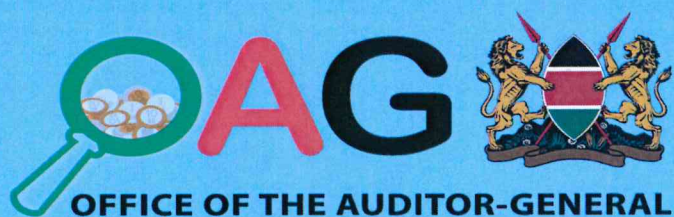


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

UNIVERSITY OF NAIROBI

**FOR THE YEAR ENDED
30 JUNE, 2022**



UNIVERSITY OF NAIROBI

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 MAR 2023

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**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022**

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

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

TABLE OF CONTENTS

| | |
|--|--------------|
| I. Key University Information And Executive Board..... | ii |
| II. The Chancellor, Council And Principal Officers Of University Of Nairobi..... | vii |
| III. University Of Nairobi Management Team | xiv |
| IV. Chairperson’s Statement..... | xvi |
| V. Report From The Vice Chancellor | xviii |
| VI. Statement Of The University’s Perfomance Against Predetermined Objectives For Fy 2021/2022..... | xx |
| VII. Corporate Governance Statement | xxi |
| VIII. Management Discussion And Analysis..... | xxv |
| IX. Environmental And Sustainability Reporting..... | xxxv |
| X. Report Of The University Council | xl |
| XI. Statement Of Council Members’ Responsibilities..... | xlii |
| XII. Report Of The Auditor General On The University Of Nairobi | xliv |
| XIII. Statement Of Financial Performance For The Year Ended 30 June 2022..... | 1 |
| XIV. Statement Of Financial Position As At 30 June 2022 | 2 |
| XV. Statement Of Changes In Net Assets For The Year Ended 30 June 2022..... | 4 |
| XVI. Statement Of Cash Flows For The Year Ended 30 June 2022 | 5 |
| XVII. Statement Of Comparison Of Budget And Actual Amounts For The Year Ended 30 June 2022 | 6 |
| XVIII. Notes To The Financial Statements | 14 |
| Appendix II: Status Of Projects Completion | 48 |
| Appendix III: Inter-Entity Transfers | 51 |
| Appendix IV: Recording Of Transfers From Other Government Entities | 52 |
| Appendix V: Detailed Analysis Of Cash And Cash Equivalent | 53 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

I. KEY UNIVERSITY INFORMATION AND EXECUTIVE BOARD

a) Background information

The inception of the University of Nairobi is traced back to 1956, with the establishment of the Royal Technical College. On 20th May 1964, the Royal College Nairobi was renamed University College Nairobi as a constituent college of inter-territorial, Federal University of East Africa. In 1970, the University College Nairobi transformed into the first National University in Kenya and was renamed the University of Nairobi. Following the enactment of the Universities Act, 2012, the University of Nairobi was awarded its charter on 1st March 2013. The University of Nairobi is domiciled in Kenya.

The University of Nairobi is the oldest University in Kenya, and the largest university in the East and Central Africa Region. From its humble beginnings with 215 students in 1956 (64 years ago) when it started as the Royal Technical College, it has an enrolment of over 65,000 students today. It offers a wide range of academic programmes in its seven colleges spread over 10 campuses in which there are 29 faculties, schools and institutes.

The programmes fall under the broad areas of humanities and social sciences, natural sciences and mathematics, engineering and the built environment, arts and design, computing and informatics, law and business, medicine and health sciences, agriculture and food sciences, veterinary and animal sciences, and education. The diversity of programmes, promoting multidisciplinary teaching, research and community service, are backed up by a newly established Open, Distance Education and e-learning centre (ODEL Campus).

Following the effects of covid-19 pandemic which led to closure in March 2020, the university played a leading role in ensuring continuity of learning by introducing online learning in all its academic programs. This enabled the university to qualify and graduate students both in September and December 2020.

The university is a leader in research and has elaborate strategies aimed at enhancing research capacity.

The University currently has the largest concentration of scholars and about 50% of all the professors in the country. It has continued to be a centre of intellectual life, a locus of research activity extending the frontiers of knowledge, a resource for professional development, and a

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

key player in the growing global network of scholarship. For greater attention and proper management of post graduate programmes, the University in 2017 opened the newly approved Graduate School, picking from the former Board of Postgraduate Studies.

The overall performance of the University has been good, since its score in the government performance contract evaluation has been consistently rated as excellent. On the whole, the University has maintained a leadership position nationally and regionally.

The operational environment for the Higher Education sector in the country is highly dynamic such that the University needs to understand and align itself to changes taking place in the University sub sector for it to adequately cope with the new environmental realities. These changes are captured in the Legal Framework with the implementation of the Constitution of Kenya 2010, the enactment of the Universities Act. No. 42 in 2012, the establishment of the Commission for University Education and the award of charters to 75 private and public universities, which have led to increased competition among universities.

Even as it operates in this environment, the University has a duty to maintain its leadership position and grow it further. It has to continue to be the best and retain its leadership position in the higher education sector. Further, it has to embrace quality, retain the best staff and mobilize additional resources to maintain this leadership position.

b) Principal Activities

The Mandate of the University of Nairobi is Teaching and Learning, Research and Innovation, Consultancy and Community Service. The objectives and functions of the University are given in detail in the University of Nairobi Charter 2013.

Our Vision

A world-Class University Committed to scholarly excellence

Our Mission

To provide quality university education and training and to embody the aspirations of the Kenyan people and the global community through creation, preservation, integration, transmission and utilization of knowledge

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Motto

The motto of the University is: In Unity and Work

Our Core Values

The University shall be bound by the National Values and Principles of Governance in Articles 10 and 232 of the Constitution. The University shall be further guided by the following core values:

- **Freedom of thought and expression:** We shall promote and defend freedom of thought and expression in all our academic inquiry and activities.
- **Innovativeness:** We shall be innovative in solving our day-to-day problems and carry out our activities in order to deliver new value to our customers.
- **Commitment:** We are committed to the mission of the University and always act in the best interests of the University.
- **Trust:** We trust the good intentions of others, view conflicts as positive and resolve them creatively and effectively to meet the vision and mission of the University.
- **Care:** We foster a leadership culture that cares, is people-focused, that connects to and is responsive to the needs of internal and external customers, and promotes stewardship over University resources.
- **Teamwork:** We work together as a team to realize the collective results that the University wishes to achieve.

c) Key Management

The University's day-to-day management is under the following key organs:

- University Council
- University Executive Board
- University Senate
- Deans' Committee
- Faculty Board and
- Departmental Board

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

d) Fiduciary Management

The key management personnel who held office during the year ended 30 June 2022 and who had direct fiduciary responsibility were:

| No. | Name | Designation |
|-----|-------------------------------|--|
| 1. | Prof. Stephen. G. Kiama | Vice-Chancellor |
| 2. | Prof. Julius. A. Ogeng'o | Deputy Vice-Chancellor (Academic Affairs) |
| 3. | Prof. Margaret. J. Hutchinson | Associate Vice-Chancellor (Research, Innovation and Enterprise) (Ag) |
| 4. | Mr. Brian O. Ouma | Chief Operations Officer (Ag) |
| 5. | Mr. Stephen K. Kimeli | Director Finance (Ag) |
| 6. | Mr. Seth O. Abeka | Managing Director, UNES Ltd |
| 7. | Mr. Bernard D. Njuguna | Registrar Administration (Ag) |
| 8. | Mr. John A. O. Orindi | Director Corporate Affairs |
| 9. | Mr. Paul N. Kariuki | Director ICT |

e) Fiduciary Oversight Arrangement

- Finance and Strategy Committee
- Audit and Risk Management Committee
- Human Resource and Administration Committee
- Infrastructure and Development Committee
- Commission for University Education
- Ministry of Education
- The National Treasury
- Office of the Auditor General
- Office of the Controller of Budgets
- The Universities Funding Board

f) University of Nairobi Headquarters

Harry Thuku Road
P.O. Box 30197-00100
Main Campus
Nairobi, Kenya

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

g) University of Nairobi Contacts

Telephone: (254)020-491 000

E-mail: vc@uonbi.ac.ke, dvcaf@uonbi.ac.ke, fo@uonbi.ac.ke

Website: www.uonbi.ac.ke

h) University of Nairobi Bankers

ABSA Bank Kenya PLC

Market Branch

P.O Box 30018-00100

Nairobi, Kenya

Kenya Commercial Bank

University Way Branch

P.O. Box 7206–00300

Nairobi, Kenya

Standard Chartered Bank Koinange

Street Branch P.O Box 30003-00100

Nairobi, Kenya

i) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112 City Square 00200

Nairobi, Kenya

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

II. THE CHANCELLOR, COUNCIL AND PRINCIPAL OFFICERS OF UNIVERSITY OF NAIROBI.

i. CHANCELLOR, UNIVERSITY OF NAIROBI



Dr. Vijoo Rattansi

Dr. Rattansi is the Chairperson of Rattansi Educational Trust, Daisy Eye Cancer Fund, Trustee to Michael Blundell Trust among other organizations. Dr. Vijoo has wide experience in institutional development and conflict mediation in institutions; and experience in fundraising and networking. She also has skills and competencies in corporate governance, strategic planning, gender and development. She is fluent in English, Kiswahili and Italian languages.

She was awarded a honorary doctorate (D.Litt.) by Moi University in recognition of her efforts in promoting higher education in the country. The state recognized her efforts in supporting higher education in the country by awarding her the Order of the Grand Warrior (OGW) in 2006.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

ii. THE UNIVERSITY COUNCIL

| NO | NAME | DESIGNATION |
|----|--------------------------------|--------------------------------|
| 1. | Prof. Miriam Khamadi Were | Chairperson of Council |
| 2. | Eng.Kariuki Muchemi | Member |
| 3. | Mr. Abdi Mohamud Hassan | Member |
| 4. | Ms. Alison Irene Njeri Kariuki | Member |
| 5. | CPA. Charles O.Ogolo | Member |
| 6. | Mrs. Flora M. Maghanga-Mtuweta | Member |
| 7. | Mr. Samuel Kiiru | Rep. PS. The National Treasury |
| 8. | Mr. Darius Mogaka Ogutu | Rep. PS. Ministry of Education |
| 9. | Prof. Stephen Gitahi Kiama | VC/ Secretary to the council |

Council Members Profile



Prof. Miriam Khamadi Were

Prof. Prof. Miriam K. Were. is the Chairperson of Council

Prof. Miriam K. Were is an eminent scholar, researcher and an opinion leader. Currently she sits at the helm of the University of Nairobi as the Chairperson of Council, the supreme governance organ of the University.

Prof. Miriam K. Were is a graduate of various renowned world universities including University of Nairobi, John Hopkins University, Makerere University College(College of University of East Africa) and William Penn College, IOWA USA. She is a holder of a PhD. in Public Health, Health Planning and Management, EPID from John Hopkins University.

She has chaired and served on various Boards including National AIDS Control Council (Kenya), International Committee of the Council of Foundations, Washington DC, USA, International Board of AMREF Kenya, MAP INTERNATIONAL, Brunswick, Georgia, USA,UZIMA Foundation Board of Trustees,Technical Advisory

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Committee (TAC) of Africa Development Forum (ADF)
2000



Eng. Kariuki Muchemi

Eng. Kariuki Muchemi is a member of Council

Born in 1954. Eng. Kariuki Muchemi is a practicing Civil Engineer with over thirty(30) years' experience in both public and private sector. He holds a BSc. Degree in Civil Engineering from the University of Nairobi, a MSc. Degree from the University of Birmingham UK, LLM from Mt. Kenya University and Post Graduate Diploma from the Kenya School of Law. He is also a member of the Institute of Directors, Kenya. He has served as a Board member of Geothemol Development Company, as Trustee of the Water Services Trust Fund and a member of Kenyatta University Council.



Mr. Abdi Mohamud Hassan

Mr. Abdi Mohamud Hassan is a member of Council

Born in 1969, Abdi Mohamud Hassan is an Advocate of the High Court of Kenya, and a transformational leader with vast experience in the management of state bodies, directing their strategy formulation and execution processes, and supervising financial and administrative management of the organizations to guarantee attainment of their mandates and objectives. Mr. Hassan has distinguished himself in leadership as an agent of positive change by ensuring high levels of professionalism, ethical standards, and fairness in the discharge of public duties.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022



Alison Irene Njeri Kariuki

Alison Irene Njeri Kariuki is a member of Council

Alison Irene Njeri Kariuki is a Member of the Law Society of Kenya and Member of the Institute of Certified Public Secretaries of Kenya. She holds a Master's Degree- International Relations (M.A) 2000 University of Staffordshire, England, a Bachelor of Laws (L.L.B.) University of Nairobi, Kenya, a Diploma in Law, Kenya School of Law, a Certificate in Women Leaders Programme (2020) INSEAD and is a Certified Governance Auditor (2018) Institute of Certified Public Secretaries of Kenya.

She is currently the Legal Director/General Counsel at Unilever Kenya Limited and has previously worked as Legal Counsel at DIAGEO -Kenya and Kenya Shell Limited among others.



CPA. Charles O. Ogolo

Charles Orony Ogalo is a member of Council

Born in 1955, Charles Orony Ogalo holds a Masters of Science (M.Sc. Econ.), Rutgers University, N. J. and a Bachelor of Science (B.Sc. Econ), State University of New York, New Paltz. His professional experience dates back in 1981 when became the Credit Administrator, The First National Bank of Chicago, Kenya. He is currently the Director GenAfrica Asset Managers Limited (the 1996 to date), Chairman GA Life Insurance (2021 to date) and Director/Chairman Central Depository & Settlement Corporation (2004 to date).

He has chaired and served on various Boards including Siala Technical Training Institute, Ecobank Kenya, South Nyanza Sugar Company, Kenya Reinsurance Corporation (Kenya Re) and Communication

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Commission of Kenya (CCK).

He has also served in Honorary Boards including Runda Residents Association , Fund Managers Association, Kenya ,Kenya Society, London Central Council, the Royal Overseas League and Kenya Institute of Bankers.

Born 1967, Mrs. Flora M. Maghanga is a member of council



Mrs. Flora M. Maghanga-Mtuweta

Mtuweta is a seasoned, accomplished Finance and Administration professional with over 25years experience; having held various senior management positions in private and public sector. She has an MBA in Strategic Management from the University of Nairobi and A Bachelors in Economics and Business from Kenyatta University. She is a Certified Public Accountant of Kenya and a member of The Institute of Certified Public Accountant of Kenya. She has vast experience in financial management, Micro Finance and Fundraising having worked as a pioneer County Executive Committee Member in the devolved system of government and Involved in the startup of two Micro Finance Institutions one of which is a bank now. She is a Board Member of The Centre For Public Finance and Tax, Association of Women Accountants of Kenya and a Council Member of The University of Nairobi.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022



Mr. Samuel Kiiru

Mr. Samuel Kiiru is a member of Council

Born in 1969, Mr. Samuel Kiiru is a member of Council representing the Principal Secretary, The National Treasury. He is the Director Planning and Head of Budget Policy at the National Treasury. He holds a Masters Degree in Economics from the Carleton University, Ottawa, Canada and a Bachelor Degree in Economics from the University of Nairobi.



Mr. Darius Mogaka Ogutu

Mr. Darius Mogaka Ogutu is a member of Council

Darius Mogaka Ogutu is a Director of Education in charge of the Directorate of University Education within the State Department for University Education and Research in the Ministry of Education. He is a holder of a Bachelor of Education from Egerton University, and a Masters in Education from Kenyatta University.



**Prof. Stephen Gitahi Kiama,
PhD,**

Prof. Stephen Gitahi Kiama is a member of Council






Born in 1964. He is currently the Vice Chancellor. He is a Professor of Structural Biology from University of Bern in Switzerland. He was the Deputy Vice-Chancellor, Human Resource and Administration and the Acting Deputy Vice Chancellor in-charge of Finance, Planning and Development, a position he held till his appointment as the Vice Chancellor. Previously he served as the Principal, College of Agriculture and Veterinary Sciences from 2016 to 2019, Director of Wangari Maathai Institute for Peace and Environmental Studies from 2010 to 2016, Chairman of the Department of Veterinary Anatomy and Physiology from 2005 to

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022






2010, Acting dean of the Faculty of Veterinary Medicine
in 2014 and Associate Dean of the Faculty of Veterinary
Medicine from 2003 to 2010

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

iii. UNIVERSITY OF NAIROBI MANAGEMENT TEAM

| | Management | Details |
|----|--|--|
| 1. |  <p><i>Dr. Vijoo Rattansi</i></p> | Chancellor: D. Litt. (Hon),(Nairobi) , D. Litt (Moi) |
| 2. |  <p><i>Prof. Stephen G. Kiama</i></p> | Vice-Chancellor: Bachelor degree in Veterinary Medicine, Master in Veterinary Anatomy (Nairobi), Doctor of Philosophy degree in Structural Biology, (Bern) |
| 3. |  <p><i>Prof. Julius A. Ogeng'o</i></p> | Deputy Vice-Chancellor (Academic Affairs) Bachelor of Science Anatomy, Bachelor of Medicine and Bachelor of Surgery degrees, PhD, MD, (Nairobi) |
| 4. |  <p><i>Prof. Margaret J. Hutchinson</i></p> | Associate Vice-Chancellor (Research, Innovation and Enterprise) (Ag): Bachelor of Science in Agriculture., Master of Science in Agronomy, (Nairobi), PhD in Horticulture (Guelph). |
| 5. |  <p><i>Mr. Brian O. Ouma</i></p> | Chief Operations Officer (Ag): Bachelor of Arts (Urbania Pontifical), Master of business Administration, Strategic Mgt (Nairobi) |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

| | | |
|-----|--|---|
| 6. |  <p><i>Mr. Benard D. Njuguna</i></p> | Registrar, Administration (Ag): Bachelor of Arts, Postgraduate Diploma in Mass Communication, Master of Arts in Communication Studies, (Nairobi) |
| 7. |  <p><i>Mr. Stephen K. Kimeli</i></p> | Director, Finance (Ag): Bachelor of Commerce, Master of Business Administration, (Kabarak University), Certified Public Accountants of Kenya. |
| 8. |  <p><i>Mr. Seith O. Abeka</i></p> | Managing Director, UNES Ltd BA Economics & Maths, MA Gender and Development Studies (Nairobi) |
| 9. |  <p><i>Mr. John A.O. Orindi</i></p> | Director Corporate Affairs: Bachelor of Arts, Master of Arts-International Relations (Nairobi) |
| 10. |  <p><i>Mr. Paul .N. Kariuki</i></p> | Director ICT: Bachelor of Science in Computer Science, Masters in applied Computer Science (Nairobi) |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

III. CHAIRPERSON’S STATEMENT

The Annual Report and Financial Statements for the year ended 30 June 2022 reflect major strides made by the University against many odds and indicate that the ongoing reforms in key functional areas are a step in the right direction. The University of Nairobi Council is committed to offer the required support aimed at strengthening the reform agenda and accelerating the transformation culture sweeping across the institution. The Council will promote policies that offer an enabling environment for the University to thrive especially given the prevailing situation of shrinking government capitation against an increasing need for resources to grow and develop the university towards world-class excellence. The University also needs to sustain measures that will enable it to stay ahead in a competitive higher education sector. The achievement of these goals will need strict financial discipline with the resources that we have at our disposal supported by more aggressive measures to raise additional revenue. The financial statements offer evidence of some of the initiatives that have been put in place under the two broad areas. I would like to commend the management, led by the Vice-Chancellor, for demonstrating such foresight by instituting changes in the financial management of the university and the governance structures which are already beginning to bear fruit. The emphasis on consolidating data on crucial functions of the university gives a strong basis for accurate decision-making based on past trends and future projections.

On efforts to raise funds to support university activities, I would like to commend the Chancellor, Dr Vijoo Rattansi, whose stewardship saw the registration and launch of the University of Nairobi Foundation. The Foundation will be used as a vehicle to mobilise funds to support the core functions of the University.

Financial Performance

During the financial year 2021/2022 the University registered a deficit of Ksh. 2.1 billion compared to Ksh. 3.11 billion in the previous year owing to an increase in revenue from Ksh. 9.74 billion to Ksh. 10.16 billion. The University has recorded fair improvement in its financial performance as we innovate revenue generating activities and employing prudent financial measures to reduce expenditure.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Strategic Direction

The University has continued to be guided by the Strategic Plan 2018-2023, which emphasises the development of key functional areas of teaching and learning, research and innovation, community outreach. The activities undertaken in these areas are aimed at enhancing the University's visibility and competitiveness both locally and internationally. The University is also cognisant of the ever-present need to remain relevant to the needs of society and has always sought to integrate with the wider Kenyan public by paying attention to the national development agenda. The successful implementation of the 2021/2022 performance contract with the government is an example of the University's commitment to the national obligation.

Future Outlook

The University will continue to revamp its core income generating activities with a view to enhancing and sustaining its financial base. Going forward, the University of Nairobi Foundation will be enabled as the main vehicle for attracting funds. A raft of other proposals are also under consideration and will receive the support of Council as and when they are presented. I would like to congratulate the management for these efforts.

Finally, I would like to thank the Government for the support it has continued to give towards the realisation of the University's mandate. In the year ended 30 June 2022 the government of Kenya remitted to the University a total of Ksh. 5.72 billion as capitation. Allow me also to take this opportunity to thank our research partners, alumni, industry, and other stakeholders for their support as we steer the University to greatness.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

IV. REPORT FROM THE VICE CHANCELLOR



I am pleased to present the Annual Report and Financial Statements of the University of Nairobi for the year ended 30 June 2022.

