period ended June 30 2023	% of the total	Period ended June 30 2022	% of the total
Less than 1 year	13,300	100%	1,816,628	100%
Total	<u>13,300</u>		<u>1,816,628</u>	

Financial Risk Management

The carrying amount of financial assets recorded in the Financial statements represented the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Description	Total amount
As at 30th June 2023	KES
Receivables from exchange transactions/prepayments	1,242,181.00
Receivables from Non exchange transactions	13,300.00
Bank balances	98,305,924.00
Total	99,561,405.00
As at 30 June 2022	
Receivables from exchange transactions/prepayments	2,091,310.00
Receivables from Non exchange transactions	1,816,628.00
Bank balances	79,360,722.00
Total	83,268,660.00

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Fund's Board of Trustees. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Total
As at 30th June 2023	KES
Trade payables	14,682,027.27
Provisions	400,000.00
Employee benefit obligation	1,385,736.00
Total	16,467,763.27
As at 30th June 2022	
Trade payables	16,390,603.00
Provisions	400,000.00
Employee benefit obligation	-
Total	16,790,603.00

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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Foreign currency risk

The Fund has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid at the conversion rate at the time of payment which is done using the prevailing exchange rate. The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by negotiating for the exchange rate with its banker.

Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits. To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates

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:

	2022/2023	2021/2022
	Kshs	Kshs
Retained earnings	109,529,577.08	165,510,651.00
Total funds	109,529,577.08	165,510,651.00
Total borrowings	-	-
Cash and bank balances	98,305,924.15	79,360,722.00
Net debt/ (excess cash and cash equivalents)	- 98,305,924.15	- 79,360,722.00
Gearing	0%	0%

Related Party Disclosures

Nature of related party relationships

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

Related parties include:

- i) Government of Kenya
- ii) Ministry of Education.
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of trustees.

Events after the Reporting Period

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

Ultimate and Holding Entity

The Fund is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

Currency

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

APPENDIX I: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

ENTITY NAME:				
Break down of Transfers from the State Department for Higher Education & Research				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KES)</u>	<u>Indicate the FY to which the amounts relate</u>
	State Department for Higher Education & Research	31.08.2022	22,877,151.00	FY 2022/2023
	State Department for Higher Education & Research	02.09.2022	22,877,151.00	FY 2022/2023
	State Department for Higher Education & Research	05.09.2022	22,877,151.00	FY 2022/2023
	State Department for Higher Education & Research	12.12.2022	68,631,453.00	FY 2022/2023
	State Department for Higher Education & Research	14.04.2023	68,631,453.00	FY 2022/2023
	State Department for Higher Education & Research	27.06.2023	68,631,453.00	FY 2022/2023
	Total		274,525,812.00	FY 2022/2023

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

TITUS MACHARIA
HEAD OF FINANCE

HEAD OF ACCOUNTING UNIT
STATE DEPARTMENT FOR HIGHER EDUCATION & RESEARCH

SIGN -----

SIGN-----

b.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KES)</u>	<u>Indicate the FY to which the amounts relate</u>
	British council	20.02.2023	1,400,000	FY 2022/2023
	KCB Kipande House	06.04.2023	1,000,000	FY 2022/2023
	National Bank of Kenya	21.02.2023	500,000	FY 2022/2023
	Total		2,900,000	

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER

TITUS MACHARIA
HEAD OF FINANCE

DATE

DATE

APPENDIX II: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Non-Compliance with the Universities Act ,2012 on disbursement of funds	Disbursement of funds to universities is still being carried out by the State Department of Higher Education and Research. The UF has made several formal requests over the years to the State Department to relegate this responsibility to the UF as envisioned by law and as per the advisory from the Attorney General. Implementation is in progress since disbursement of scholarships under the New Funding Model are earmarked for disbursement by the Fund while capitation is still being discussed by the Ministry.	Partially Resolved	30/07/2024
2.0	Gaps in the composition of the Board of Trustees and Board committee	The UF has issued a legal advisory to the Ministry of Education on the irregularities of the provisions that guide on the appointment of the Board. Amendments to the law have been recommended.	Not Resolved	30/07/2024
1.0	Lack of Business Continuity Plan and Disaster Recovery Plans	The Fund has contracted KENET to offer data recovery site to manage the risk of data and information loss in case the Fund primary data centre is unavailable. The Fund has planned for the development of the Business Continuity Plan in the FY 2023/2024	Not Resolved	30/01/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	Irregularities in Staff recruitment	<p>Senior Supply Chain Management Officer This position was given to the second-best candidate on the basis that his salary expectation was within the UF scale since the first candidate salary expectations was beyond UFs salary scale. He also has been an employee of the Fund on contractual basis since its inception with good performance records and serves as institutional memory. Attached final approved recruitment report</p> <p>Senior Accountant The position was given to the third best candidate on the basis that her salary expectation was within the UF scale and that she has been an employee of the Fund on contractual basis. Attached final approved recruitment report</p> <p>Senior ICT officer Her salary expectation was within the UF scale. This candidate has been working with the Fund on contractual basis. Attached final approved recruitment report</p> <p>Further, the UF is in the process of reviewing its HR policies in line with the Public Service Human Resource framework. This includes elaborate guidelines on staff recruitment as well as streamlined qualifications for all positions.</p>	<i>Resolved</i>	

GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER

DATE.....



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