The University's financial performance during the reference year was influenced by many internal factors and a number of unavoidable events on the national and global scenes. The University, like many other organisations, continued to feel the impact of the disruption occasioned by the COVID-19 pandemic from the previous year. The eruption of the war in Europe was also a major global economic challenge. At the national level, the effect of the anticipated general elections also created some degree of uncertainty within the business environment. In the higher education sector, the University had to contend with challenges like dwindling capitation from the exchequer, high competition for students, and declining enrolment of self-sponsored students among other issues.

On a more positive note, however, the University recorded a number of improvements as a result of the deepening of the Vice-Chancellor's reform agenda that focused on the aspects of governance, financial discipline, and data management. The new efforts led to positive changes such as cost reduction and a reduced budgetary deficit. The adjustments to the governance system in order to do away with redundant structures greatly reduced the cost of running the numerous offices that we had in place and released and in the process released some funds towards the improvement of services and the fulfilment of other priority financial obligations. The financial discipline introduced through activities like the use of vehicle tracking systems, better enforcement of the fuel card, and the continued use of virtual meetings and holding key university events virtually, such as graduation, translated to more savings. We were also able to transfer to a cashless system and this introduced greater efficiency and accountability in our transactions. Through data reforms, whose emphasis is evidence-based decision making, the University is in a position to more accurately project its revenue and match the same with the work that needs to be done. Through some of these measures, the University was able to reduce its debt burden. I am happy to report that we are up to date with the remittance of statutory deductions as we continue to work on reducing the arrears. The University has also fully implemented the CBAs (2017-2022).

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

A look at the figures

During the FY 2021/2022, the University registered a deficit of Kshs 2.1 billion compared to a deficit of Kshs 3.11 billion registered in FY 2020/2021. Total revenue amounted to Kshs 10.16 billion compared to Kshs 9.74 billion the previous year, whereas total expenditure amounted to Kshs 12.2 billion compared to Kshs 12.87 billion in FY 2020/2021.

Going forward

The University will sustain the financial reforms as we continue to pursue new avenues to achieve an even better financial outlook in the next financial year. We shall target more strategic partnerships, expansion of the grants portfolio, higher rate of international students, and investment in science, technology and engineering including bringing on board industry partners. The University will also continue to strengthen links with the Alumni Association and also grow the University of Nairobi Foundation which was launched at the end of the year. The UoN Foundation will support our fundraising activities in a targeted manner. The University will also implement people reforms in order to effectively drive the planned improvements in all areas. We are also planning to invest in the refurbishment of the University's aging infrastructure whose repair and maintenance costs are taking up resources that could be put to other uses.

I will conclude by thanking the University staff, students, and other stakeholders for their support and cooperation which made it possible to make the strides being reported here. We look forward to a better financial performance in the next year



PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor & Secretary to Council
28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

STATEMENT OF THE UNIVERSITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------------|---|---|--|--|
| Teaching and Learning | To produce 160 quality graduates in specialized areas | Number of Graduates | To design and implement relevant and innovative teaching and learning programmes | 229 graduates in specialized areas produced. |
| Research, Innovation and Enterprise | To mount 12 proactive research/training collaborative engagements | Number of collaborative engagements mounted | Write proposals Engage Research Partners Sign Memorandum of understanding | 18 proactive research/collaborative engagements achieved |
| Research, Innovation and Enterprise | To conduct 4 webinars on Covid-19 | Number of webinars mounted | Create awareness on the facts of Covid-19 | 18 Covid-19 webinars mounted |
| Research, Innovation and Enterprise | To have one Covid-19 research project mounted | Successful mounting of research project. | 1. Create proposals to attract funding 2. Implement research modalities | Two covid-19 Research Projects mounted |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

I. CORPORATE GOVERNANCE STATEMENT

The University of Nairobi Council is responsible for the overall management and governance of the institution and is accountable to the stake-holders for ensuring that the institution complies with the law and the best practices in Educational Governance and Business Ethics. The Council members are committed to the need to conduct the business and operations of the University with integrity and in accordance with Generally Accepted Standards and endorse the internationally developed principles of good governance.

COUNCIL MEMBERS

The Council is appointed in accordance with the Universities Act, 2012 (No. 42 of 2012) by the Cabinet Secretary as follows— (a) Chairperson; (b) the Principal Secretary in the Ministry for the time being responsible for the university education; (c) the Principal Secretary in the Ministry for the time being responsible for Finance; (d) five members appointed by the Cabinet Secretary through an open process; and (e) the Vice-Chancellor who shall be an ex officio member and secretary of the Council. The full Council meets at least four times a year. The members receive all information relevant to the discharge of their obligations in an accurate, timely and clear manner so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Council has delegated authority for conduct of day- to-day business to the Vice Chancellor and the University Executive Board (UEB). The Council nonetheless retains responsibility for establishing and maintaining the institution's overall control of financial, operational and compliance issues as well as implementing strategies for the long term success of the University.

COMMITTEES OF THE COUNCIL

The main standing committees of the Council include;

Finance and Strategy Committee

Terms of Reference:

- i. To review, evaluate and recommend for approval, the budget, financial forecasts and procurement plans.
- ii. To review, evaluate and recommend for approval major resource allocations and capital investments for execution of the functions of the University.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

- iii. To review, evaluate and recommend for approval the operating and financial results and to ensure effective, accurate, timely and transparent disclosure of pertinent information on operations and performance.
- iv. To review on a quarterly basis the attainment of targets and objectives set out in the finance, procurement, planning and development, legal, performance contracting functions on the agreed performance measurement framework.
- v. To review and recommend for approval rules and procedures for control of expenditure and administration of financial matters.
- vi. To exercise such other functions as the Council may confer from time to time.

Development and Infrastructure Committee

Terms of Reference:

- i. To review, evaluate and recommend for approval proposed development and technical plans and infrastructure of the University.
- ii. To review, evaluate and recommend for approval matters touching on learning, teaching, research, innovations and productions.
- iii. To exercise such other functions as the Council may confer from time to time.

The Audit and Risk Committee.

Terms of Reference:

- i. Assist the Vice-chancellor in enhancing internal controls, governance and compliance in order to improve efficiency, transparency and accountability
- ii. Review audit issues raised by both internal and external auditors.
- iii. Resolve unsettled and unimplemented Public Accounts and Investment Committees (PAC/PIC) recommendations.
- iv. Enhance communication between management, internal and external audit and fostering effective internal functions.
- v. Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance.
- vi. Review and approve the audit charter where applicable, and internal audit work plan.
- vii. Review the internal and external audit findings and recommendations and proposing corrective and preventive actions where necessary.
- viii. Review the systems established to ensure sound financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

- ix. To exercise such other functions as the Council may confer from time to time.

Administration and Human Resources Committee

Terms of Reference:

- i. To review and recommend the method and processes of recruitment, appointment, promotion and discipline of all staff.
- ii. To review, evaluate and make recommendations on the overall University structure, staff establishment, remuneration structure, terms and conditions of service, and to provide for the welfare of staff as and when necessary from time to time.
- iii. To review, evaluate and make recommendations for approval matters touching and relating to academic programmes, student affairs, policies, statutes, procedures and processes.
- iv. To exercise such other functions as the Council may confer from time to time.

INTERNAL CONTROLS

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

The University is exposed to a variety of risks that can have financial, operational and compliance impacts on our performance, reputation and legitimacy to operate.

The effective management of risk is therefore critical to supporting the delivery of the University's strategic objectives.

The University's approach to risk management is aimed at embedding a risk-aware culture in all decision-making, and a commitment to managing risk in a proactive and effective manner. This includes the early identification and evaluation of risks, the management and mitigation of risks before they materialize, and dealing with them effectively in the event they do materialize. Major risks such as natural disasters, which cannot be managed using internal controls, are transferred to third parties in the insurance markets, to the extent considered appropriate or possible.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

The design, implementation and monitoring of the process of risk management is the responsibility of the University. In this regard, management is accountable to the University Council.

An Internal Audit Department headed by the Chief Internal Auditor and the Audit Committee, chaired by a council member, evaluates and coordinates the management of identified strategic risks, financial and non-financial, faced by the University. Risk management processes are reviewed regularly for continuing relevance and effectiveness. The Strategic Internal Audit Department reports to the Vice Chancellor and the Audit Committee. The Audit Committee reports to the Council.

A report on the risk management process that is being followed, as well as a summary of the risk register and appropriate risk treatment plans, is presented to the Audit and Risk Management Committee and to the Council of the University on a regular basis.

COUNCIL MEMBERS EMOLUMENTS

The Council Members are paid sitting, mileage and Lunch allowance according to Government regulations which is included in the Council expenses in the Annual Report and Financial Statements.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

II. MANAGEMENT DISCUSSION AND ANALYSIS
SECTION A

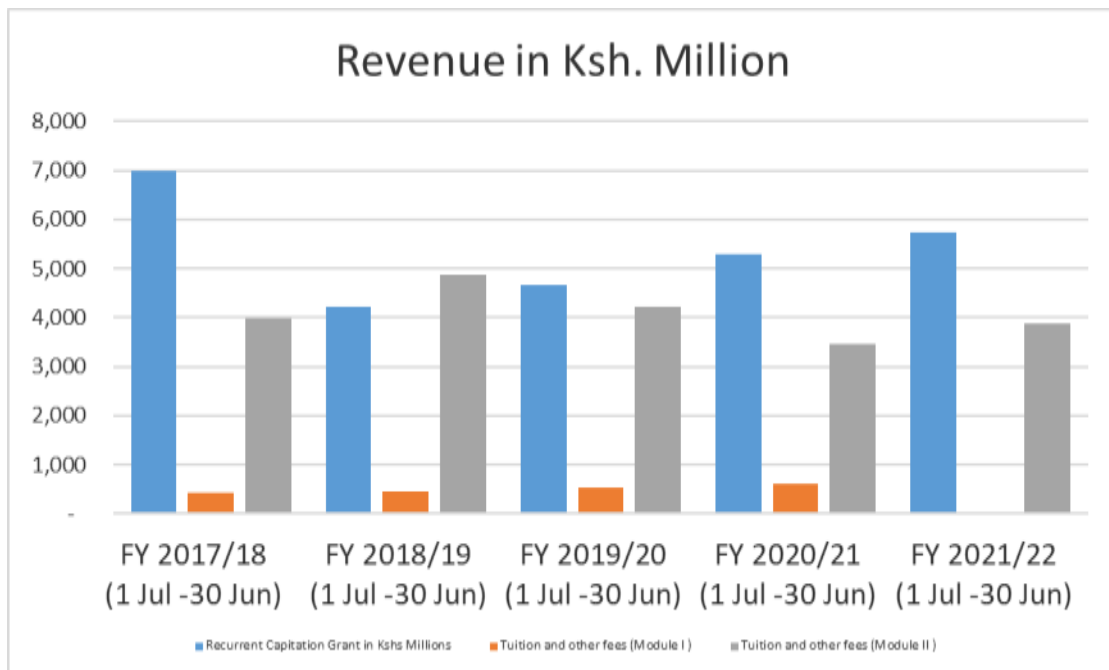
i. University's Operational and Financial Performance

During the year ended 30 June 2022, the University registered a deficit of Kshs 2.1 billion compared to a deficit of Kshs 3.11 billion registered in the similar year ended 30 June 2021. The improved performance was due to efficient and effective financial measures instituted during the year. These measures included; reorganization of the governance structure which had an impact on the cost of personnel emoluments. Financial reforms have also brought prudent financial management.

Total revenues amounted to Kshs 10.15 billion in the year ended 30 June 2022 compared to Kshs 9.74 billion in a similar year ended 30 June 2021.

The increase in revenue performance for the year was attributed to an increase in revenue collections both academic revenue and increased research activities during the year.

a) Revenues



UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Government Capitation

The University of Nairobi being a Government owned entity is supposed to be allocated Recurrent and Development Capitation to finance its operations each year.

Government funding in the FY 2021/2022 was insufficient to finance university activities and only caters for 35% of the budget, and covers only 61% of the payroll costs. In the year ended 30 June 2022, the capitation accounted for 40% of the total revenue.

The capitation grant amounted to Kshs. 5.72 billion in the year ended 30 June 2022.

Tuition Fees

These comprise of fees from Government sponsored students (Module I) and Self-sponsored Students (Module II) which accounted for 27% of the total revenue and 24% of the budget. There was an improvement in academic revenue picking up from the decline which had been experienced as a result of the covid-19 pandemic effects.

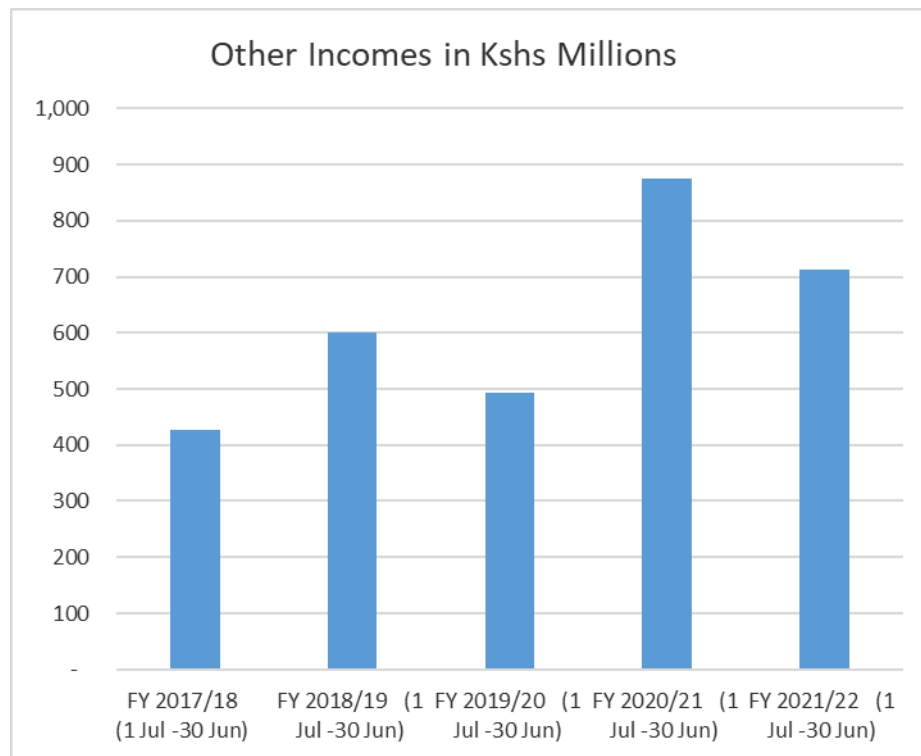
The fee from Module I students majorly depends on the number of students placed by Kenya Universities and Colleges Central Placement Services which fluctuates from year to year depending on the performance of KCSE.

Other Incomes

Other incomes include income from grants overheads, students' accommodation and catering, staff house rent and other miscellaneous sources. These formed 4% of total revenue in the year ended 30 June 2022 and financed 4% of the budget.

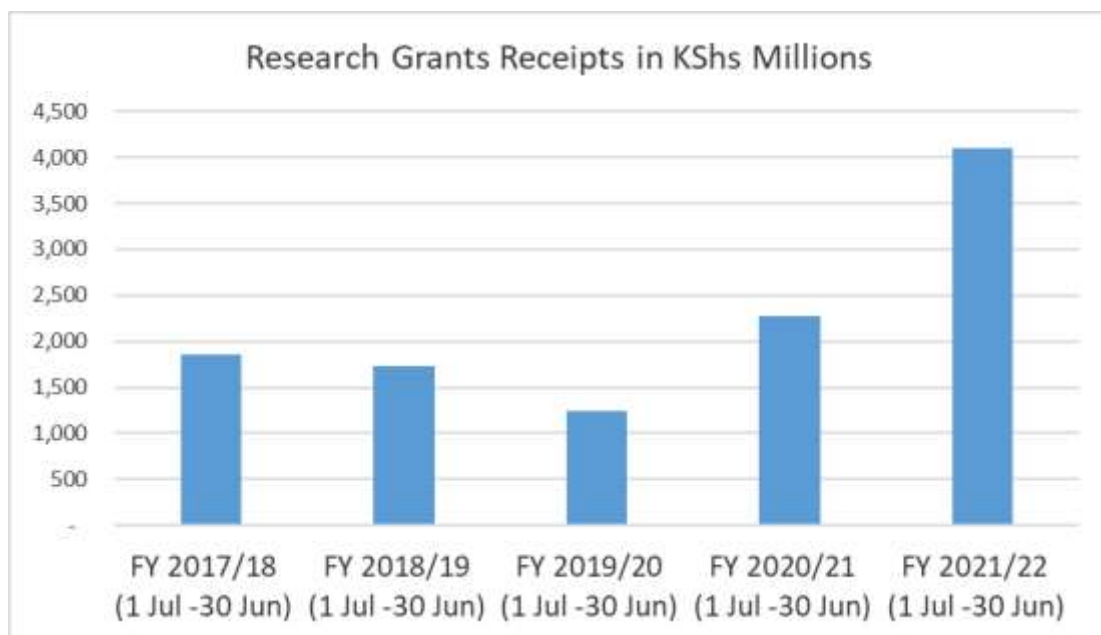
Other incomes are slowly recovering from the adverse effects occasioned by covid-19 pandemic. Results for the year ended 30 June 2022 shows a more promising performance of income generating activities and other operations as compared to the same year the previous year.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022



Research Grants Portfolio

The University has a vibrant Research culture, providing leadership in creativity and innovation. The University continues to attract Research grants and in the year ended 30 June 2022 received Research grants amounting to Ksh 4.1 billion.



UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

b) Expenses
Staff Costs

In the year ended 30 June 2022, the staff costs accounted for 56% of the total expenditure and 58% of budget. Capitation from Government financed about 61% of the payroll costs. FY 2021/2022 shows an increase in salaries which is attributed to the increase in basic salary occasioned by rationalization of the 2017/2021 CBA.

Operating and Administrative Expenses

This accounts for about 9% of the total expenditure.

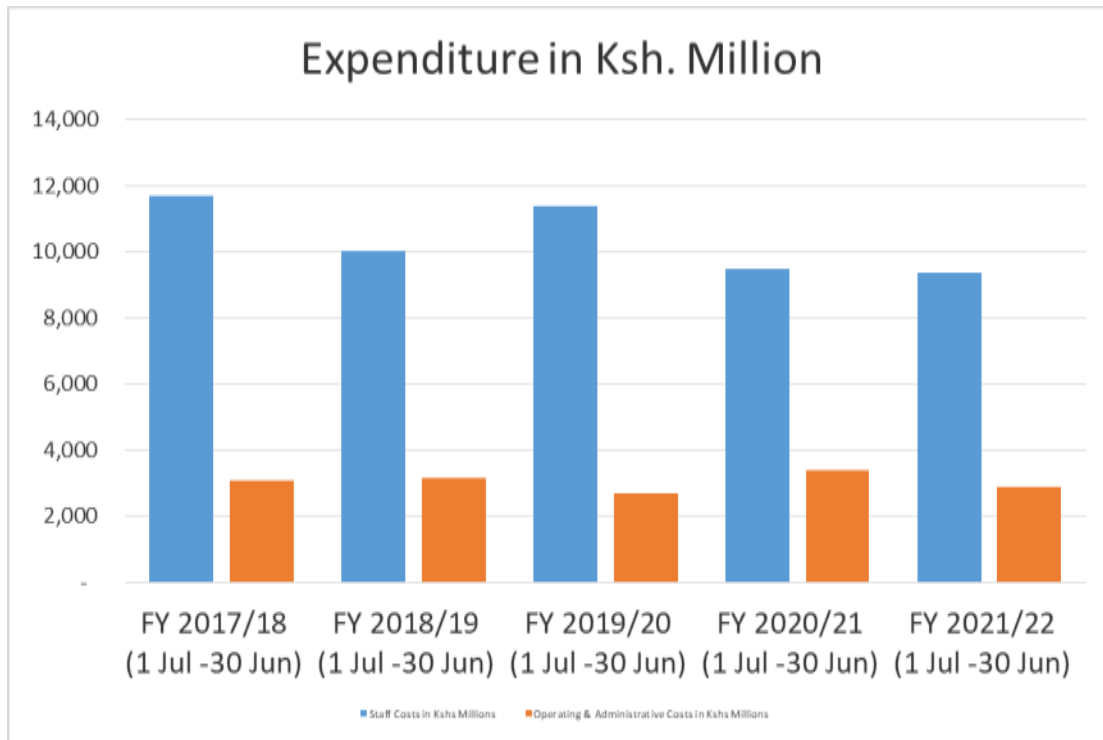
Included under this category are:

- i. Repair and Maintenance Expenses
- ii. Teaching and Office running expenses.
- iii. Transport and travel
- iv. ICT expenditure
- v. Administration expenses
- vi. Finance Expenses
- vii. Board Expenses

The University has formulated and implemented robust financial reforms that have resulted in reduction of operating expenses.

The reforms include, efficient and participatory budget formulation mechanisms, fiscal and budgetary discipline, efficient payment and banking services, systems to stop revenue leakage, wastage and optimize utilization of resources, review of financial viability of income generating units, re-engineering grants management to effectively support research, and reforming procurement functions to maximize efficiency, increase transparency and accountability and deliver value for money.

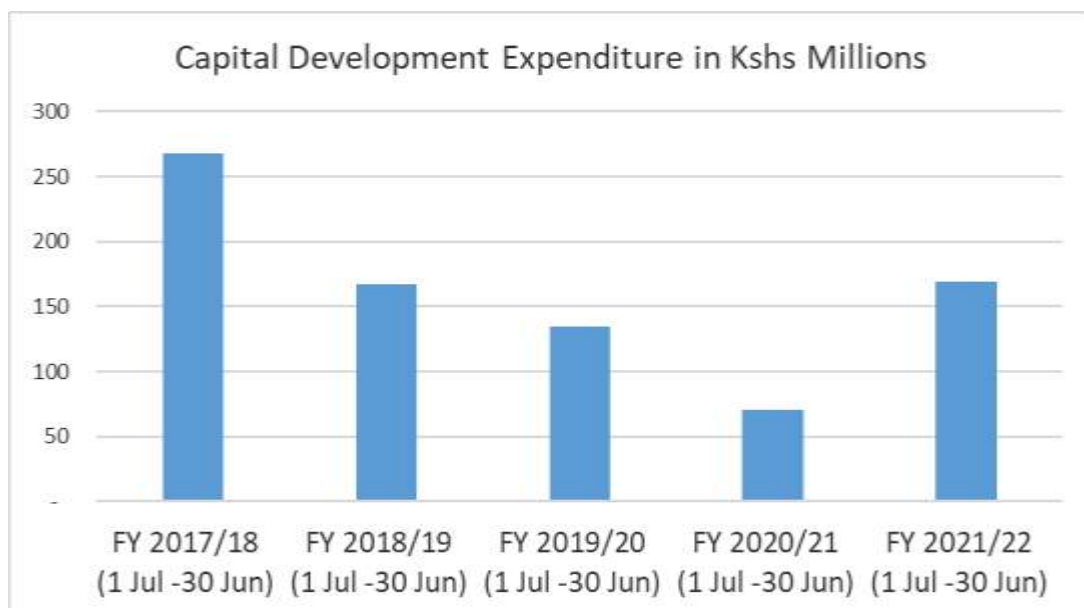
UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022



Operations and administrative expenditure has remained comparatively low due to increased use of online platform where necessary. The university also continues to put in place financial reforms which contributed to the reduction of operation expense.

Capital Development Expenditure.

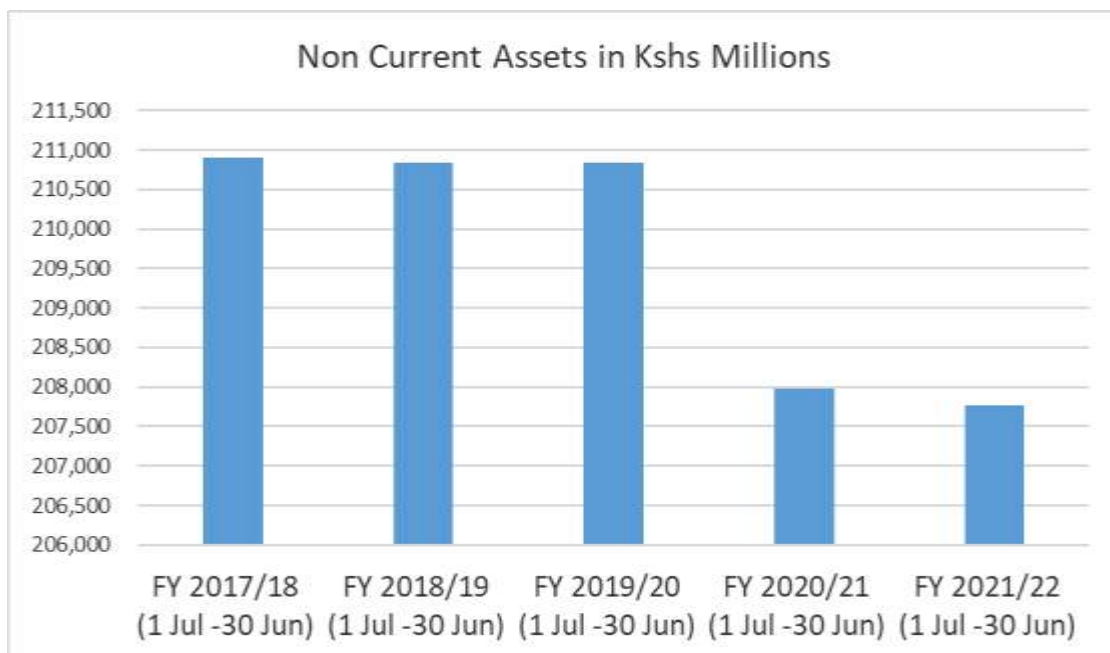
The low expenditure in the current year is due to the fact that there has not been any capital development funding from the government.



UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

c) Assets Base

The Campuses of the University are strategically located within the City of Nairobi and in the Satellite locations. The University boasts of a well-developed state of the art physical infrastructure which is organized into campuses that include the University Towers lecture halls and offices, teaching and research laboratories in Chiromo Campus, Lower and Upper Kabete Campuses, and Faculty of Health Sciences, student amenities as well as sports and health facilities.



Current Strategic Direction

In order to address the above challenges, the University in its 2018-2023 Strategic Plan has purposed to pursue the following strategic objectives;

1. To design and implement relevant and innovative teaching and learning programmes.
2. To be a leading Institution in scholarly, research and creative productivity in Africa.
3. To improve student welfare services through development and implementation of appropriate minimum standards.
4. To build a sustainable resource base.
5. To enhance the competitiveness and image of the University.
6. To institutionalize governance mechanisms and leadership culture that facilitates the realization of the University's vision and mission.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

SECTION B

Compliance with Statutory Requirements

The University endeavors to ensure full compliance with statutory requirements and other Government regulations.

The University prepares its financial statements in accordance with the Public Financial Management Act (PFM) 2012, the PFM Act Regulations, the State Corporations Act, the University Act and the International Public Sector Accounting Standards (IPSAS) Accrual.

Statutory deductions are effected and remittances done as per the governing statutory requirements by the National Health Insurance Fund (NHIF) and National Social Security Fund (NSSF).

The major non-compliance issues that may expose the University to potential contingent liabilities are outstanding remittances of Kshs 5.01 billion to Kenya Revenue Authority and Ksh. 5.5 billion to Retirement Benefit Authority.

SECTION C

Key projects and investment decisions the University implemented

The Engineering and Science Complex is one of the infrastructural project to be undertaken by the University and is expected to further smoothen the business of teaching, learning and conducting research, as well as expanding science based programs and use of modern machines/technology.

SECTION D

Major risks facing the University

Material Uncertainty

The University faces a risk of going concern due to the following:

- The financial performance has been in a deficit position since FY 2017/2018 due to reduced government capitation and the increased operational expenditures. In the five subsequent years, the University has recorded a negative revenue reserve of Ksh. 8.74 billion. FY2021/2022 recorded a deficit of Ksh. 2.1 billion compared to Ksh. 3.11 billion

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

in FY 2020/2021. The constant deficit position poses a high liquidity risk and insufficient financing of operations that may affect the going concern.

- The current ratio of 0.3 shows that the current liability exceeds the current assets and therefore the University cannot meet its short term obligations as and when they fall due. The high current liability from KRA and Pension form the majority of our current liabilities. The University faces a high risk of legal actions that will hamper the University's operations. The low current ratio puts material risk to the University's non-current assets that may be forced to liquidate in order to settle the current liabilities.

The University has consistently been engaging GoK with a view of enhancing capitulation to the university and to find a remedial plan to settle unremitted statutory deductions which arose due to the implantation of CBA 2013-2017 and CBA 2017-2021 that caused the University to pay enhance salaries without adequate funding from GoK.

Currently the University has embarked on the implementation of wide range reforms including financial reforms in most thematic areas such as organizational structure, operations, human resource utilization and management of resources including finances, aimed at improving the liquidity of the University, and this has already started bearing fruit.

The University has been allowed by tax authorities to reduce the outstanding remittances by through monthly remittances, which is on course.

There is a material uncertainty related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern, and therefore we may be unable to realise our assets and discharge our liabilities in the normal course of business.

Challenges

Several changes have happened in the external and internal environments of the University, which may influence the University's strategic direction. These are outlined below.

A) External Environment

Funding

Funding from the Government has consistently fallen below the requirements of the universities, which are under pressure to raise resources to finance their operations. The situation is serious in the University of Nairobi where the monthly Exchequer subvention covers only 61% of the monthly wage bill. As a result, salaries are paid only after mobilizing additional money from internal sources, leaving very little income to finance operations. The internally generated funds have drastically reduced due to the adverse effects caused by the

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

prevailing COVID 19 pandemic. To save the public Universities, urgent rethinking of the current financing needs to be given priority even as Universities continue implementing austerity measures and cost containment.

B) Internal Environment

This is a summary of significant changes in the internal environment.

Ageing staff

With the implementation of the Government's circular on retention in service of officers beyond the mandatory retirement age, the University is likely to experience a challenge of retaining services of experienced Academic Staff.

Underfunded CBA's

To address the challenge of a huge wage bill that is not matched by Government funding, the University management operationalized professor emeritus policy.

The strategies deployed have been multifaceted but mainly focused on Financial, Governance, Curriculum, People and Data. This has seen the University formulate prudent financial management, reorganize the governance, review programs offered among other interventions. These interventions have salvaged the University from previous eminent collapse.

Liquidity

The Current liabilities of Kshs 13.79 billion exceed the current assets of Kshs 5.17 billion hence the University has a negative working capital of Kshs 8.62 billion. Meeting short term obligations as and when they fall due is therefore a challenge.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

THE UNIVERSITY OF NAIROBI STRATEGIC DIRECTION

In order to address the above challenges, the University in its 2018-2023 Strategic Plan has purposed to pursue the following strategic objectives;

1. To design and implement relevant and innovative teaching and learning programs.
2. To be a leading Institution in scholarly, research and creative productivity in Africa.
3. To improve student welfare services through development and implementation of appropriate minimum standards.
4. To build a sustainable resource base.
5. To enhance the competitiveness and image of the University.
6. To institutionalize governance mechanisms and leadership culture that facilitates the realization of the University's vision and mission.

III. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The University of Nairobi is guided by its Service charter, the Act and the University statutes. In dealing with its strategic direction, the University focused on five pillars that place the customer/citizen first, delivery of relevant goods, products and services is next, and then improving operational excellence is third. Below is a brief highlight of our achievements on each pillar.

1. Sustainability strategy and profile

The university is in a perpetual quest for sustainability. For many years UoN was the only higher education institution in Kenya, where its main focus was to meet the training needs of Nairobi's workforce. Later, it grew and developed specialist programs in sciences, applied sciences, social sciences, technology, humanities and the arts.

UoN has an alumni network of 184,000 with politicians, cabinet ministers and heads of state among them. The university claims strengths in the areas of teaching, research, development, consultancy and professional excellence. It has also produced more trained graduates in human resources than any other higher education institution in the country.

In order to survive, the University embraced its base as that of knowledge and wealth creation. The knowledge industry is a multi-billion industry that highlights the need for communities to enhance their level of knowledge in the creation of wealth for sustainable development.

The role of the University of Nairobi, in embracing knowledge across county boundaries and disciplines for the benefit of the nation has been guided by its 2018-2023 strategic plan, which envisions the University working closely with different organizations to support initiatives aimed at uplifting the standards of living by focusing on areas that create avenues for development. In this regard, the university continually identifies and supports noble causes in the areas of education, community development, the environment, health, safety and food security.

2. Environmental Performance

The university put into practice the commitment to environmental protection and sustainability by planting over 7,000 tree seedlings to mark the Annual Tree Planting Day observed on 13 May 2022. This activity also drew the participation of the Loresho community and partners of the University such as Equity Group Foundation, County Government of Nairobi, the National

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Government, Shamba Café and Association of Green Champions. Further, the research week and Nairobi innovation week also captured environmental concerns through themes, papers, and projects that emphasized the importance of environmentally sustainable solutions.

3. Employee welfare

The recruitment of staff into the University of Nairobi is guided by the University of Nairobi Recruitment Policy, the Public Service Commission Human Resource and Procedures Manual, Collective Bargaining Agreements (CBAs) with the respective staff unions, and the Employment Act. The University also observes gender parity and non-discrimination in the recruitment process through adherence to the relevant policies and advertisements for vacancies.

University policies on employees take into account the views of key stakeholders including the Ministry of Education, Ministry of Labour, Salaries and Remuneration Commission, the Kenya Federation of Employers (FKE) and the three staff Unions representing the interests of university employees. The management has always consulted staff directly for feedback and sensitizations on various actions including policy development. The University human resource policies are reviewed every five years or as is deemed appropriate to make them relevant to the prevailing employment environment. During the year under review, the University introduced two policies on employee welfare namely Workplace Policy on Gender-Based Violence and Policy on Gender and Development 2022.

The Training and Development Policy covers staff development issues, career progression and training. The policy takes into account the schemes of service for the various cadres of staff and also the CBAs with the respective unions. Staff who wish to advance in their careers are always reminded to apply for support under the Staff Training and Development Fund (STDF). Those undertaking their PhD programs in the University benefit from fee waivers. The University further supports staff in their career development by granting study leave and paid leave to attend conferences as well as opportunities for staff exchange with leading universities in the world. Staff are continuously sensitized to enhance their knowledge and skills for career development and progression. The Staff Performance Appraisal is conducted every year for all staff and is implemented alongside the Sanction and Reward Framework. The University implements the relevant provisions of the Occupational Safety and Health Act, 2007 (OSHA)

4. Market place practices

a) Responsible competition practice

The University applies for and is allocated government-sponsored students by the KUCCPS under the laid down procedures. Under the self-sponsored programme, the university has an elaborate marketing plan that lays out comprehensive strategies for (including anti-corruption, fair competition, responsible political involvement, and respect for competitors)

b) Responsible supply chain and supplier relations

The University supply chain operations are streamlined to prevent undesirable conduct from internal and external sources. Some of the measures that were implemented to achieve best practices in supply chain operations were as follows: 1) Transparency of operations through open competitive bidding, uploading of procurement opportunities on the UON website and public procurement information portal and use of the Electronic Procurement Management Information System (EPMIS; 2) a supplier rotation policy to cover a wide supplier base; 3) minimizing bid rigging vices; 4) use of generic specifications rather than brand names; 5) observing reasonable timelines in the procurement of goods and services; and 6) conducting regular market surveys so that the award of tenders is in line with prevailing market conditions.

The University policy on payment of suppliers is based on the first in, first out principle with a commitment to pay within sixty days subject to the successful delivery and acceptance of goods/services. The procurement of goods and services by any department in the University is strictly tied to the availability of funds and confirmation of the same by the Finance Department. In case of a delay in paying suppliers due to unavoidable circumstances resulting to pending bills, these become the first charge before undertaking new procurement obligations.

c) Responsible marketing and advertisement

The University of Nairobi Marketing Plan (2018-2023) contains comprehensive strategies for marketing and advertising to achieve the objectives of enhancing visibility and brand awareness, increasing the number of students applying to join the university, and

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

enhancing customer experience. The plan outlines the nature of academic programs to be marketed, to whom, the avenues to use for marketing and advertising, and how the planned activities will be financed. The marketing plan is also aimed at ensuring that the marketing of academic programs is aligned to the draft policy on marketing, other university policies, and provisions by external regulators such as the Commission for University Education (Standards and Guidelines) among others.

d) Product stewardship

The rights and interests of consumers are safeguarded by providing accurate, comprehensive, and easily available information about all the University programs and the use of open communication channels online or in person in the event that more information is required.

5. Community Engagements

The University, through the College of Education and External Studies organized a community outreach activity at the Kinoo Primary and Secondary school in Kiambu County. The collaboration involved the University of Nairobi Alumni Association, the Brookhouse School, Primehold Supplies

The initiative was part of the Universities efforts to empower the youth to thrive, A CSR activity coordinated by the two schools of education of the university. During the activity, sanitary towels, story books, novels and balls for various ball games.

Part of the initiative is to emphasis digital wellness. The idea is that all work and not play is unhealthy, therefore even while seeking to encourage student to join university, the university has the onus to encourage youth to engage in other curricular activities to cultivate their talents, balance and competence.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) was an important component of the activities of the University during the year under review. The Directorate of Corporate Affairs oversaw the implementation of CSR activities by students and staff of the University in conjunction with partners. On 21 December 2021, the Darren Hart Foundation (a student-led body) in collaboration with the Engineering Students Association and various organizations came together and visited

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

the Treehouse Children's Home for a day of fun, work, and giving. On 5 April 2022, the Vice-Chancellor led activities to observe the World Health Day marked by education for members of the public and the University community on the prevention and management of prostate and breast cancers. Similar activities were also observed on Mental Health Awareness Day and the World AIDS Day. The University also supported improvements to the Kimbimbi Sub-County Hospital in Kirinyaga County under the CRISS health project.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

IV. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits its report together with the financial statements for the year ended 30 June 2022, which show the state of the University's affairs.

Core business of the University of Nairobi

The Core business of the University is provided for in the Universities Act, 2012. The functions and objects of the University are:

- a. To provide directly or in collaboration with other institutions of higher learning, facilities for University education, including technological and professional, education and for research;
- b. To participate in the discovery, transmission and preservation of knowledge and to stimulate the intellectual life and cultural development of Kenya;
- c. To conduct examinations for and to grant such academic awards as may be provided for in statutes;
- d. Subject to the Universities Act, to cooperate with the Government in planned development of university education and, in particular, to examine and approve proposals for new faculties, new departments, new degree courses, or new subjects of study submitted to it by any constituent college or other post-secondary institution; and
- e. To determine who may teach and what may be taught and how it may be taught in the University.

Results

The results for the year ended 30 June 2022 are set out on pages 1 to 50.

Council Members

The members of the University Council who served during the year are shown on page viii.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The University made a deficit during the year 2021/2022 and hence no remittance to the Consolidated Fund.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

Auditors

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

By Order of the University Council.



PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor & Secretary to Council
28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

V. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 47 of the Universities Act, No 42 of 2012 and section 27 of the of the University of Nairobi Charter require the University of Nairobi Council to prepare financial statements, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on 30 June 2022. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting year;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the entity;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act No. 42 of 2012.

The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended 30 June 2021, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

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

Approval of the financial statements

The University's financial statements were approved by the Council.



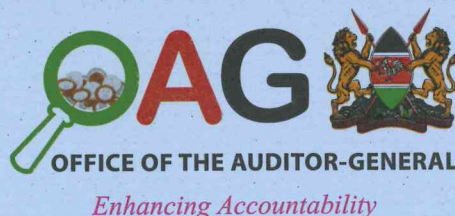
PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor & Secretary to Council
28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

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REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Nairobi as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty in Relation to Going Concern

The statement of financial performance reflects a deficit of Kshs.2,103,465,000 compared to a deficit of Kshs.3,110,473,000 reported in the previous financial year. This increased the accumulated deficit to Kshs.8,814,666,000 from Kshs.6,753,856,000 reported in the previous year. Further, the statement of financial position reflects current liabilities amounting to Kshs.13,785,987,000 and current assets amounting to Kshs.5,170,219,000 resulting to a negative working capital of Kshs.8,615,768,000. The University is, therefore, technically insolvent and is unable to meet its financial obligations as and when they fall due.

Further, Note 33 to the financial statements reflects statutory payables amounting to Kshs.10,566,627,000 which the University had not remitted as at 30 June, 2022, an increase of Kshs.856,741,000 from the balance of Kshs.9,709,886,000 that was outstanding as at 30 June, 2021. The unremitted statutory deductions totalling Kshs.10,566,627,000 includes taxes to Kenya Revenue Authority of Kshs.5,012,865,000 and pensions contributions of Kshs.5,533,486,000.

In the circumstances, the continued existence of the University as a going concern is dependent on continued receipt of financial assistance from the Government, Donors and creditors.

2. Personnel Cost

2.1 Unremitted Payroll Deductions

The statement of financial performance and Note 13 to the financial statements reflects Kshs.9,369,906,000 in respect of personnel cost. Included in this amount is Basic pay Kshs.4,780,730,000 out of which Kshs.1,498,868,818 and Kshs.50,378,210 in respect of Pension and PAYE respectively, remained unremitted while Note 33 to the financial statement reflects cumulatively, amounts of Kshs.5,533,486,000 and Kshs.5,012,865,000 unremitted Pension and PAYE respectively. The amounts attract non-remittance penalties which have not been factored in these financial statements.

In the circumstances, the completeness and accuracy of the operating results and the liabilities could not be confirmed..

2.2 Unsupported Staff Gratuity Expense

Statement of financial performance and Note 13 to the financial statements reflects an amount of Kshs.182,700,000 relating to staff gratuity expense. Analysis of the monthly payroll revealed that staff gratuity amounting to Kshs.375,704,864 was processed through the payroll resulting to a variance of Kshs.193,004,864 which was not explained or reconciled.

In addition, the amount of staff gratuity reflected in the trial balance indicates a net change of Kshs.202,483,178 as analysed in the table below and the balances do not tally with the amount reported in the financial statements.

| Account Number | Description | Debits | Credits | Net Change |
|----------------|--------------------------------|----------------|----------------|----------------|
| 003-113-002 | Provision for Gratuity Expense | 182,699,778.10 | 0.00 | |
| 731-113-000 | Provision - Staff Gratuities | - | 385,182,955.90 | 202,483,177.80 |

In the circumstances, the accuracy and completeness of staff gratuity Kshs.182,699,778 could not be confirmed.

3. Loss Making Income Generating Units (IGUs)

The statement of financial position and as disclosed under Note 41 to the financial statements reflects net funds from IGUs and UNES amounting to Kshs.(781,502,000). IGUs based in UNES Ltd and UON Faculty of Engineering continued to make losses as indicated below: -

| Income Generating Units (IGU) | Income (Kshs.) | Expenditure (Kshs.) | Deficit (Kshs.) |
|-------------------------------|----------------|---------------------|-----------------|
| Faculty of Engineering | 18,453,000 | 25,263,000 | (6,810,000) |
| Diagnostic Radiology | 3,600,000 | 4,673,000 | (1,074,000) |
| Eye Centre | 4,693,000 | 6,673,000 | (1,980,000) |
| Dental School | 3,949,000 | 5,629,000 | (1,680,000) |
| UNES Ltd IGS and Expenses | 869,705,000 | 892,150,000 | (22,445,000) |

No explanation was provided on the steps taken to improve the financial performance of the above Income Generating Units (IGUs). There was also no evidence that Management has undertaken detailed evaluation of these loss making units with a view to making a continue or discontinue decision.

Further, the financial statements for University of Nairobi Enterprises and Services Limited (UNES) reflects a net loss of Kshs.8,474,986 for the year ended 30 June, 2022 compared with the reflected loss of Kshs.22,445,000. The reconciliation between the two amounts was not provided.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements could not be confirmed.

4. Property, Plant and Equipment

4.1 Lack of Ownership Documents

As previously reported, property, plant and equipment net book balance of Kshs.207,502,368,000 reflected in the statement of financial position and as disclosed in Note 28 to the financial statements includes land valued at Kshs.186,447,265,000 which include three parcels of land, LR. No. 11645/9715 measuring 62 acres valued at Kshs.165,621,835 at Kenya Science Campus, LR. No. 22378 in Upper Kabete, measuring 15.9 acres valued at Kshs.2,321,115,000 and LR NO 7219/32 at Kikuyu campus measuring 30 acres valued at Kshs.1,391,113,000 all totalling to Kshs.3,877,849,835, whose ownership documents were not provided for audit verification.

In the circumstances, the accuracy and ownership status of plant and equipment balance of Kshs.207,502,368,000 could not be confirmed.

4.2 Stalled Student Accommodation Hostels at Lower Kabete Campus

As previously reported, the project for construction of a students' accommodation hostel comprising 500 bed hostel, kitchen and dining, and a common room at Lower Kabete Campus undertaken by a contractor in 1990 stalled in 1992 after the Government budgetary allocation ceased. The initial contract was mutually terminated in 2000. At the time, the University owed the contractor a balance of Kshs.70,000,000. The contractor sued the University claiming the outstanding payment of Kshs.70,000,000 inclusive of interest and costs. The University has since paid the contractor.

Although the University Management indicated that they had requested for funding amounting to Kshs.450,000,000 to finance completion of the stalled Project, audit inspection carried out on the project in November, 2022 revealed that the building is deteriorating due to roof leakages, termites, visible cracks in the columns and beams, chemical and physical damage on the stalled building. Completion of the hostels would provide secure accommodation for University students who are currently seeking accommodation in the surrounding areas.

In the circumstances, value for money has not been obtained as the project has not been completed and put to the intended use.

4.3 Proposed Construction of School of Pharmacy

As previously reported, on 1 October, 2010, the University entered into a contract with a construction company for the construction of the proposed School of Pharmacy Building at the College of Health Services at a cost of Kshs.152,903,393.

As per the Internal Audit report of 12 April, 2018, the Project was estimated to take a period of ninety-seven (97) weeks and was expected to be completed by August, 2012. The report further revealed that the construction had been carried out on the basement, ground and first floors and that the building was 90% complete. However, the building could not be occupied as the sewerage system had not been connected due to lack of an appropriate way leave. The completion of the construction works has been delayed by eight (8) years.

Available information indicate that the sewer has since been connected to the Nairobi County's main sewer line following agreement with the Nairobi Hospice Management to have it pass through their plot. However, a site visit of the project in November, 2022 revealed that the basement and car park were flooded, with water entering through vulnerable points such as walls, floors, foundation cracks, windows and clogged rain gutters. If the above observations are not addressed, water infiltration will deteriorate the integrity of the structure. Although, the Project Architect issued a certificate of practical completion in 2017 for the works awarded and successfully completed, the building has not been occupied.

In the circumstances, value for money may not be obtained if the project is not completed and put to the intended use.

4.4 Unsupported Motor Vehicles Cost Value

Note 28 to the financial statements reflects total cost of property, plant and equipment of Kshs.213,818,857,000 as at 30 June, 2022, which includes Kshs.799,244,000 in respect of motor vehicles. Available information indicate that the University revalued its motor vehicles to a new value of Kshs.204,700,000. However, the revaluation report indicating who valued the vehicles, how the valuer was identified, and the actual value of each motor vehicle was not provided for verification.

In the circumstances, the completeness and accuracy of the motor vehicle cost of Kshs.799,244,000 could not be confirmed.

4.5 Work-In-Progress (WIP)

Note 28 to the financial statements reflects property, plant and equipment net book value amounting to Kshs.207,502,368 as at 30 June, 2022. The balance includes work-in-progress (WIP) totalling to Kshs.254,798,000. Document provided for audit verification revealed the following anomalies: -

4.5.1 Unsupported Work-In-Progress Brought Forward Balance

Examination of documents supporting the brought forward balance of Kshs.258,500,000 revealed that projects valued at Kshs.11,559,692 as at 30 June, 2021 were not supported with payment certificates, procurement documents and the Projects implementation status reports.

4.5.2 Over Payment for Non-Working Borehole

The University awarded a tender number UON/02/2019/2020 to Kenya Water Institute on 12 November, 2019 for drilling and test pumping Kikuyu Campus borehole at a contract price of Kshs.2,512,270. Documents provided for verification indicated that the borehole was drilled and test pumped on 6 April, 2022. Physical verification carried out on 28 November, 2022 revealed that the borehole had only pumped water once and for 20 minutes and then stopped. Further, available information indicates that the borehole's yield was inadequate for pumping.

In addition, the WIP schedule indicates payments for the project amounting to Kshs.3,830,113, resulting to an overpayment of Kshs.1,317,843. The anomaly was not explained or supported.

In the circumstances, the accuracy and existence of the reported property, plant and equipment balance of Kshs.207,502,368,000 could not be confirmed as fairly stated as at 30 June, 2022.

5. Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,060,864,000 as at 30 June, 2022 while Note 26 to the financial statements reflects a balance of Kshs.2,060,952,000. The variance of Kshs.88,000 under sundry debtors was not explained or supported. Further, examination of the supporting schedules revealed the following unsatisfactory matters: -

5.1 Sundry Debtors

The amount of Kshs.2,060,864,000 includes sundry debtors of Kshs.444,853,000 which comprises of staff debtors, old student debts, accrued income, trade debtors and UON Press debtors as tabulated in the table below: -

| Sundry Debtors Breakdown | Amount (Kshs.) |
|---------------------------------|---------------------------|
| Staff Debts | 169,870,994.97 |
| Other Debtors | 58,297,377.20 |
| Trade Debtors | 216,592,403.91 |
| UON Press Debtors | 91,935.23 |
| Total | 444,852,711.31 |

Review of the debtors' schedules provided for audit revealed that the balance of Kshs.444,852,711 includes Kshs.169,870,995 related to long outstanding staff debtors both in active service and some who have exited service. No information was provided indicating when and how the staff debtors arose and why recovery measures had not been instituted. The Management did not also explain how staff who exited and still owe the University were cleared from the University and how the amounts are to be recovered.

Further, University of Nairobi Press debtors balance of Kshs.91,935.23 included in sundry debtors was not supported by any documentary evidence. In addition, the balance was not reflected in the financial statements of University of Nairobi Press.

5.2 Long Outstanding Students Debtors

Note 26 to the financial statements reflects student debtors balance of Kshs.1,282,888,510 as at 30 June, 2022. However, review of the committee on long outstanding debtors report dated 29 June, 2022 indicates that the above amount includes student debtors amount of Kshs.867,078,610 which constitutes of Module 1- Kshs.143,947,959 and Module 2- Kshs.723,130,651. The debtors related to erroneous billings, abscondment, deregistration, suspension, discontinuation, expulsion, death,

interfaculty transfer, withdrawal, failure to report all of which deemed uncollectable. No explanation was provided as to why the balances have not been written off.

The continued holding of uncollectable debts in the accounting records is misleading to the users of the financial statements.

In the circumstances, its existence and accuracy of the balances could not be confirmed.

6. Unsupported and Unremitted UON Pension Scheme Balance

The statement of financial position and as disclosed in Note 33 to the financial statements reflects statutory payables totalling Kshs.10,566,627,000 which includes UoN Pension balance of Kshs.5,533,486,000 whose analysis in respect of the individual staff and amount pending was not provided for audit review. Similarly, the statement of changes in net assets reflects a pension understatement amount of Kshs.85.131,000 which was not explained or supported. Further, review of records indicated that a remedial plan was prepared by the University Council, discussed and adopted by the Board of Trustees on 30 September, 2019 and approved by the Retirement Benefits Authority (RBA) on 8 October, 2019.

According to the plan, the University was required to remit employees' contributions totalling to Kshs.50,000,000 per month so as to clear the outstanding arrears by 30 September, 2025. However, as at the time of audit in September, 2022 the University had not remitted the targeted amount of Kshs.600,000,000 to the Scheme.

This was contrary to provisions of Section 53A of the Retirement Benefits Act, 1997 and the RBA can take into consideration provisions of Section 53B(a)(iii) of the Retirement Benefits Act, 1997 (Revised 2020) which states that notwithstanding the provisions stated under Section 53A, where there is non-remittance of the contribution by the employer, the Authority shall require the employer to immediately cease further deductions from employees' emoluments and notify all the members of the scheme of the cessation.

In addition, on 14 May, 2020 the University requested the RBA to suspend the monthly payment, following closure of all learning institutions due to the outbreak of Covid-19 pandemic. RBA requested the University to prepare a feasible remedial plan. However, the University has not provided any remedial plan for settlement of the long outstanding employer contributions to the Scheme.

In the circumstances, it was not possible to confirm the regularity and valuation of the University of Nairobi pension payable of Kshs.5,533,486,000.

7. Long Outstanding Payables

The financial statements disclose under Note 33 to the financial statements an amount of Kshs.10,566,627,000 as statutory payables. Included in the amount are long outstanding payables to Kenya Revenue Authority and Pension Scheme dated from July 2016 to June 2021 amounting to Kshs.4,893,221,000 and Kshs.4,807,936,000 respectively.

In the circumstances, the University is exposed to fines and penalties for failure to meet its obligations as and when the fall due.

8. Unsupported Endowment for General Purposes

The statements of financial position and Note 38 to the financial statements reflects endowment for general purposes book balance of Kshs.16,181,000 as at 1 July, 2021 and 30 June, 2022. The endowment was established in 2005 as a designated fund for the purpose of funding students prizes and scholarships. However, documents provided indicates that the fund has been dormant since 2006 and the amount of Kshs.16,181,000 reflected in the financial statements every year is a book balance that does not represent available funds. Further, no explanation was provided for retaining the book balance which is not represented by actual funds.

In the circumstances, the validity of the general fund balance of Kshs.16,061,015 as at 30 June, 2022 could not be confirmed.

9. Related Parties Balances

The statement of financial position reflects total non-current assets and non-current liabilities balances of Kshs.207,776,203,000 and Kshs.3,041,742,000 which as disclosed in Note 30 and Note 36 to the financial statements includes funds held by UNES of Kshs.247,630,000 and UNES Ltd long-term liabilities of Kshs.269,050,000 respectively. However, the University of Nairobi Enterprise Services Limited financial statements as at 30 June, 2022 reflects corresponding balances of Kshs.102,617,487 and Kshs.268,027,471 respectively, resulting to variances of Kshs.145,012,513 and Kshs.1,022,529 which were not explained or supported.

In the circumstances, the accuracy of non-current assets and non-current liabilities balances of Kshs.207,776,203,000 and Kshs.3,041,742,000 respectively could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.16,286,639,000 and Kshs.14,382,846,000 respectively, resulting to a shortfall of Kshs.1,903,793,000 or 12% of the budgeted amount. The statement also reflects an expenditure budget of

Kshs.15,671,829,000 against actual expenditure of Kshs.16,533,091,000 resulting in an over-expenditure of Kshs.861,262,000 or 5%. Although Management attributed the shortfall in revenue collection to challenging business environment brought about by the Covid-19 pandemic, anticipated government capitations not realized and research grants which were not received, the approval for the over expenditure was not provided.

Further, the statement of comparison of budget and actual amounts reflects actual revenue of Kshs.14,382,846,000 and actual expenditure of Kshs.16,533,091,000 which was at variance with the statement of financial performance amounts of Kshs.10,155,552,000 and Kshs.12,272,983,000, resulting to unexplained and unsupported variances of Kshs.4,227,294,000 and Kshs.4,260,108,000 respectively.

In the circumstances, the underperformance negatively affected the service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Council Meeting Minutes

The statement of financial performance and Note 16 to the financial statements reflects an amount of Kshs.6,825,000 spent on Council expenses. The Council minutes register for the year shows that the Council and Sub-Committees had a total of thirteen sittings but only three sets of minutes were provided to support the sittings.

In the absence of signed Council and Sub-committees' minutes, it is not possible to confirm that meetings were held and deliberations made.

2. Unsupported Procurement Method

The University paid Kshs.888,590 to Heiltz Tech Partners for the supply of tonners on a framework agreement basis as tabulated below:

| Voucher No. | Date | Payee | Details | Amount (Kshs.) |
|----------------|----------|--------------------------|--|----------------|
| AIE-32514-2961 | 07.03.22 | Heiltz Tech Partners Ltd | 100-Office Toners Internal Audit Inv3529 | 169,919 |
| AIE-34631-4122 | 10.05.22 | Heiltz Tech Partners Ltd | 100 Supply of Toners Per Inv 4312 | 192,621 |
| AIE-37394-5742 | 15.07.22 | Heiltz Tech Partners Ltd | 100-Supply of Toners Hr Office Inv4311 | 158,716 |
| AIE-32749-3543 | 11.04.22 | Heiltz Tech Partners Ltd | 100 Supply of Toners Per Inv 4260 | 112,034 |
| AIE-35671-5665 | 12.07.22 | Heiltz Tech Partners Ltd | Request for Purchase of Toners in The Deans Office | 255,300 |
| | | | Total | 888,590 |

However, Management has not provided the list of the remaining 6 alternative suppliers that entered into the framework agreement alongside Heiltz Tech Partners Ltd, for the supply of 'HP Laser Jet Printers Tonners'; and their framework agreements as per Section 114 (1)(c) of the Public Procurement and Asset Disposal Act, 2015, which states that a procuring entity may enter into a framework agreement through open tender if a minimum of seven alternative vendors are included for each category.

In the circumstances, Management was in breach of law.

3. Grounded Motor Vehicles

Examination of motor vehicle records revealed that sixty-six (66) motor vehicles had been grounded. Available information indicate that the vehicles are earmarked for disposal, however the process had not commenced. Contrary to Section 163(1) of the Public Procurement and Disposal Act, 2015 which provides guidelines and procedures for disposal of unserviceable, obsolete, or surplus stores, equipment or assets. Besides depreciating and deteriorating in value, the grounded motor vehicles have not made any contribution towards the achievement of service delivery objectives of the University.

In the circumstances, Management was in breach of law.

4. Dilapidated Assets

Physical verification of the University assets carried out between 27 November, 2022 and 8 December, 2022 revealed that some University's assets are in deplorable state as indicated below: -

4.1 Maona Marine Field Station - Diani Mombasa

A visit to the station established that it has a 12 roomed Hostels which can accommodate 24 students who may visit the facility while doing research. In addition, there is a two-bed roomed Cottage which can accommodate families who may visit the facility. There is also a lab, multipurpose hall, a cafeteria and a kitchen. The buildings at Diani Beach were valued at Kshs.19,774,000. However, some of these buildings were in a bad condition as ceilings were falling off, there was rusty equipment, dust, old paint which is peeling off and leaking roofs. Lab equipment were similarly old, obsolete and had gathered dust. The University only carried out fumigation services at the station which included fighting termites' habitats around the station and putting makuti roof at the cottage. Under the circumstances, the station needs refurbishments if it is to return to its lost glory which will enhance the little income which is currently realized from a few students who visit the centre once after a long time.

Further, Diani beach land is valued at Kshs.366,000,000. However, the land is not properly secured as part of it is across the road is under serious threat of encroachment as some temporary food kiosks have been put up. Further, two curio shops have also been put up at the beach on the side facing the sea.

In the circumstances, there is no value for money in respect to the dilapidating assets and the University is exposed to loss of land if the encroached area is not secured.

4.2 Kibwezi Field Station

Assets at Kibwezi Field Station comprises of 12,000 acres of land and buildings valued at Kshs.799,712,000 and Kshs.189,959,099, respectively. A visit to the station confirmed that all the buildings are physically in existence as shown in the assets register. However, the following issues were noted: -

4.2.1 Laboratory/Lecture Hall

It was noted that although the hall was spacious, the ceiling had partly curved in with a gaping hole or open space to the roof, the furniture was old and completely worn out, there was no equipment in the laboratory.

4.2.2 Dinning/Kitchen

The kitchen was spacious but faulty with old utensils and leaking taps. The ceiling was made up of timber and was fairly good. However, it was invaded by bats with a stench coming from the bats urine and droppings from a distance of about 100 metres away.

Further, it was noted that: -

- (a) Staff clinic was closed several years ago and doctors transferred to Nairobi. The poultry project was also closed and the 4-house units were not in use.
- (b) Accommodation rooms had worn out mattresses, and painting was required, and ceiling needed repairs. The other buildings were also in need of repairs.
- (c) The pump house at the irrigation field was partly under water and there was a risk of sucking in silt. The pumping equipment had rust due to corrosion and negligence. The irrigation project which used to be operated by the Israelites had since been abandoned and just a small portion given to the Community Youth to farm for free. The store house, toilets, workshops, office, and lecture hall were abandoned several years ago. The buildings in the site were in a bad state, ceilings curving in with broken doors and windows.
- (d) The water intake was working but the diesel engine which used to back up power during power outages was taken away in the year 2020 allegedly for repairs at Davis and Shirliff and has never been returned. The water treatment tank was malfunctioning due to blocked pipes. The operators devised a manual way of filtering the water using a piece of cloth and chlorinating the water manually. The water from the treatment tank was sucked using two small pipes to the dosing area then collecting at a storage tank for distribution to the consumers. The elevated steel tank was damaged and irreparable as a result of rust and corrosion.

In the circumstances, it was not possible to confirm the accuracy of the balance reflected in the statement of financial position since it includes the value of the above neglected and abandoned assets of the University.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


28 April, 2023

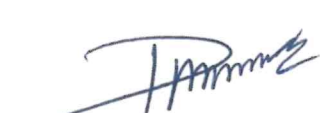
UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

VII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 2021/2022 Ksh.000 | 2020/2021 Ksh.000 |
|--|-------|----------------------|----------------------|
| Revenue From Non-Exchange Transaction | | | |
| Recurrent Capitation Grant | 6 | 5,724,440 | 5,298,882 |
| | | 5,724,440 | 5,298,882 |
| Revenue From Exchange Transactions | | | |
| Tuition and Other Fees | 7 | 3,928,497 | 4,049,415 |
| Accommodation and Catering Fees | 8 | 135,128 | 59,311 |
| Rental Income | 9 | 196,321 | 166,461 |
| Finance Income | 10 | 17,795 | 8,460 |
| Income from University of Nairobi Press | 11 | 242 | 206 |
| Grants Overheads and Other Incomes | 12 | 153,129 | 155,854 |
| | | 4,431,112 | 4,439,706 |
| Total Revenue | | 10,155,552 | 9,738,587 |
| Expenses | | | |
| Personnel Cost | 13 | 9,369,906 | 9,474,684 |
| Module II Direct Service Providers | 14 | 596,827 | 623,112 |
| Use of Goods/ Operating Expense | 15 | 1,268,407 | 1,873,331 |
| Council Expense | 16 | 6,825 | 10,051 |
| Depreciation | 17 | 614,553 | 540,786 |
| Repairs and Maintenance | 18 | 64,284 | 31,003 |
| Contracted Services | 19 | 210,848 | 198,300 |
| Student Welfare Expense | 20 | 67,081 | 35,712 |
| Finance Cost | 21 | 74,252 | 85,599 |
| Total Expenses | | 12,272,983 | 12,872,576 |
| Other Gains/(Losses) | 22 | 13,966 | 23,516 |
| | | 13,966 | 23,516 |
| Deficit For The year | | (2,103,465) | (3,110,473) |

The notes set out on pages 12 to 44 form an integral part of the Financial Statements


PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor &
Secretary to Council
28 March 2023


CPA STEPHEN K. KIMELI,
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ICPAK Member No. 7128
Ag. Director Finance
28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

VIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

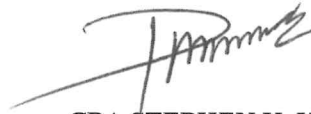
| | Notes | 2021/2022 Ksh.000 | 2020/2021 Ksh.000 |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 23 | 1,441,751 | 1,363,287 |
| Short Term Deposits | 24 | 426 | 151,075 |
| Receivables from non-exchange Transactions | 25 | 1,422,808 | 1,356,308 |
| Receivables from Exchange Transactions | 26 | 2,060,864 | 2,143,419 |
| Inventories | 27 | 244,370 | 280,257 |
| | | 5,170,219 | 5,294,346 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 28 | 207,502,368 | 207,728,358 |
| Investments | 29 | 17,562 | 18,876 |
| Funds Held by UNES Ltd | 30 | 247,630 | - |
| Intangible Assets | 31 | 8,643 | 249 |
| | | 207,776,203 | 207,747,484 |
| Total Assets | | 212,946,422 | 213,041,829 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 32 | 2,452,003 | 1,211,336 |
| Statutory Payables | 33 | 10,566,627 | 9,709,886 |
| Current Provisions | 34 | 767,358 | 426,245 |
| | | 13,785,987 | 11,347,466 |
| Non-Current Liabilities | | | |
| Barclays Bank Term Loan | 35 | 633,333 | 738,889 |
| UNES Ltd long term Liabilities | 36 | 269,050 | 254,343 |
| Special Accounts and Grants | 37 | 2,070,756 | 2,146,518 |
| Trust and Endowment funds | 38 | 52,421 | 199,626 |
| Endowment for General Purposes | 39 | 16,181 | 16,181 |
| | | 3,041,742 | 3,355,557 |
| Total Liabilities | | 16,827,730 | 14,703,023 |
| Net assets | | | |
| General Fund | 40 | 16,063,746 | 16,061,015 |
| Net funds from IGUs & UNES | 41 | (781,502) | (770,204) |
| Capital Reserves | 42 | 189,651,114 | 189,548,822 |
| Special Capital Development | 43 | - | 25,378 |
| Revenue Reserves | 44 | (8,814,666) | (6,753,856) |
| Koitalel Samoei University Grants Fund | 45 | - | 227,651 |
| Total Net Assets | | 196,118,692 | 198,338,807 |
| Total Funds and Liabilities | | 212,946,422 | 213,041,829 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Council by:



PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor &
Secretary to Council
28 March 2023



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28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

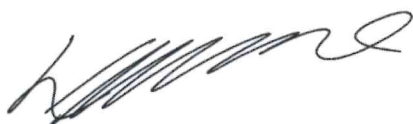
IX. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022


| | Note | IGU'S and UNES Funds Ksh.000 | General Fund Ksh.000 | Koitalel Samoei University Funds Ksh.000 | Special Capital Development Fund Ksh.000 | Capital Reserve Ksh.000 | Revenue Reserve Ksh.000 | Total Ksh.000 |
|--|------|--|----------------------------|--|--|-------------------------------|-------------------------------|--------------------|
| Balance as at 1/7/2020 | | (782,075) | 16,071,135 | 287,723 | 25,378 | 191,351,641 | (3,420,476) | 203,533,327 |
| Additional Grants Assets | 40 | - | 28,614 | - | - | - | - | 28,614 |
| Depreciation on Donated Assets | 40 | - | (23,435) | - | - | - | - | (23,435) |
| Depreciation on Research Grants Assets | 40 | - | (15,299) | - | - | - | - | (15,299) |
| Increase/(Decrease) in IGU Fund | 41 | 11,871 | - | - | - | - | - | 11,871 |
| Incremental Depreciation on Revalued Assets | 42 | - | - | - | - | (61,468) | 61,468 | - |
| Prior Year adjustments | 44 | - | - | - | - | (1,741,351) | (284,375) | (2,025,726) |
| Surplus/(Deficit) for the year | 44 | - | - | - | - | - | (3,110,473) | (3,110,473) |
| Disbursements | 45 | - | - | (60,072) | - | - | - | (60,072) |
| Balance as at 30/06/2021 | | (770,204) | 16,061,015 | 227,651 | 25,378 | 189,548,822 | (6,753,856) | 198,338,807 |
| Balance as at 1/07/2021 | | (770,204) | 16,061,015 | - | 25,378 | 189,548,822 | (6,753,856) | 198,111,156 |
| Additional Grants Assets | 40 | - | 50,685 | - | - | - | - | 50,685 |
| Depreciation on Donated Assets | 40 | - | (23,435) | - | - | - | - | (23,435) |
| Depreciation on Research Grants Assets | 40 | - | (24,520) | - | - | - | - | (24,520) |
| Increase/(Decrease) in IGU Fund | 41 | 38,186 | - | - | - | - | - | 38,186 |
| UNES Reserves | 41 | (49,485) | - | - | - | - | - | (49,485) |
| Incremental Depreciation on Revalued Assets | 42 | - | - | - | - | (102,408) | - | (102,408) |
| Increase/ (Decrease) in revaluation | 42 | - | - | - | - | 204,700 | - | 204,700 |
| Add: Incremental Depreciation on Revalued Assets | 44 | - | - | - | - | - | 102,408 | 102,408 |
| Prior Year adjustments | | | | | | | | |
| special development capital fund write back | 43 | - | - | - | (25,378) | - | 25,378 | - |
| Pension understatement | 44 | - | - | - | - | - | (85,131) | (85,131) |
| Surplus/(Deficit) for the year | 44 | - | - | - | - | - | (2,103,465) | (2,103,465) |
| Balance as at 30/06/2022 | | (781,502) | 16,063,746 | - | - | 189,651,114 | (8,814,666) | 196,118,692 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

X. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 2021/2022 Ksh.000 | 2020/2021 Ksh.000 |
|---|-------|----------------------|----------------------|
| Cash Flow from Operating activities | | | |
| Cash from non-exchange transaction | 6 | 5,724,440 | 5,298,882 |
| Cash from exchange transaction | 7-12 | 4,431,113 | 2,571,983 |
| External Research Grants Receipts | 37 | 4,099,145 | 4,439,351 |
| (Increase)/ Decrease in Debtors | 25-26 | 16,055 | 1,187,556 |
| Total Receipts from Exchange and non-exchange transactions | | 14,270,753 | 13,497,772 |
| Payments of Expenditures | 13-21 | (11,590,568) | (12,616,166) |
| External Research Grants Expenses | 37 | (4,174,906) | (2,259,819) |
| Increase in Pending bills | 32-34 | 2,097,408 | 1,333,257 |
| (Increase)/ Decrease in Inventory | 27 | 35,886 | (35,417) |
| Total Payments from Exchange and non-exchange transactions | | (13,632,180) | (13,578,144) |
| Total Cash Flows from Operating activities | | 638,572 | (80,373) |
| Cash Flow From Investing Activities | | | |
| Purchase of property, plant, equipment and intangible assets | 28 | (228,891) | (70,528) |
| Proceeds from sale of property, plant and Equipment | 22 | 18,223 | 4,540 |
| Other Gains/(Loss) | 22 | (4,258) | 18,976 |
| Liquidated Investment | | - | 1,700 |
| Decrease in Investment | | 1,314 | - |
| Total Cash Flows from Investing activities | | (213,611) | (45,311) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | 35 | (105,556) | (105,556) |
| Dividends Received | | 73 | 5,865 |
| Increase in capital funds | 40-44 | (237,833) | (54,720) |
| Total Cash Flows from Financing activities | | (343,315) | (154,411) |
| Net Cash Flows | | 83,359 | (280,095) |
| Cash Balance 1 July 2021 | | 1,358,818 | 1,794,457 |
| Cash Balance 30 June 2022 | | 1,442,177 | 1,514,362 |
| Analysis of Cash and Cash Equivalents | | | |
| Cash in Hand and at Bank 30 June 2022 | 23 | 1,441,751 | 1,363,287 |
| Short Term Deposits | 24 | 426 | 151,075 |
| Cash and Cash Equivalents as at 30 June 2022 | | 1,442,177 | 1,514,362 |


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UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

| | Original Budget for the year | Adjustments | Final Budget (2021/2022) | Actual on Comparable Basis | Performance Difference | % of Utilization |
|---|------------------------------------|------------------|-----------------------------|----------------------------------|---------------------------|---------------------|
| | Ksh.000 A | Ksh.000 B | Ksh.000 C=A+B | Ksh.000 D | Ksh.000 E=C-D | Ksh.000 F=D/C |
| Revenue | | | | | | |
| Internally Generated Academic Revenue | 6,306,780 | (521,087) | 5,785,693 | 3,928,497 | (1,857,196) | 68% |
| Government Grants - Recurrent | 5,618,026 | 106,414 | 5,724,440 | 5,724,440 | (0) | 100% |
| Government Grants - Development | - | 17,401 | 17,401 | - | (17,401) | 0% |
| Development Grants (Devpt Partners) | 351,000 | - | 351,000 | - | (351,000) | 0% |
| External Research Grants | 2,743,000 | 947,000 | 3,690,000 | 4,099,145 | 409,145 | 111% |
| Other Incomes Recurrent (IGUs, Agency fees, Press, Rentals) | 717,904 | 200 | 718,104 | 630,764 | (87,340) | 88% |
| Total Revenue | 15,736,709 | 549,929 | 16,286,639 | 14,382,846 | (1,903,793) | 88% |
| Expenses | | | | | | |
| Personnel Emoluments | 9,420,032 | 340,461 | 9,760,493 | 9,369,906 | 390,588 | 96% |
| Direct Service Providers(DSP) Module II | 708,657 | - | 708,657 | 596,827 | 111,830 | 84% |
| Other Recurrent Expenses -IGUs | 255,606 | (116,434) | 139,173 | 85,202 | 53,971 | 61% |
| Boards Expenses | 30,000 | (15,000) | 15,000 | 6,825 | 8,175 | 46% |
| Operating/ Administrative Expenses | 2,039,311 | (387,750) | 1,651,561 | 1,530,804 | 120,757 | 93% |
| External Research Grants | 2,194,400 | 938,600 | 3,133,000 | 4,174,906 | (1,041,906) | 133% |
| Repairs and Maintenance | 90,000 | (24,350) | 65,650 | 64,284 | 1,366 | 98% |
| Finance charges | 195,294 | - | 195,294 | 89,784 | 105,510 | 46% |
| Work plan Expenses | 3,000 | - | 3,000 | - | 3,000 | 0% |
| Depreciation | - | - | - | 614,553 | (614,553) | 0% |
| Total Expenditure | 14,936,301 | 735,528 | 15,671,829 | 16,533,091 | (861,263) | 105% |
| Deficit | 800,408 | (185,599) | 614,810 | (2,149,916) | 2,764,725 | -350% |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022 cont'd.

| | Original Budget for the year | Adjustments | Final Budget (2021/2022) | Actual on Comparable Basis | Performance Difference | % of Utilization |
|----------------------------------|------------------------------------|------------------|-----------------------------|----------------------------------|---------------------------|---------------------|
| | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 |
| | A | B | C=A+B | D | E=C-D | F=D/C |
| Capital Expenditure | | | | | | |
| Purchase of Motor Vehicles | 5,464 | - | 5,464 | - | 5,464 | 0% |
| Purchase of Plant and Equipment | 53,094 | - | 53,094 | 21,175 | 31,919 | 40% |
| Capital Development-WIP | 418,000 | 87,401 | 505,401 | 101,845 | 403,556 | 20% |
| Purchase of Computers | 323,851 | (273,000) | 50,851 | 45,767 | 5,083 | 90% |
| Total Capital Expenditure | 800,408 | (185,599) | 614,810 | 168,788 | 446,022 | 27% |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

1. Explanation of Material Variances on the Statement of Comparison of Budget and Actual Performance

Revenue

In the year ended 30 June 2022 the university realized 88% of budgeted revenue. The 12% shortfall was due to the following:

i. Internally Generated Revenue

Academic revenue was below target by 32%. This was attributed to declining student admission for the self-sponsored programs. The effects of COVID 19 Pandemic also continue to impact negatively on academic revenue receipts. However, the move to embark on online teaching and learning by the University, and the phased resumption of physical teaching and learning, has ensured continuity in revenue collections albeit in reduced amounts

ii. GoK Development Grants

Government has not remitted Capitation Grants for Capital Development in the year.

iii. Research Grants

The University had projected to receive Kshs 3.69 billion through Research Grants but Kshs 4.1 billion was received in the year ended 30 June 2022. This is mainly due to new grants that have been signed, as well as venturing in the European Union. This was 11% more than what was anticipated

iv. GOK Recurrent Capitation

The current GoK capitation is not adequate to run University operations. The reduction of GoK Capitation by Kshs 1.7 billion since FY 2017/2018 for the University continues to impact on the University to operate at full capacity and to generate more revenue to sustain its objectives. Due to the impact of COVID 19 on internally generated revenue, reinstatement of capitation will ease the pressure on the University.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

v. Other Incomes.

Incomes from College based Income Generating Activities, Accommodation, Catering and Research Grants Administrative Charges combined had a shortfall of 12% from the budget. This was mainly due to scaled down operations as a result of the COVID 19 Pandemic. The incomes were also impacted by implementation of CUE requirements which reduced the number of students accommodated per cubicle as well as the continued provision of subsidized catering services to students. However, the University has embarked on rigorous management of its income generating activities as the economy continues to recover from the pandemic.

Expenses

Actual total expenditure was utilized efficiently for the year ended 30 June 2022;

i. Personnel Emoluments.

The budget for personnel emoluments were fully utilized during the year ended 30 June 2022.

ii. Direct Service Provider

The DSP expenditure was fully utilized during the year. DSP is appropriated based on the registration of students' course unites.

iii. Expenditure on Income Generating Activities

IGU Expenses budget was underutilized by 39% due to decreased running costs in a bid to maintain IGU operations.

iv. Board Expenses.

Council expenses were underutilized by 57% due to expiry of council member terms of service in the first quarter. The subsequent appointment of council members was done in the next financial year.

v. Operating/ Administrative Expenses

The operating and administrative expenses budget was adequately utilized during the year.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

vi. Expenditure on External Research Grants

The expenditure on external research grants was above the budget by 33% which is following the absorption policy for research funds that were above the budget. The project expenditure depends on the funding by the donor and the work plan as per the signed MOUs and donor budget.

vii. Finance Charges

The budget for Finance charges was underutilized by 54%. This was made possible due to prudent financial management instituted by the finance department which included discontinued use of bank overdrafts to finance operations.

viii. Capital Development-Work in Progress

Capital development was underutilized by 80% due to non-remittance of capital development funds budgeted by the Government.

ix. Expenditure on work plan Key Initiatives

There was no expenditure for Work Plan Key Initiative due to rescheduled activities in the current budget.

2. Explanation of Material Variances on the Original Budget and Final Budget

Revenue

Revenue variance between the original budget and final budget was Kshs. 480 million due to the following reasons;

i. Internally Generated Revenue

Academic Revenue target reduced by Kshs. 521 million. This was to reflect the anticipated actual collections to 30 June 2022. The University's school calendar changed in a bid to ration the expenses which affected the revenue.

ii. GoK Capitation Grants

The increase in GoK capitation by Kshs. 36.4 million, was to align the budget with the approved estimates by the National Treasury and Ministry of Education.

iii. GoK Development Grants

The increase of Kshs. 17.4 million was adjusted to include the budget for capital development.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

iv. External Research Grants

The budget for Research Grants was increased by Kshs. 947 million in order to reflect the prevailing situation.

v. Other Incomes

The budget for other incomes was varied upwards in anticipation of the economy opening up and the normal operations being resumed to aid revenue generation. However Covid-19 situation persisted on, making it impossible to realize the intended goal.

Expenses

x. Personnel Emoluments.

Personnel emoluments were varied upward by Kshs. 340 million to cater for annual increments.

xi. Operating/ Administrative Expenses

The reduction in Operating/ Administrative expenses by Kshs. 398.4 million, was occasioned by;

- a) Reduced on-campus activities as a measure of mitigating the spread of Covid-19
- b) Implementation of prudent financial management reforms by the University management.

xii. Capital Development-Work in Progress

The budget for capital development was reduced by Kshs. 17.4 million in line with available funds guided by GoK approved estimates.

xiii. External Research Grants

The expenditure budget for Research Grants was varied downwards in line with the budgeted revenue.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

3. Statement of Reconciliation of Actual Amount on Comparable Basis and Actual Amount in Financial Statement for the Year Ended 30 June 2022

| | Note | 2021/2022 Ksh.000 | 2020/2021 Ksh.000 |
|---|-------|----------------------|----------------------|
| Revenue | | | |
| Total Revenue as per Statement of Financial Performance | 6-12 | 10,155,553 | 9,738,587 |
| ADD Revenues accounted for under Funds | | | |
| External Research Grants Receipts | 37 | 4,099,145 | 2,571,983 |
| Faculty Based IGA -Incomes | 41 | 128,390 | 212,954 |
| | | 4,227,535 | 2,784,937 |
| Total Revenue as per Statement of Comparison of Budget and Actual Amount | | 14,383,088 | 12,523,525 |
| Expenses | | | |
| Total Expenses as per Statement of Financial Performance | 13-21 | 12,272,983 | 12,872,576 |
| ADD Expenditure accounted for under Funds | | | |
| External Research Grants Expenses | 37 | 4,174,906 | 2,259,819 |
| Faculty Based IGA -Expenses | 41 | 85,202 | 191,981 |
| Purchase of Plant and Equipment | 28 | - | 16,948 |
| Capital Development-WIP | 28 | - | 5,429 |
| Purchase of Computers | 28 | - | 19,536 |
| | | 4,260,108 | 2,493,714 |
| Total Expenditure as per Statement of Comparison of Budget and Actual Amount | | 16,533,091 | 15,354,125 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

4. Statement Of Reconciliation Of Actual Amount On Comparable Basis And Net Cash Flows From Operating Activities, Investing Activities And Financing Activities For The Year Ended 30 June 2022.

| | Notes | 2021/2022 Ksh.000 | 2020/2021 Ksh.000 |
|--|-------|----------------------|----------------------|
| Total Revenue as per Statement of Comparison of Budget and Actual Amount | | 14,383,088 | 12,523,525 |
| Faculty Based IGA -Incomes | 41 | 128,390 | 212,954 |
| Decrease in Provision for bad Debts | 12 | - | 355 |
| | | 14,254,698 | 12,310,216 |
| (Increase)/ Decrease in Debtors | 25-26 | 16,055 | 1,187,556 |
| Total Receipts from Exchange and non-exchange transactions from Cash flow Statement | | 14,270,753 | 13,497,772 |
| Total Expenditure as per Statement of Comparison of Budget and Actual Amount | | 16,533,091 | 15,366,290 |
| Faculty Based IGA -Expenses | 41 | 85,202 | 191,981 |
| Purchase of Assets | 47 | - | 41,914 |
| | | 16,447,889 | 15,132,395 |
| Prior years Expenses | | - | 284,375 |
| Less Depreciation | 17 | (614,553) | (540,786) |
| Increase in pending bills | 32-34 | (2,097,408) | (1,333,257) |
| Increase in inventory | 27 | (35,886) | 35,417 |
| Increase in Provision For Bad debts | 15 | (67,861) | - |
| Total Payments from Exchange and non-exchange transactions from Cash Flow Statement | | 13,632,180 | 13,578,144 |
| Total Cash Flows from Investing activities | | (213,611) | (45,311) |
| Total Cash Flows from Financing activities | | (341,602) | (154,411) |
| Cash Balance 1 July 2021 | 23 | 1,358,818 | (280,095) |
| Net change in cash and cash equivalents | | 83,359 | 1,794,457 |
| Cash and Cash Equivalents as at 30 June 2022 | | 1,442,177 | 1,514,362 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

XII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The University of Nairobi is established by and derives its authority and accountability from the Universities Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide University Education and training in addition to participation in discovery, transmission and preservation of knowledge.

In the FY2021/2022 the University restructured its operations which necessitated changes in presentation of its financial statements. In compliance with the National Treasury structure, the University adopted the reporting by nature of activities, a deviation from the previous presentation on functional basis. The comparative year has been reclassified where practically possible to match the current structure.

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) Accrual basis of accounting which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University of Nairobi's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are appropriately disclosed.

The financial statements have been prepared and presented in Kenya Shillings which is the functional and reporting currency of the University of Nairobi rounded to the nearest thousand (Ksh.000).

The financial statements have been prepared in accordance with the Public Financial Management Act (PFM), the State Corporations Act, the University Act and the International Public Sector Accounting Standards (IPSAS) Accrual. The accounting policies adopted have been consistently applied to all the years presented.

The cash flow statement is prepared using the direct method.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS Cont'd

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

| Standard | Impact |
|-----------------------------|--|
| Other Improvements to IPSAS | <p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. <p><i>(The management has assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will have a significant impact on the company's financial statements.)</i></p> |

ii. New and amended standards and interpretations issued but not yet effective in the year ended 30 June 2022.

| Standard | Effective date and impact: |
|---|---|
| IPSAS 41: Financial Instruments | <p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

| Standard | Effective date and impact: |
|--|---|
| | <p>assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(The management does not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)</i></p> |
| IPSAS 42: Social Benefits | <p>Applicable: 1st January 2023</p> <p>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:</p> <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; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(The management does not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)</i></p> |
| 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> |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

| Standard | Effective date and impact: |
|----------|---|
| | <i>(The management does not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)</i> |

iii. Early adoption of standards

The University did not early adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

i. Changes in accounting policies and estimates

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

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information. These accounting policies have been applied consistently to all years presented in these financial statements.

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current year unless it is impracticable to do so.

ii. Revenue recognition

a. Revenue from non-exchange transactions

Revenue from non-exchange transactions are mainly Government of Kenya grants for both the recurrent and development expenditure. Revenue is recognized when it becomes due and the transfers are free from conditions and it is probable that the economic benefits or service potential related to the asset will flow the University and can be measured reliably.

b. Revenue from exchange transactions

Students Fees

Income derived from rendering services includes fees from graduate and undergraduate programs, mandatory students' fees, fees from accommodation and catering services.

Tuition revenue is recognized over the course of the semester for which it is earned, regardless of when it is received.

Mandatory fees such as registration fees, Lab fees, Activity fees, SONU fees and Computer fees relate to services provided by the University over the Course of the semester and similar to tuition, are recognized over the course of semester to which they apply.

Accommodation and Catering services Revenue is recognized during the year in which the students reside on campus and make use of campus residences and dining facilities.

Students' Caution Monies are recognized as liability and separated under Current and Non-Current portions in the Statement of Financial Position.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

Sales and Services of related Enterprises

Sales and Services of related enterprises such as UNES Ltd and UoN Press are limited to revenues directly from operations of the enterprises.

Sales and Services revenue is recognized when earned, that is, at the time goods or services are provided.

Research Grants

Payments received in advance from sponsors of research projects are reported as deferred income on the statement of financial position until such times as the revenue has been earned, which is when the expense is incurred.

Interest income

Interest Income is recognized when earned using the applicable rate.

Dividends

Dividends or a similar distribution from subsidiary company such as UNES Ltd is recognized when the University's right to receive payments is established.

Rental income

Rental income arising from staff houses and other University premises are recognized when earned arising from occupancy and on a pro rata basis.

Disposal Gains and Losses

Any gain or loss on disposal of property, plant and equipment is recognized at the date the control of the asset is passed on to the buyer and it is determined after deducting from the proceeds the net book value of the asset at the time of disposal.

Revaluation gains and Surpluses

Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficits.

iii. Taxes

The University is exempt from taxation under the PFM Act Regulation No.34, Section 219. This regulation requires corporations exempted from Income Tax to remit 90 percent of surplus to the National Treasury.

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

iv. Property, Plant and Equipment

Property, Plant and Equipment are stated at cost or revalued amount less cost of accumulated depreciation at the end of the year. The valuation is carried out after every five years. Valuation was last done in the year 2016/2017 by registered, licensed and practicing valuers from the Department of Real Estate and Construction Management of the University of Nairobi.

Revaluation is carried out for land and buildings to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset, with changes reported by class of asset. Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount. Upon disposal of an asset, the gain or loss in disposal is calculated by subtracting the net book value from the proceeds from sale of assets, where the net book value is calculated by subtracting the accumulated depreciation of the asset from the cost. Such assets will be derecognized from the books of accounts by removing the whole cost of purchase of the asset and the accumulated depreciation.

Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed off, the revaluation surplus is transferred directly to accumulated surpluses or deficits.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of item of property, plant, and equipment over its estimated useful life. The depreciation rate of different classes of property, plant, and equipment are as follows:

- Furniture and Equipment - 10% on straight line basis
- Motor Vehicles - 20% on straight line basis
- Academic gowns - 5% on straight line basis
- Buildings - 2% on straight line basis
- Computers and software development – 33.3% on straight line basis

v. Leases

The University has entered into several operating leases with owners of premises for provision of teaching spaces. Since these contracts do not transfer substantially all the risks and benefits incidental to ownership of the leased premises to the University, lease payments are recognized as an operating expense in the statement of performance on a straight-line basis over the lease term.

vi. 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 charged to the statement of performance in the year in which the expenditure is incurred.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS Cont'd

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets are amortized at 20% on a straight line basis.

vii. Research Grants

These are donor funds received for research purposes. The funds are accounted for in a separate special fund account.

The Deans Committee Research Grants are funds set aside from University revenue. The uncommitted balance on each research is carried forward until the related research project is completed.

viii. Endowment and Trust Fund

Endowment and Trust Fund are funds set-up through special donations, the principal amount being invested and the income accruing being applied to scholarships, academic research, and academic chairs.

The responsibility for accepting, preserving, and managing the funds entrusted to the University rests with the Council; however, the Council has delegated authority for investment decisions to the Investment Committee of the University. The Committee determines investment objectives and guidelines, including allocation of assets between classes of investments.

The University's investment objective for its endowment assets is to maximize total return within reasonable risk parameters. The achievement of favorable investment returns enables the University to distribute increasing amounts from the endowment over time so that present and future needs can be treated equitably. Diversification is a key component of the University's Standard for managing and investing endowment funds, and asset allocation targets are subject to ongoing reviews by the Investment Committee.

Investments are stated at market value in accordance with performance of securities in market and advice from relevant professionals.

ix. Financial instruments

Financial assets and Liabilities

Initial recognition and measurement

The University recognizes Receivables on the date when they are originated and derecognizes a financial asset when the contractual rights to the cash flows of the asset expire.

The University derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets

Receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortized cost.

Impairment of financial assets

At each reporting date the University assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS Cont'd

Estimated reliably. Objective evidence that financial assets including equity securities are impaired can include:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Short-term deposits

Short-term deposits are made for varying periods depending on the immediate cash requirements of the University. Interest rates are negotiated with the financial institutions to fetch the University the best available returns in the market. Interest earned thereof are recognized in the statement of financial performance.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

x. Inventory Valuation

Inventories are measured at the lower cost and net realizable value.

The cost of Library books is written off to expenditure as incurred. Cost of work in progress and finished goods includes raw materials and direct labor costs.

xi. Employee benefits

Retirement Benefits

The University currently operates a defined contribution scheme for its employees.

The University obligation to the scheme is the contribution of 20% of basic Salary whereas the employees contribute 10% of their basic Salary. The University also contributed to NSSF Kshs. 200 per employee per month for the year under review. The University's contributions to the above schemes are charged to the Statement of Financial Performance in the year to which they relate.

xii. Foreign Currency Conversion

Assets and Liabilities in foreign currencies are converted into Kenya shillings at the rates of exchange ruling at the Statement of Financial Position date. Conversion differences are accounted for in the appropriate fund accounts.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS Cont'd

xiii. Provisions

Bad Debt Provision

Provision for bad debt has been made at 5% on sundry and student debtors which include sundry receivables and receivables arising from non-exchange transactions such as from GoK and other Public Institutions. In the year 2021/2022 the University management started to provide for bad debts on student debtors at 5%.

Other liabilities and provisions

Other liabilities and provisions are recognized for future expenditure of uncertain amount or timing. When there is a present obligation as a result of a past event and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities

Contingent liabilities are recorded in the Financial Statements at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallize is not remote.

Current employee obligations

Employee benefits expected to be settled within 12 months are measured at nominal values based on accrued entitlements at current rates of pay.

These are accrued gratuities earned but not yet paid for staff on contractual terms of employment.

Non-Current employee obligations

Employee benefits expected to be settled beyond 12 months are measured at nominal values based on accrued entitlements at current rates of pay.

These are accrued gratuities earned but not yet paid for staff on contractual terms of employment

Employee benefits are calculated at thirty one percent of the basic pay for staff on contract and twenty seven days basic pay per year worked for members of staff on auxiliary grades.

xiv. Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. The following reserves are maintained University:

IGU'S and UNES Funds

The IGU's and UNES Fund are created out of revenue surpluses from the financial performance of the college based income generating activities and UNES limited. This fund represents the financing contribution of IGUs and UNES to the University. The IGU'S and UNES Limited surplus/ (deficit) is charged to this fund.

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Significant Accounting Policies cont'd

General Fund

The general fund caters for capital development receipts as well as capital grant donations in form of assets from government and development partners e.g. research projects. The depreciation of such donated assets is charged to this fund and expenditure incurred for the capital development receipts from government is transferred from this fund as deferred income to the statement of performance.

Special Capital Development Fund

This fund holds funds set aside for special capital development in the University.

Capital Reserve

The capital reserve was created to cater for the increases of the revaluations of property, plant and equipment carried out after every five years. The revaluation decreases and depreciation of the revalued property, plant and equipment are first charged to this reserve and any excess charged to the statement of financial performance.

Revenue Reserve

The Revenue reserve is created out of revenue surpluses, which arise out of the normal business activities of the University and is used to meet future expenses or deficits.

xv. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in 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 and any bank overdrafts that may have been acquired in the period. Bank account balances include amounts held at various commercial banks at the end of the financial year.

xvi. Budget information

The original budget for FY 2021/2022 was approved by the Ministry of Education. Subsequent revisions or additional appropriations were made to the approved budget in accordance with the specific approvals from the Ministry Education and the National Treasury. The revisions to appropriations are made to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

The University's budget is prepared on a different basis to the actual statement of performance disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the functions with nature of expenses disclosed for each functional unit in the statement of financial performance, whereas the budget is prepared on a commitment (cash) basis using nature of expenses. The amounts in the financial statements were recast from the accrual basis to the commitment (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

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition, 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 actual as per the statement of financial performance has been presented under XVII (3) of these financial statements.

xvii. Comparative figures

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

xviii. 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 University's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting year. 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 years.

Estimates and assumptions

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

Useful lives and residual values

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

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

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

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 4 (xiii).

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.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| INCOME | 2021/2022 | 2020/2021 |
|--|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| 6 Recurrent Capitation Grant | | |
| Government Capitation | 5,654,440 | 5,223,882 |
| Special Capitation | 70,000 | 75,000 |
| | 5,724,440 | 5,298,882 |
| 7 Tuition and Other Fees | | |
| Module I | - | 594,017 |
| Module II | - | 3,455,397 |
| Tuition and Other Fees | - | |
| Faculty Of Agriculture | 67,636 | - |
| Faculty Of Arts & Social Sciences | 440,566 | - |
| Faculty Of The Built Environment And Design | 200,912 | - |
| Faculty Of Business And Management Science | 498,218 | - |
| Faculty Of Education | 193,080 | - |
| Faculty Of Engineering | 233,253 | - |
| Faculty Of Law | 271,354 | - |
| Faculty Of Health Sciences | 1,658,279 | - |
| Faculty Of Science And Technology | 268,202 | - |
| Faculty Of Veterinary Medicine | 47,227 | - |
| | 3,878,726 | 4,049,415 |
| Other Academic Charges | 49,771 | - |
| | 3,928,497 | 4,049,415 |
| <i>Note: There was a change in presentation for tuition fees in FY2021/22 where fees previously reported collectively for Module I and Module II is now reported according to faculties.</i> | | |
| 8 Accommodation and Catering Fees | | |
| Students Accommodation | 110,938 | 59,311 |
| Catering and Other Charges | 24,191 | - |
| | 135,128 | 59,311 |
| 9 Rental Income | | |
| Staff Housing | 148,894 | 142,506 |
| Rent From Facilities | 47,427 | 23,955 |
| | 196,321 | 166,461 |
| 10 Finance Income | | |
| Bank Interest Income | 17,795 | 8,460 |
| | 17,795 | 8,460 |
| 11 Income from University of Nairobi Press | 242 | 206 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|--|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| 12 Grant Overheads and Other Incomes | | |
| Grants Overheads | 134,366 | 133,327 |
| Other Incomes | | |
| Agency Fees (Insurance & Hire Purchase) | 5,099 | 6,090 |
| Ict Revolving Fund | - | 2,191 |
| Sale Of Tender Documents | 74 | 196 |
| Staff Education Support Fund | 3 | 54 |
| Income from IGAs | - | 9,567 |
| Revenue from Stationery, Air tickets and Water | - | 4,075 |
| Investment Income | 3,031 | - |
| Miscellaneous Income | 10,557 | - |
| Provision for Bad Debts | - | 355 |
| | 153,129 | 155,854 |

Note: The University of Nairobi changed its operational structure which necessitated changes in classification of income. We adopted these classifications in the comparative year

EXPENSES

| | | |
|--|------------------|------------------|
| 13 Personnel Cost | | |
| Basic Pay | 4,780,730 | 6,349,989 |
| House Allowance | 1,728,877 | 1,773,799 |
| House To Office Allowance | 696,080 | 505,629 |
| Staff Gratuity | 182,700 | - |
| Staff Pension & Nssf Employer Contribution | 871,498 | - |
| Doctors/Clinical Allowance | 716,063 | 787,063 |
| Leave Allowance | 97,503 | 58,203 |
| Passage & Baggage Allowance | 2,437 | - |
| Other Personnel Allowances | 294,017 | - |
| | 9,369,906 | 9,474,684 |

Note: Basic Pay for comparative year was a combination of amounts in basic pay, Staff Gratuity & Pension, and other Personnel allowances of KSh, 4,865,570,773, Ksh. 961,544,629 and Ksh. 521,310 394 respectively.

| | | |
|--|----------------|----------------|
| 14 Provision for Module II Direct Service Providers | 596,827 | 623,112 |
| 15 Operating Expense | | |
| Administration Expense | | |
| Travelling and Transport. | 8,391 | 6,904 |
| Publishing and Printing | 2,551 | 401 |
| Purchase of Uniforms (Administration)* | 1,121 | 796 |
| Purchase of Uniforms (SWA)* | - | 1,027 |
| Purchase of Stationery/ Office Expense | 28,998 | 15,662 |
| Postal Expenses | - | 322 |
| Telephones | 14,223 | 10,207 |
| ICT, Internet service and licenses | 132,838 | 128,438 |
| Insurances | 56,352 | 26,292 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|--|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| Bank Charges | 15,532 | 18,078 |
| Tender Expenses | 393 | 80 |
| Conference and Seminars | 2,531 | 803 |
| Membership Subscriptions | 1,900 | 6,192 |
| Provision for Audit Fees | 4,640 | 4,640 |
| Fees, Commission & Honoraria | - | 15 |
| Official Entertainment | 18 | - |
| Transport Operating Expenses | 33,108 | 12,804 |
| Funeral Expenses | 1,417 | 2,521 |
| Legal Fees | 64,581 | 101,471 |
| Performance Contracting activities & ISO Expenses | 186 | 708 |
| UMB Expense | 972 | - |
| Staff Appraisal | 372 | - |
| UON Advancement | - | 30 |
| Intellectual Property Expenses | - | 153 |
| Industrial Relations | 3,043 | 2,324 |
| Fixed Assets Tagging and Valuation Expenses | 451 | - |
| National Values and Cohesion | 140 | - |
| Placement Fees and CUE | 47,345 | 47,220 |
| Staff Development | 1,647 | 1,330 |
| Publicity and Corporate Image expense (Recruitment Expenses) | 6,558 | 6,040 |
| Land Rents and Rates | 6,659 | 15,376 |
| Electricity | 193,388 | 247,448 |
| Water | 66,927 | - |
| Medical Expense | 286,851 | 331,912 |
| International Travel | 4,872 | 244 |
| Alumni | - | 29 |
| Compliance Charges | 534 | 76 |
| Rent Expense | - | 34,347 |
| Hire Of Transport Plant & Machinery | 65 | - |
| Unremitted Pension Interest Charge | - | 620,478 |
| Provision for Bad Debts | 67,861 | - |
| Miscellaneous other charges* | - | 1,422* |
| | 1,055,202 | 1,645,788 |
| Academic Expense | | |
| Field Work & Teaching Practice | 71,832 | 34,198 |
| Teaching Expenses | 41,583 | 54,992 |
| Travelling and Transport | 1,913 | 5,891 |
| Purchase of Exam Stationary | 10,929 | 6,208 |
| Books and Periodicals | 16,787 | 39,593 |
| ICT Consumables | 361 | 57 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|---------------------------------|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| External Examiners | 20,586 | 9,038 |
| Postgraduate Programmes | 23,214 | 65,788 |
| Research and Publications | 5,481 | 244 |
| Graduation Expenses | 8,153 | 11,312 |
| Marketing of Academic Programs | 2,808 | - |
| M.O.U Programs | 8,776 | - |
| Awards and Prizes | 612 | - |
| Expenditure from service units | 170 | 222 |
| | 213,205 | 227,542 |
| Total Operations Expense | 1,268,407 | 1,873,331 |

Note: The amount for Purchase of Uniforms and Miscellaneous other charges* in the previous year was reported according to functional units thus appearing under central administration and SWA while in the current year due to restructuring it is reported according to nature.*

16 Council Expense

| | | |
|--|--------------|---------------|
| Remuneration and Other Council Expense | 6,825 | 10,051 |
| | 6,825 | 10,051 |

17 Depreciation

| | | |
|----------------------------------|----------------|----------------|
| Buildings | 443,020 | 441,067 |
| Intangible Assets | 2,124 | 23 |
| Motor Vehicle | 46,045 | 16,723 |
| Computers | 45,357 | 19,549 |
| Furniture and Equipment | 122,952 | 99,148 |
| Academic Attire | 3,010 | 3,010 |
| Total Depreciation | 662,507 | 579,497 |
| Less: Grants Assets Depreciation | (47,954) | (38,734) |
| | 614,553 | 540,786 |

18 Repairs and Maintenance

| | | |
|--|---------------|---------------|
| Maintenance of Buildings | 37,932 | 16,060 |
| Repair & Maintenance of Equipment | 17,745 | 14,943 |
| Repair & Maintenance of Motor Vehicles | 8,607 | - |
| | 64,284 | 31,003 |

19 Contracted Services

| | | |
|---|----------------|----------------|
| Contracted Security Services | 112,368 | 125,045 |
| Cleaning & Waste Management(Environmental Management) | 98,479 | 73,255 |
| | 210,848 | 198,300 |

20 Student Welfare Expense

| | | |
|-------------------------------------|--------|-------|
| Sports and Games (Inter-University) | 7,038 | 631 |
| Purchase Of Food Stuff | 18,591 | 9,966 |
| Purchase Of Gas | 5,042 | 2,870 |
| Halls Expenses | 5,021 | 280 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|--|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| Purchase Of Cutlery And Beddings | 44 | - |
| Students Activities Expenses | 31,346 | 21,965 |
| | 67,081 | 35,712 |
| 21 Finance Cost | | |
| Interest on Loan | 74,252 | 85,599 |
| | 74,252 | 85,599 |
| 22 Other Gains/(Losses) | | |
| Gain/(Loss) on Sale of Assets | 18,223 | 4,540 |
| Gain/(Loss) on Foreign Exchange Transactions | (9,675) | 7,135 |
| Gain/(Loss) on Fair Value of Dental Material | 5,418 | 11,841 |
| | 13,966 | 23,516 |
| 23 Cash and Cash Equivalents | | |
| Cash at Bank | 1,370,474 | 1,286,898 |
| UNES Cash at Bank | 71,278 | 76,389 |
| | 1,441,751 | 1,363,287 |
| 24 Short Term Deposits | | |
| Specific Purposes Revenue Grants | - | 150,660 |
| Trust and Endowment Funds | 426 | 415 |
| | 426 | 151,075 |
| 25 Receivables from non-exchange Transactions | | |
| Special Capitation | 70,000 | - |
| GOK 2010-2013 CBA | 1,232,934 | 1,232,934 |
| Other Public Universities | 194,758 | 194,758 |
| | 1,497,692 | 1,427,692 |
| Less: Provision for bad & doubtful debts | (74,885) | (71,385) |
| | 1,422,808 | 1,356,308 |
| 26 Receivables from exchange Transactions | | |
| Sundry Debtors | 444,765 | 440,522 |
| Accrued Income | - | 1,365 |
| Deans Committee | - | 25,616 |
| Bank Guarantees | 10,005 | 17,636 |
| Student Debtors | 1,282,889 | 1,156,355 |
| UNES Receivables | 409,593 | 291,028 |
| Funds Held by UNES Ltd 1 July 2021 | - | 232,924 |
| | 2,147,252 | 2,165,445 |
| Less: Provision for bad & doubtful debts | (86,387) | (22,026) |
| | 2,060,952 | 2,143,419 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|---|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| Provision for Bad & Doubtful Debts | | |
| Provision as at 01 July 2021 | (93,411) | (93,765) |
| Provision as at 30 June 2022 | (161,272) | (93,411) |
| Increase/(Decreases) in Provision | 67,861 | (355) |
| Total Current Trade Receivables | 3,483,760 | 3,499,727 |
| 27 Inventories | | |
| General Stocks | 147,906 | 172,659 |
| Dental Materials | 53,783 | 48,365 |
| UNES IGUs & Cafeterias | 3,160 | 3,945 |
| UNES Bookstore | 39,522 | 55,288 |
| | 244,370 | 280,257 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

28 Property, Plant and Equipment

| | Land | Buildings | Work in Progress | Furniture and Equipment | Computers | Motor Vehicles | Academic Gowns | Biological Assets | Totals |
|--------------------------------------|--------------------|-------------------|------------------|-------------------------|------------------|----------------|----------------|-------------------|--------------------|
| | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 |
| Cost Valuation | | | | | | | | | |
| Cost as at 1 July 2021 | 186,447,265 | 22,053,346 | 258,500 | 2,597,839 | 1,387,409 | 703,795 | 60,200 | 18,110 | 213,526,464 |
| Prior Year Adjustment | - | - | - | 11,760 | (11,760) | - | - | - | - |
| Additional Assets (UON) | - | - | 100,527 | 20,712 | 45,708 | - | - | - | 166,947 |
| Additional Assets (Grants) | - | - | - | 11,269 | 24,136 | 15,280 | - | - | 50,685 |
| Completed Projects | - | 97,641 | (104,230) | 1,180 | - | - | - | - | (5,409) |
| Revaluation | - | - | - | - | - | 204,700 | - | - | 204,700 |
| Disposal | - | - | - | - | - | (124,530) | - | - | (124,530) |
| Cost as at 30 Jun 2022 | 186,447,265 | 22,150,987 | 254,798 | 2,642,760 | 1,445,493 | 799,244 | 60,200 | 18,110 | 213,818,857 |
| Depreciation | | | | | | | | | |
| Accumulated Depreciation 1 July 2021 | - | 1,748,814 | - | 2,088,020 | 1,212,068 | 703,271 | 41,873 | - | 5,794,047 |
| Accumulated Depreciation on Disposal | - | - | - | - | - | (124,530) | - | - | (124,530) |
| Charge for the year | - | 443,020 | - | 123,003 | 45,382 | 46,045 | 3,010 | - | 660,460 |
| Acc Dep 30 Jun 2022 | - | 2,191,834 | - | 2,211,023 | 1,257,450 | 624,785 | 44,883 | - | 6,329,975 |
| Net Book Value | 186,447,265 | 19,959,154 | 254,798 | 431,737 | 188,043 | 174,459 | 15,317 | 18,110 | 207,488,882 |
| UNES Balances | - | - | - | 9,788 | 2,546 | 630 | - | - | 12,965 |
| UoN Press | - | - | - | 463 | 59 | - | - | - | 522 |
| Fully Depreciated Assets | - | - | - | 555,653 | 613,886 | - | - | - | 1,169,539 |
| Acc. Depreciation | - | - | - | (555,653) | (613,886) | - | - | - | (1,169,539) |
| NBV 30 Jun 2022 | 186,447,265 | 19,959,154 | 254,798 | 441,988 | 190,648 | 175,089 | 15,317 | 18,110 | 207,502,368 |

Note: Biological assets have been reclassified from inventory to non-current assets. Biological assets are primarily used for research purposes in the University. Prior year adjustment relate to assets that were reclassified during the FY2020/2021 but left out during editing.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

Property, Plant and Equipment

| | Land | Buildings | Work in Progress | Furniture and Equipment | Computers | Motor Vehicles | Academic Gowns | Totals |
|--------------------------------------|--------------------|-------------------|------------------|-------------------------|------------------|----------------|----------------|--------------------|
| | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 |
| Cost Valuation | | | | | | | | |
| Cost as at 1 July 2020 | 186,447,265 | 22,053,346 | 1,994,422 | 2,577,202 | 1,342,948 | 725,400 | 60,200 | 215,200,782 |
| Additional Assets | - | - | 5,429 | 20,637 | 44,461 | - | - | 70,528 |
| Disposal | - | - | - | - | - | (21,605) | - | (21,605) |
| Completed Projects | - | - | (1,741,351) | - | - | - | - | (1,741,351) |
| Cost as at 30 Jun 2021 | 186,447,265 | 22,053,346 | 258,500 | 2,597,839 | 1,387,409 | 703,795 | 60,200 | 213,508,354 |
| Depreciation | | | | | | | | |
| Accumulated Depreciation 1 July 2020 | - | 1,307,747 | - | 1,988,872 | 1,192,520 | 708,153 | 38,863 | 5,236,155 |
| Accumulated Depreciation on Disposal | - | - | - | - | - | (21,605) | - | (21,605) |
| Charge for the year | - | 441,067 | - | 99,148 | 19,549 | 16,723 | 3,010 | 579,497 |
| Acc Dep 30 Jun 2021 | | 1,748,814 | - | 2,088,020 | 1,212,068 | 703,271 | 41,873 | 5,794,047 |
| Net Book Value | 186,447,265 | 20,304,532 | 258,500 | 522,094 | 163,677 | 524 | 18,327 | 207,714,047 |
| UNES Balances | - | - | - | 10,116 | 748 | 2,575 | - | 13,439 |
| UoN Press | - | - | - | 515 | 97 | - | - | 611 |
| Fully Depreciated Assets | - | - | - | 410,290 | 575,241 | 171,246 | - | 1,156,778 |
| Acc. Depreciation | - | - | - | (410,290) | (575,241) | (171,246) | - | (1,156,778) |
| NBV 30 Jun 2021 | 186,447,265 | 20,304,532 | 258,500 | 532,210 | 164,425 | 3,099 | 18,327 | 207,728,358 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

29 Investments

| Trust and Endowment Funds Investments | No. Ordinary Shares | Market Price per Share as at 30 June 2022 | 2021/2022 | 2020/2021 |
|---|------------------------------------|--|------------------|------------------|
| | | | Ksh.000 | Ksh.000 |
| Gandhi Memorial Academy Society | | | | |
| East Africa Breweries Limited @ Shs. 2/- | 20520 | 137.25 | 2,816 | 6,033 |
| Car and General (Kenya) Limited @ Shs. 5/- | 30444 | 44.25 | 1,347 | 403 |
| Unga Limited @ Shs. 5/- | 28782 | 30.40 | 875 | 800 |
| Kenya Power and Lighting Co. Limited @ Shs. 2.50/- | 8944 | 1.43 | 13 | 13 |
| | | | 5,051 | 7,249 |
| Kamala Gold Memorial Fund | | | | |
| Kenya Power and Lighting Co. Limited @ Shs. 2.50/- | 7904 | 1.43 | 11 | 11 |
| | | | 11 | 11 |
| Tom Mboya Memorial Fund | | | | |
| East Africa Breweries Limited @ Shs. 2/- | 62586 | 137.25 | 8,590 | 7,706 |
| | | | 13,653 | 14,967 |
| Investment Not Attributable To Any Particular Fund | | | | |
| Investment in University of Nairobi Enterprises and Services Limited (UNES) | | | 100 | 100 |
| Guarantee for University Press | | | 3,809 | 3,809 |
| | | | 17,562 | 18,876 |
| 30 Funds Held by UNES Ltd | | | | |
| Funds Held by UNES Ltd 1 July 2021 | | | 232,924 | - |
| Income from IGUs held by UNES for the Year | | | 14,707 | - |
| | | | 247,630 | - |
| 31 Intangible Assets | | | | |
| UON Intangible Assets | | | 10,736 | 114 |
| Accumulated Depreciation | | | 114 | 114 |
| | | | 10,622 | - |
| Depreciation Charge | | | 2,124 | - |
| Net Book Value | | | 8,498 | - |
| UNES Ltd Balances | | | 145 | 249 |
| | | | 8,643 | 249 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|---|-------------------|-------------------|
| | Ksh.000 | Ksh.000 |
| Current Liabilities | | |
| 32 Trade and Other Payables | | |
| General Payables | 418,185 | 671,931 |
| KUCCPS | - | 37,580 |
| Federation of Kenya Employees | - | 2,805 |
| Accrued Expenses | - | 80,000 |
| Students' Fee Prepayments | 636,355 | - |
| Rent & Deposits Refundable | 194,626 | 173,329 |
| DSP Payables | 696,167 | - |
| Koitalel Samoei | 169,864 | - |
| UNES Payables | 336,805 | 245,691 |
| | 2,452,003 | 1,211,336 |
| <i>N/B: "Trade and other Payables" has been renamed from the previous years "Payables from exchange transactions"</i> | | |
| 33 Statutory Payables | | |
| Kenya Revenue Authority (Paye and VAT) | 5,012,865 | 4,893,221 |
| National Hospital Insurance Fund | 6,395 | 6,426 |
| National Security Social Fund | 13,613 | 1,915 |
| UoN Pension | 5,533,486 | 4,807,936 |
| Higher Education Loans Board | 268 | 388 |
| | 10,566,627 | 9,709,886 |
| 34 Current Provisions | | |
| Provisions For Audit fees | 4,733 | 4,640 |
| Provisions For Leave Days | 377,442 | 329,567 |
| Provision -Staff Gratuities | 385,183 | 92,037 |
| | 767,358 | 426,245 |
| Total Current Liabilities | 13,785,987 | 11,347,467 |
| 35 ABSA Term Loan | | |
| ABSA Loan as at 01 July 2021 | 738,889 | 844,444 |
| Loan Repayment | (105,556) | (105,556) |
| | 633,333 | 738,889 |
| 36 UNES Ltd long term Liabilities | 269,050 | 254,343 |

Note: Non-current liabilities in relation to UNES Ltd has been renamed from the previous year's "Amounts Held by UNES Ltd" to "UNESS Ltd Long term Liabilities"

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

37 Special Accounts and Grants

| | 1 July 2021 | | | 30 June 2022 |
|---|-------------------|------------------|------------------|------------------|
| | Fund | Receipts | Expense | Fund |
| | Ksh.000 | Ksh.000 | Ksh.000 | Ksh.000 |
| Ford Foundation | 73,504 | - | 42,912 | 30,592 |
| Rockefeller Foundation | 8,082 | 2,495 | 3,797 | 6,781 |
| International Development Research Center | 30,229 | 20,214 | 14,315 | 36,129 |
| National Research Funds(NRF) | 168,043 | 10,480 | 26,106 | 152,417 |
| World Health Organisation | 54,161 | 208,652 | 155,614 | 107,198 |
| International Aids Vaccine Initiatives | 14,030 | 209,924 | 188,440 | 35,514 |
| World Trade Organization | 4,147 | 1,485 | 1,805 | 3,828 |
| CIAT* | (541)* | - | - | - |
| Centre for Disease Control (CDC) | 223,570 | 1,050,587 | 1,034,038 | 240,119 |
| African Economic Research Consortium (AERC) | 19,181 | 19,361 | 18,112 | 20,430 |
| National Institute of Health | 156,753 | 191,919 | 179,010 | 169,663 |
| USAID* | - | 774,684 | 892,363 | 5,776 |
| Other Grants* | 1,395,359* | 1,609,343 | 1,618,395 | 1,262,311 |
| | 2,146,518 | 4,099,145 | 4,174,906 | 2,070,756 |

N/B: CIAT grants of Ksh. (541,000) has remained dormant and therefore reclassified under other grants. USAID grants has been separated from Other Grants to be reported as a stand alone item in the financial statement.

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

38 Trust and Endowment funds

| | 2021/2022 | 2020/2021 |
|---|------------------|------------------|
| | Ksh.000 | Ksh.000 |
| Gandhi Academic Society | 21,617 | 23,742 |
| Kenya Railways | 663 | 663 |
| A.C.I. De Souza Memorial | 24 | 24 |
| R.G. Amin Bursary | 393 | 393 |
| Kamala Gold Memorial | 40 | 40 |
| Tom Mboya Memorial | 16,363 | 15,479 |
| M.M. Bhatt Trust | 104 | 104 |
| Eng.Carry Oregge - Civil Engineering Prizes | 110 | 110 |
| Meteorology CBPS - IGAD climate Prediction | 325 | 325 |
| Prof. J.O.Agumbah - Theriogenology Award | 90 | 90 |
| Other Endowment Funds | 12,693 | 158,656 |
| TOTAL FUNDS | 52,421 | 199,626 |

39 Endowment for General Purposes

| | |
|---------------|---------------|
| 16,181 | 16,181 |
|---------------|---------------|

40 General Fund

| | | |
|------------------------------|-------------------|-------------------|
| Add: Donated Assets (Grants) | 16,061,015 | 16,071,135 |
| | 50,685 | 28,614 |
| Less: Depreciation | 47,954 | 38,734 |
| | 16,063,746 | 16,061,015 |

41 Net funds from IGUs & UNES

| | Income | Expense | Surplus/ (Deficit) |
|---|----------------|----------------|-------------------------------|
| | Ksh.000 | Ksh.000 | 2021/2022 Ksh.000 |
| Income Generating Units- Faculties | | | |
| Central IGUs Units | 18,366 | 15,234 | 3,132 |
| Faculty Of Agriculture | 27,853 | 21,687 | 6,166 |
| Faculty Of Education | 13,258 | 4,928 | 8,329 |
| Faculty Of Engineering | 18,453 | 25,263 | (6,810) |
| Faculty Of Health Science | 26,520 | 25 | 26,495 |
| Faculty Of Science Technology | 5,983 | 5,428 | 555 |
| Faculty Of Veterinary Medicine | 17,957 | 12,636 | 5,321 |
| | 128,390 | 85,202 | 43,188 |
| Other Income Generating Units | | | |
| Chiromo Parlour | 32,672 | 24,084 | 8,588 |
| Diagnostic Radiology | 3,600 | 4,673 | (1,074) |
| Dental Plaza IGU | 24,158 | 20,016 | 4,142 |
| UoN Library | 9,447 | 2,736 | 6,711 |
| Eye Centre | 4,693 | 6,673 | (1,980) |
| Dental School | 3,949 | 5,629 | (1,680) |
| | 78,519 | 63,812 | 14,707 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| Other Income Generating Units | Income Ksh.000 | Expense Ksh.000 | 2021/2022 Ksh.000 |
|--------------------------------------|---------------------------|----------------------------|------------------------------|
| UNES Ltd IGUs and Expenses | 869,705 | 889,413 | (19,708) |
| | 1,076,613 | 1,038,427 | 38,186 |

| | 2021/2022 Ksh.000 | 2020/2021 Ksh.000 |
|--|------------------------------|------------------------------|
| Net Funds From IGU's as at 1 July 2021 | (770,204) | (782,075) |
| Net Income From IGU's for The year | 38,186 | 11,871 |
| UNES Ltd Reserves | (49,485) | - |
| Net Funds From IGU's as at 30 June 2022 | (781,502) | (770,204) |

42 Capital Reserves

| | | |
|---|--------------------|--------------------|
| Opening Balance | 189,548,822 | 191,351,641 |
| Increase/(Decrease) in Revaluation | 204,700 | (1,741,351) |
| Less: Incremental Depreciation on Revalued Assets | (102,408) | (61,468) |
| Closing Balance | 189,651,114 | 189,548,822 |

43 Special Capital Development

| | |
|----------|---------------|
| - | 25,378 |
|----------|---------------|

Note: Special capital development fund has been written back Prior item to the reserve from where it had initially been set aside.

44 Revenue Reserves

| | | |
|--|--------------------|--------------------|
| Accumulated Surplus/ (Deficit) b/f | (6,753,856) | (3,420,476) |
| Prior Year Adjustment | | (284,375) |
| Special capital development fund | 25,378 | - |
| Pension Understatement | (85,131) | - |
| Adjusted Balance b/f | (6,813,609) | (3,704,852) |
| Accumulated Surplus/ (Deficit) for the year | (2,103,465) | (3,110,473) |
| Add: Incremental Depreciation on Revalued Assets | 102,408 | 61,468 |
| Accumulated Surplus/ (Deficit) c/f | (8,814,666) | (6,753,856) |

Note: The University reconciled the amount of Pension payable with Univeristy Pension Scheme 2007 and made a prior year adjustment of Ksh.85,131,157.

45 Koitalel Samoei University Grants Fund

| | | |
|-----------------------------------|----------|----------------|
| Total Available | - | 287,723 |
| Less Disbursements | - | 60,072 |
| Balance as at 30 June 2022 | - | 227,651 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | 2021/2022 | 2020/2021 |
|---|--------------------|--------------------|
| | Ksh.000 | Ksh.000 |
| 46. Cash Generated from Operations | | |
| Deficit for the year before | (2,103,464) | (3,394,848) |
| Adjusted for: | | |
| Depreciation | 614,553 | 540,786 |
| Increase/(Decrease) in Provision for Doubtful debts | 67,861 | (355) |
| Gains and Other losses | (13,966) | (23,516) |
| Research Grants Income | 4,099,145 | 2,571,983 |
| Research Grants Expense | (4,174,906) | (2,259,819) |
| Working Capital adjustments | | - |
| Increase in inventory | 35,886 | (35,417) |
| Increase in receivables | 16,055 | 1,187,556 |
| Increase in payables | 2,097,408 | 1,333,257 |
| Net cash flow from operating activities | 638,572 | (80,373) |

47. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University's does not hedge any risks and has in place policies through its statute xxx which states among other things:

- All fees and other charges due shall be paid at the commencement of the semester they are due and not beyond the third week of the semester. No student shall be allowed into the lecture, examination room or participate in activities which they have not fully paid for.
- The University shall withhold any and all services, examination results, conferment of any degree, certificate and diploma until all outstanding fees are settled and further reserve the right to institute legal recovery proceedings against students with outstanding fees and also surcharge an interest at a rate to be determined by the council from time to time.

The University has endeavored to enforce the above statute in order to reduce the student debtors. The University secured a written undertaking from the Government of Kenya with respect to the outstanding debt relating to the Pension Component of the CBA.

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

Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

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

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University has significant concentration of credit risk on amounts due from students

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

Liquidity risk management

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

| | Note | Total amount Kshs'000 | Fully performing Kshs'000 | Past due Kshs'000 | Impaired Kshs'000 |
|--|------|-----------------------------|---------------------------------|----------------------|----------------------|
| At 30 June 2022 | | | | | |
| Bank balances | 23 | 1,441,751 | 1,441,751 | - | - |
| Short Term Deposits | 24 | 426 | 426 | - | - |
| Receivables from non-exchange transactions-GoK | 25 | 1,497,692 | 1,497,692 | 1,427,692 | (74,885) |
| Receivables from exchange transactions | 26 | 2,147,251 | 2,147,251 | - | (86,387) |
| Inventories | 27 | 244,370 | 244,370 | - | - |
| Total | | 5,331,491 | 5,331,491 | 1,427,692 | (161,272) |

| | Note | Total amount Kshs'000 | Fully performing Kshs'000 | Past due Kshs'000 | Impaired Kshs'000 |
|--|------|-----------------------------|---------------------------------|----------------------|----------------------|
| At 30 June 2021 | | | | | |
| Bank balances | 23 | 1,363,287 | 1,363,287 | - | - |
| Short Term Deposits | 24 | 151,075 | 151,075 | - | - |
| Receivables from non-exchange transactions-GoK | 25 | 1,427,692 | 1,427,692 | 1,427,692 | (71,385) |
| Receivables from exchange transactions | 26 | 2,165,445 | 2,165,445 | - | (22,026) |
| Inventories | 27 | 280,257 | 280,257 | - | - |
| Total | | 5,387,756 | 5,387,756 | 1,427,692 | (93,411) |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

| | | 2021/2022 | 2020/2021 |
|---------------------------------|-------------|-------------------|-------------------|
| Trade and Other Payables | Note | Kshs'000 | Kshs'000 |
| General Payables | 32 | 418,185 | 671,931 |
| Students' Fee Prepayments | 32 | 636,355 | - |
| Rent & Deposits Refundable | 32 | 194,626 | 173,329 |
| DSP Payables | 32 | 696,167 | - |
| Koitalel Samoei Fund | 32 | 169,864 | - |
| UNES Payables | 32 | 336,805 | 245,691 |
| Statutory Payables | 33 | 10,566,627 | 9,709,886 |
| Current Provisions | 34 | 767,358 | 426,245 |
| | | 13,785,987 | 11,227,081 |

Financial Ratios.

The university uses financial ratios to measure the performance of profits, liquidity and leverage. The analysis indicate that the University's performance has been deteriorating over the past five years putting concern over the sustainability of its operations in the future.

Management has arrested the issues underlying the ailing of the university, which include, but not limited to; reduction in capitation remitted from the Government, high wage bill that is dictated by staff unions, and reduced revenue from declining numbers of students registered for module II programs. Measures have been put in place to aid in the recovery which will see reduced operational costs, settlement of outstanding credits and increased revenues.

| | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Ksh. Million | Ksh. Million | Ksh. Million | Ksh. Million | Ksh. Million |
| Total Revenue | 13,752 | 12,312 | 12,843 | 9,738 | 10,156 |
| Surplus/ (Deficit) | -1,406 | -1,305 | -1,624 | -3,111 | (2,103) |
| Total Assets | 215,181 | 215,866 | 216,724 | 213,048 | 212,947 |
| Total Liabilities | 7,482 | 10,055 | 13,191 | 14,698 | 16,828 |
| Current Assets | 4,289 | 5,458 | 6,727 | 5,310 | 5,170 |
| Current Liabilities | 5,724 | 7,368 | 10,269 | 11,565 | 13,786 |
| Cash & Cash Equivalents | 416 | 843 | 1,795 | 1,510 | 1,442 |
| Inventory | 255 | 231 | 245 | 280 | 244 |
| Financial Ratios | | | | | |
| Profitability Ratios | | | | | |
| Profit Margin | -10.22% | -10.60% | -12.65% | -31.95% | -20.7% |
| Return on Assets | -0.65% | -0.60% | -0.75% | -1.46% | -0.99% |
| Liquidity Ratios | | | | | |
| Current Ratio | 0.75 | 0.74 | 0.66 | 0.46 | 0.38 |
| Acid Test Ratio | 0.7 | 0.71 | 0.63 | 0.43 | 0.36 |
| Cash Ratio | 0.07 | 0.11 | 0.17 | 0.13 | 0.10 |
| Leverage Ratios | | | | | |
| Debt Ratio | 0.03 | 0.05 | 0.06 | 0.07 | 0.08 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

The University has registered negative profit margins from FY 2017/2018 to the current financial year. In FY 2021/2022 the university registered profit margins on negative 20.71%. The negative Return On Assets ratio from FY 2017/2018 to FY 2021/2022 above indicates that the institution is not using its assets effectively to generate income. The current ratio and acid test ratios of less than 1.00 as recorded from FY 2017/2018 to FY 2021/2022 indicates difficulty in settling short term liabilities as and when they fall due. Despite the adverse profitability position, the University has maintained a healthy debt ratio of less than 0.5 from FY 216/2017 to the current financial year which gives room for addition of more debt to finance the institution's operations.

48. Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income or the value of its holding of

Financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

49. Capital Risk Management

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

| | Note | 2021/2022 Kshs'000 | 2020/2021 Kshs'000 |
|---|-------------|-------------------------------|-------------------------------|
| General Fund | 40 | 16,063,746 | 16,061,015 |
| Net funds from IGUs and parallel programs | 41 | (781,502) | (770,204) |
| Capital Reserves | 42 | 189,651,114 | 189,548,822 |
| Special Capital Development | 43 | - | 25,378 |
| Revenue Reserves | 44 | (8,814,666) | (6,753,856) |
| Special Accounts and Grants | 37 | 2,070,756 | 2,146,518 |
| Trust and Endowment funds | 38 | 52,421 | 199,626 |
| Endowment for General Purposes | 39 | 16,181 | 16,181 |
| Total Funds | | 198,258,052 | 200,473,481 |
| Total Borrowings | 32-35 | 14,419,321 | 12,086,355 |
| Less: Cash and Bank Balance | 23-24 | 1,414,293 | 1,514,362 |
| Net Debt/(Excess Cash and Cash equivalent) | | 15,861,498 | 13,600,717 |
| Gearing | | 8% | 7% |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

50. Related parties

University of Nairobi Enterprises (UNES) is a related company by virtue of it being wholly owned by University of Nairobi.

| | 2021/2022 | 2020/2021 |
|--|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Related party Transactions | | |
| Transfers from GoK | | |
| University of Nairobi Capitation | 5,724,440 | 5,223,882 |
| | 5,724,440 | 5,223,882 |
| Amount Due from GoK | | |
| CBA 2010-2013 Pension Arrears | 1,232,934 | 1,232,934 |
| CBA 2010-2013 Other Public Institutions | 194,758 | 194,758 |
| | 1,427,692 | 1,427,692 |
| Amount Due from UNES | | |
| Bookstore taken over | 21,419 | 23,472 |
| Amount held by UNES on behalf of UoN | 247,630 | 232,924 |
| | 269,050 | 256,396 |
| Council Expense | | |
| Remuneration of Chairperson | 574 | 1,560 |
| Remuneration of Council Members | 2,412 | 4,520 |
| Council Members GPA | 174 | 463 |
| Travelling, Office expenses and Catering | 3,362 | 3,427 |
| Training & Development | - | 80 |
| | 6,522 | 10,051 |

51. Legal Status

The University of Nairobi is a body corporate established in Kenya under the Universities Act, 2012 (No. 42 of 2012).

There is a pending law suit against the University in the High Court of Kenya by former employees who were retrenched by the University in March 2001. The claim is for damages amounting to about Ksh. 279 million. The University has entered its defense.

The University has accumulated pending bills due to contractors amounting to Ksh. 532,436,805. As at 30.06.2006. One contractor, N.K. Brothers, had sued the University to recover the outstanding amount.

Note: The case filed by N.K brothers was settled within the financial year and a contingent liability of Ksh. 70 million realized.

52. Supplementary Accounts

Summary of service units income and expenditure for the year ended 30 June 2022

| | 2021/2022 | 2020/2021 |
|---------------------------------------|------------------|------------------|
| | Ksh'000 | Ksh'000 |
| Nairobi University Press | | |
| Income | 242 | 206 |
| Expenditure | (170) | 222 |
| Surplus/(Deficit) for the year | 72 | (16) |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

53. Summary of Approved Estimates

| | Budget 2021/2022 Ksh.000 | Actual 2021/2022 Ksh.000 | Actual 2020/2021 Ksh.000 |
|--|---|---|---|
| Basic pay | 4,910,321 | 4,780,730 | 4,866,352 |
| Direct Service Providers | 708,657 | 596,827 | 623,112 |
| Clinical Allowance | 819,268 | 716,063 | 787,063 |
| Gratuity and Pension Contribution | 1,190,414 | 1,054,198 | 961,545 |
| House Allowance | 1,756,376 | 1,728,877 | 1,826,893 |
| Other Personal Allowances | 320,609 | 294,017 | 468,998 |
| House to Office Transport allowance | 708,825 | 696,080 | 505,629 |
| Passage and Leave Expenses | 54,681 | 99,939 | 58,203 |
| University Medical Scheme | 271,000 | 286,851 | 331,912 |
| Transport Operating Expenses | 42,679 | 33,108 | 12,804 |
| Travelling and Accommodation Expenses | 22,200 | 11,224 | 12,795 |
| External Travelling and Accommodation | 5,000 | 4,802 | 244 |
| Teaching Practice | 55,000 | 71,832 | 34,198 |
| Postal and Telegram Expenses | 400 | - | 322 |
| Telephone Expenses | 15,000 | 14,223 | 10,207 |
| Official Entertainment | 110 | 18 | - |
| Electricity, Water and Conservancy | 264,700 | 260,315 | 247,448 |
| Purchase of Supplies for Teaching & Production Materials | 92,309 | 70,419 | 61,200 |
| Publishing and Printing Expenses | 2,200 | 2,551 | 401 |
| Purchase of Uniforms and Clothing | 4,900 | 1,121 | 794 |
| Library Expenses | 42,090 | 16,787 | 39,593 |
| Quality Assurance /Accreditation | 1,100 | - | - |
| Purchase of Exam Stationary | 15,000 | 10,929 | 18,112 |
| Advertising and Publicity (Recruitment) | 7,100 | 6,558 | 6,040 |
| Sports and Equipment (Inter-University) | 7,260 | 7,038 | 631 |
| Audit Fees | 4,733 | 4,640 | 4,640 |
| Payments of Rent and Rates Residential | 7,786 | 6,659 | 15,376 |
| ICT, Internet services and Licenses | 146,746 | 131,574 | 128,438 |
| Computer Based SMIS/ICT Consumables | 550 | 361 | 57 |
| Hire of Transport, Plant & Machinery | 150 | 65 | - |
| Legal Fees | 80,000 | 64,581 | 101,471 |
| Bank Charges | 89,739 | 89,784 | 103,677 |
| Insurance | 60,500 | 56,352 | 26,292 |
| Membership Subscriptions | 10,369 | 1,900 | 6,192 |
| Marketing of Academic Programs (Nairobi A.S.K. Show) | 2,100 | 2,808 | - |
| Students amenities/Activities, Associations | 147,349 | 60,043 | 35,081 |
| Alumni | - | - | 29 |
| Contracted security services | 110,956 | 112,368 | 125,045 |
| Fees, Commission and Honoraria | 980 | - | 15 |
| Staff Development & Appraisal | 5,910 | 2,019 | 1,330 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS cont'd

Summary of Approved Estimates cont'd

| | Budget 2021/2022 Ksh.000 | Actual 2021/2022 Ksh.000 | Actual 2020/2021 Ksh.000 |
|---|---|---|---|
| Audit Committee & Council Expenses | 15,000 | 6,522 | 10,051 |
| Graduation Expenses | 14,300 | 8,153 | 11,312 |
| Conference and Seminars | 6,000 | 2,307 | 803 |
| Postgraduate Programmes | 20,886 | 23,214 | 65,788 |
| University Research Programme | 8,000 | 5,481 | 244 |
| M.O.U Programs | - | 8,776 | - |
| Awards and Prizes | - | 612 | - |
| Maintenance of Plant, Machinery and Equipment | 23,000 | 26,332 | 14,943 |
| Maintenance of Buildings and Stations | 23,300 | 37,932 | 16,060 |
| Expenditure from service units | - | 170 | 222 |
| Performance contracting | 3,000 | 186 | 708 |
| Depreciation | - | 614,553 | 540,786 |
| Integrity Programs | 550 | - | - |
| UON Advancement | - | - | 30 |
| Public relations office(Expense) | 5,500 | - | - |
| External Examiners | 15,000 | 20,447 | 9,038 |
| Environmental Management | 101,610 | 98,479 | 73,255 |
| Miscellaneous other charges | - | - | 1,422 |
| ISO Expenses | 1,161 | 534 | 76 |
| Tender Committee Members Expenses | 550 | 393 | 80 |
| Rent Expense | - | - | 34,347 |
| Intellectual Property Expenses | 2,750 | - | 153 |
| Industrial Relations | 3,502 | 3,043 | 2,324 |
| Fixed Assets Tagging and Valuation Expenses | 5,000 | 451 | - |
| National Values and Cohesion | 550 | 140 | - |
| Royalties | 200 | - | - |
| Work Plan Expenses | 3,500 | - | - |
| Senate & UMB Expenses | 2,100 | 972 | - |
| Funeral Expenses | 3,575 | 1,417 | 2,521 |
| Placement fees for Module I | 50,000 | 47,345 | 47,220 |
| Provision for Bad Debts | - | 67,861 | - |
| Unremitted Pension Interest Charge | - | - | 620,478 |
| | 12,294,100 | 12,272,983 | 12,872,576 |
| Capital Expenditure | | | |
| Purchase of Motor Vehicles | 5,464 | - | - |
| Purchase of Plant and Equipment | 53,094 | 21,175 | 32,397 |
| Capital Development-WIP | 435,401 | 101,845 | 5,429 |
| Purchase of Computers | 50,851 | 45,767 | 32,701 |
| | 544,810 | 168,788 | 70,528 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in the financial year 2020/2021, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status: | Timeframe: |
|---|---|---|--|----------------|-------------------|
| 1. Undisclosed material uncertainty in relation to going concern. | Increased accumulated deficit. | The management has complied and disclosed the material and going concern in the Financial statement under material uncertainty on page xxxi | Director Finance | Resolved | June 2022 |
| 2. Inaccuracies in the financial statements | Variances and omissions | The Financial statements reflect the accuracy and completeness of the figures given therein. | Director Finance | Resolved | June 2022 |
| 3. Incomplete asset register | Failure to provide schedules | Supporting schedules provided | Director Finance | Resolved | June 2022 |
| 4. Unreconciled cash and cash equivalent | Long outstanding balances in bank reconciliations | Stale cheques reversed | Director Finance | Resolved | June 2022 |
| 5. Unsupported clearance of bank overdrafts | Lack of supporting documents | The reported figure was an overdrawn cashbook which has been reconciled and cleared. | Director Finance | Resolved | June 2022 |
| 6. Unsupported general fund balance | Lack of supporting schedules for donated assets and grant assets | Supporting schedules of donated assets and grant assets were provided | Director Finance | Resolved | June 2022 |
| 7. Unreconciled receivables from exchange transactions | Variance between financial statement figures and supporting schedules | The supporting schedules are reconciled with the financial statement amounts | Director Finance | Resolved | June 2022 |
| 8. Unreconciled | Variance between | Supporting | Director | Resolved | June 2022 |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

| | | | | | |
|---|---|---|------------------|-------------|-----------|
| payables from exchange transactions | the amount reflected in the financial statement and supporting schedules | schedules are provided agree with the amounts reflected in finance statements | Finance | | |
| 9. Unsupported trust and endowment fund | Unexplained variance between financial statement amounts and supporting schedules | The supporting schedules are provided which agrees with the financial statement figures. | Director Finance | Resolved | June 2022 |
| 10. Unsupported revenue from exchange transactions. | Unsupported revenues from module I and module II | Revenue from module I and module II fully supported with invoices. | Director Finance | Resolved | June 2022 |
| 11. Understatement of accommodation, catering and other incomes | Recognition of deposit as revenue | The deposits are now recognized as payables | Director Finance | Resolved | June 2022 |
| 12. Non disclosure of students prepayments | Failure to report balances relating to students prepayments of fees | The students prepayments now recognized as payables | Director Finance | Resolved | June 2022 |
| 13. Property plant and equipment | Two parcels of land, LR. No. 11645 & LR No. 22378 without title documents | The management is in constant engagement with the Ministry of Lands regarding the processing of the title deeds. The said two parcels of land are fully developed and occupied by the University. | Facility Manager | In progress | June 2022 |
| 14. Going concern | Deteriorated financial performance | Reduced capitation by GOK (30% reduction) | | In process | June 2022 |



PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor
University of Nairobi Council
28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

APPENDIX II: STATUS OF PROJECTS COMPLETION

| UNIVERSITY OF NAIROBI (GOK FORMAT) | | | | | |
|---|--|-----------------------------|--|----------------------------------|---|
| No . | Projects in Order of Priority and Justification | Initial Project Cost | %age of completion of ongoing projects as at 30th June 2022 | Approved Budget 2021/2022 | Source of Funds (GoK, A.I.A., Dev. Partners, Borrowings) |
| Capital Projects: | | | | | |
| New Projects | | | | | |
| 1 | Develop Hostels for International Students(Feasibility Study) | 7,400,000 | 0% | 66,000 | Dev't Partners |
| 2 | Feasibility study innovation park | 135,000 | 0% | - | Dev't Partners |
| 3 | Implement a system for management of space in the University | 10,000 | 0% | | A.I.A. |
| 4 | Implement a biometric system for students and staff for two colleges | 50,000 | 0% | - | A.I.A. |
| 5 | Consultancy fee for Sewage Treatment Plant at School of Business | | 95% | | A.I.A. |
| 6 | Modernize frontage of School of Education and construct a gate | | 0% | | A.I.A. |
| 7 | College of Architecture and Engineering - ADD Prefabs Projects | 233,700 | 0% | | A.I.A. |
| 8 | Engineering Complex | 18,620,000 | 10% | - | Dev't Partners |
| 9 | Supply and installation of Generator at CEES | 9,800 | 0% | | A.I.A. |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

| | | | | | |
|----|--|-----------|-----|---|----------------|
| 10 | Disability Mainstreaming of Lifts | 25,000 | 0% | - | A.I.A. |
| 11 | Audit Management System | 53,000 | 0% | | A.I.A |
| 12 | Green Energy Project(phase one) | 50,000 | 0% | | A.I.A |
| 13 | School of law tower feasibility study | | 0% | | A.I.A. |
| 14 | Vertical Extension of Engineering Block | 100,000 | 0% | | A.I.A. |
| 15 | Conversion of Pharmaceutical Chemistry Hall into a student's laboratory | 30,000 | 60% | | A.I.A. |
| 16 | Develop graduate student Centre | 5,000 | 0% | | A.I.A |
| 17 | Removing and replacement of Asbestos Roofs-CAVS | 20,763 | 0% | | A.I.A. |
| 18 | Implement the Innovation Park Feasibility Study and Master Plan | | 0% | | GoK |
| 19 | Establish and Implement classroom and Lecture hall standards | 900,000 | 0% | | GOK |
| 20 | Alumni Centre | 900,000 | 0% | | Dev't Partners |
| 21 | Dairy Project Feasibility and Concept Notes | | 0% | | Dev't Partners |
| 22 | Teaching Office Space Development and teaching facilities purchase in two colleges | | 0% | | A.I.A |
| 23 | Cherami Centre Institute, specialist teaching and facilities(feasibility study) | 3,000,000 | 0% | | Dev't Partners |
| 24 | Incenerator Project -Lower Kabete | 1,500,000 | 0% | | Dev't Partners |
| 25 | Smart Classroom | 46,000 | 0% | | Dev't Partners |
| | | | | | |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

| | Other Capital Items: | | | | |
|---|--|---------|-----|--------|-------|
| 1 | ICT Investments | 895,000 | 0% | 50,000 | AIA |
| 2 | Purchase of Motor Vehicles | 101,566 | 0% | - | A.I.A |
| 3 | Purchase of Plant & Teaching Equipment | 653,129 | 0% | 33,722 | A.I.A |
| 4 | Generating Evidence for Population Dynamics | 8,000 | 50% | 8,000 | GoK |
| 5 | Study and Capacity Building III | 22,000 | 0% | 22,000 | GoK |
| 6 | Gender Equity, Equality and empowerment of women | 2,600 | 0% | 2,600 | GoK |
| 7 | Prevention and response to Gender Based Violence | 4,000 | 0% | 4,000 | GoK |


UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022


APPENDIX III: INTER-ENTITY TRANSFERS

| ENTITY NAME | | UNIVERSITY OF NAIROBI | |
|--|----------------------------------|-----------------------|---|
| Break down of Transfers from the State Department University Education | | | |
| FY 2021/2022 | | | |
| a. | Recurrent Grants | | |
| | | Bank Statement Date | Amount (KShs) |
| | | | Indicate the FY to which the amounts relate |
| | | 8/3/2021 | 468,168,824 |
| | | 9/1/2021 | 468,168,824 |
| | | 9/29/2021 | 468,168,824 |
| | | Q1 - UON sub-total | 1,404,506,472 |
| | | 11/2/2021 | 468,168,824 |
| | | 11/26/2021 | 468,168,824 |
| | | 12/28/2021 | 468,168,824 |
| | | Q2 - UON sub-total | 1,404,506,472 |
| | | 2/1/2022 | 468,168,824 |
| | | 3/2/2022 | 458,168,824 |
| | | 4/1/2022 | 468,168,824 |
| | | Q3 - UON sub-total | 1,394,506,472 |
| | | 4/27/2022 | 10,000,000 |
| | | 4/28/2022 | 468,168,824 |
| | | 6/6/2022 | 486,376,025 |
| | | 6/28/2022 | 486,376,029 |
| | | Q4 - UON sub-total | 1,450,920,878 |
| | GRAND TOTAL - RECURRENT FUNDS | | 5,654,440,294 |
| b. | Development Grants | | |
| | | Bank Statement Date | Amount (KShs) |
| | | | Indicate the FY to which the amounts relate |
| | | 10/13/2021 | 980,000 |
| | | 11/12/2021 | 3,437,300 |
| | | Q2 - UON sub-total | 4,417,300 |
| | | | |
| | | 3/9/2022 | 4,460,056 |
| | | Q3 - UON sub-total | 4,460,056 |
| | | | |
| | GRAND TOTAL - DEVELOPMENT GRANTS | | 8,877,356 |
| c. | Direct Payments | | |
| | | Bank Statement Date | Amount (KShs) |
| | | | Indicate the FY to which the amounts relate |
| | | | 0.00 |
| | | | - |

**TOTAL TRANSFER
2021/2022**

5,663,317,650.00


PROF. STEPHEN G. KIAMA,
BVM, MSC(Nbi), PhD(Bern)KNAS
Vice Chancellor
Secretary to Council
28 March 2023


CPA STEPHEN K. KIMELI,
B. Com, MBA (Kabarak), CPA(K)
ICPAK Member No. 7128
Ag. Director Finance
28 March 2023

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor transferring Funds | date rec'd (as per bank stmt) | nature : recurrent/D ev/Others | Total Amount - KES | |
|---|--|---|-------------------------------|--|
| | | | | |
| | | | | |

UNIVERSITY OF NAIROBI
Annual Report and Financial Statements
For the year ended 30 June 2022

APPENDIX V: DETAILED ANALYSIS OF CASH AND CASH EQUIVALENT

| | | 2021/2022 | 2020/2021 |
|-------------------------------------|---|------------------|------------------|
| Account Number | Account Name | Ksh.000 | Ksh.000 |
| 094-8245515 | Gen. Pyts Curr. Account | 2,389 | 21,331 |
| 094-8245531 | Deposits Curr. A/C | 17,037 | 15,446 |
| 2024689274 | Uon – Fahari Ya Jamii A/C | 37,051 | 62,702 |
| 2029090443 | Absa - Gbp Sterling A/C | 80,499 | 161,925 |
| 2034715907 | Uon - Endowment Funds A/C | 2,674 | 105,952 |
| 2032770803 | Uon Academic Expenses Ac | 569 | 8,970 |
| 2032770838 | Uon Module I Collection Account | 1,948 | 8,745 |
| 2032771362 | Uon Module Ii Collection Account | 23,285 | 44,176 |
| 2032770625 | Uon Module Ii - Usd A/C | 535 | 1,786 |
| 451413414 | Kavi- Ksh | 21,557 | 44,147 |
| 227103302 | Confucius Institute (Usd) | 35,860 | 18,083 |
| 775000503 | Uon – Confucius Institute | 6,213 | 8,393 |
| 094-8245353 | Uon Kavi | 4,204 | - |
| 0777001914 | Uon Press Call A/C | 3,805 | 3,681 |
| 094-8214946 | Uon Press Sweep A/C | 3,350 | 3,143 |
| 1104657112 | Research Grants | 389,549 | 208,055 |
| 1104828960 | Grants Dollar | 243,951 | 163,577 |
| 1121857426 | Pact Project | 8,348 | 11,344 |
| 1137133120 | Criss Project | 63,394 | 21,172 |
| 1139801554 | Edcctp (Hiv Vaccine) | 39,858 | 121,654 |
| 1177475707 | Uon- Applications Account | 1,006 | 827 |
| 1104698676 | Uon-Income Generating Units | 51,477 | 33,513 |
| 87020-978423-00 | Scb Kavi Dollar | 238,540 | 74,284 |
| 93020-978341-01 | University Of Nairobi (Instapa | 65,488 | 137,180 |
| M-PESA | Uon - Examination Centre Paybill 913901 | 1 | 6,810 |
| 1020120710100 | Central Swa | - | 1 |
| 2045997661 | Uon Eng Science Complex Grants | 1 | - |
| 2045997688 | Uon Eng Science Complex Loan | 1 | - |
| | | 1,342,590 | 1,286,898 |
| | Unes Ltd Cash At Bank | 71,278 | 76,389 |
| | Total | 1,413,868 | 1,363,287 |
| Note 23: Short Term Deposits | | | |
| | Description | | |
| | Alumni- Short Term Investment | - | 53,681 |
| | Short Term Investments- Treasury Bills | - | 96,979 |
| | Savings & Loans (K) Ltd Dpst. A/C | 426 | 415 |
| | | 426 | 151,075 |