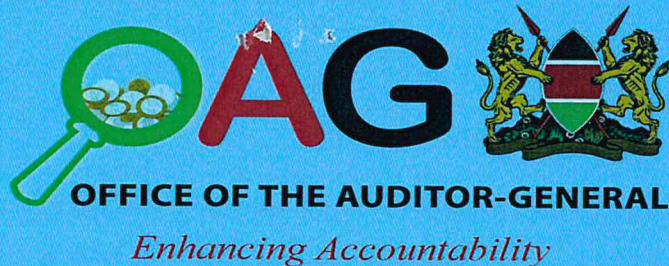



REPUBLIC OF KENYA



 THE NATIONAL ASSEMBLY REPORT PAPERS LAID	
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THE AUDITOR-GENERAL

ON

**COMMISSION FOR UNIVERSITY
EDUCATION**

**FOR THE YEAR ENDED
30 JUNE, 2020**



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

16 JUN 2021

RECEIVED

COMMISSION FOR UNIVERSITY EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2020**

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Commission for University Education (The Commission) was established by an Act of Parliament, Universities Act, No. 42 of 2012 as the successor to the Commission for Higher Education which was established under Universities Act Cap 210B of 1985. The Commission is domiciled in Kenya, Nairobi and has no branches. At cabinet level, the Commission is represented by the Cabinet Secretary for Ministry of Education.

(b) Principal Activities

The vision of the Commission is a leading regulator of quality, relevant and sustainable university education. The principal activity of the Commission is to regulate and assure quality university education by setting standards and guidelines and monitoring compliance to achieve global competitiveness.

(c) Key Management

The Commission's day-to-day management is under the following:

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commission Secretary/CEO	- Prof. Mwenda Ntarangwi
2.	Deputy Secretaries	- Prof. Grace Njoroge - Prof. Jackson Too - Lynette Kisaka
3.	Ag. Head of Administration & HR	- Margaret Kamoni
4.	Head of Finance	- Linah Kiptoo
5.	Head of Procurement	- Phylis Karimi
6.	Head of Legal	- Isaac Gathirwa

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(e) Fiduciary Oversight Arrangements

The activities of the Commission are transacted through the following committees:

Audit, Risk and Compliance Committee

1. Review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics
2. Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance
3. Review policies and programs developed in respect of significant compliance issues
4. Monitor compliance with Laws, regulations and the Commission Policies and Procedures in relation to key financial and operational controls and processes

Quality Assurance Committee

1. To consider and recommend to the Commission for approval standards and guidelines for physical facilities and other infrastructural requirements, academic programmes, library and information services, for quality assurance purposes
2. To consider and recommend to the Commission for approval establishment of universities, constituent colleges and campuses
3. To consider and recommend to the Commission academic programmes for accreditation
4. To consider reports on audited academic programmes and audited universities for recognition of quality status
5. To consider and recommend to the Commission grant of authority to foreign universities to collaborate with local institutions
6. To consider and recommend to the Commission grant of license to student recruitment agencies to operate in Kenya.
7. To oversee and give direction on difficult cases on recognition and equation of foreign qualifications

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Strategy Committee

1. Oversee and monitor the effectiveness and integrity of the Commission's performance management systems, including performance contracting and ISO certification processes;
2. Develop and implement strategies and policies of the Commission that will guide university education in Kenya;
3. Fundraise and mobilize resources for the Commission and over see their prudent use and utilization;
4. Develop and implement policies to guide research, innovation and outreach both at the Commission and in the University sector in Kenya;
5. Develop and implement policies that shall guide planning, policy formulation, collaboration and partnerships at the Commission and within the University sector in Kenya;
6. Develop and implement policies that will help manage the Commission's externally funded projects;
7. Development and implement policies on postgraduate research training at Universities in Kenya;
8. Report to the Board of Commission regularly.

Human Resources & Finance Committee

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

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(f) Commission Headquarters

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

(g) Commission Contacts

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

(h) Commission Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser



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

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THE BOARD OF DIRECTORS

Name		Qualifications	Experience
 <p>Prof. Chacha Nyaigotti-Chacha Chairperson</p>		<ul style="list-style-type: none"> • PhD in Anthropological Linguistics ,Yale University • Master of Philosophy in Poetics, Yale University • MA Swahili studies University of Nairobi • Bed. Literature and Kiswahili, University of Nairobi 	<ul style="list-style-type: none"> • Chairman of the Commission for University Education (CUE) and the Kenya Institute of Mass Communication (KIMC). • Executive Secretary of the Inter-University Council for East Africa • First CEO of the Kenyan Higher Education Loans Board (HELB). • Kenyan playwright and Swahili language educationalist. • Tutorial Fellow and Lecturer in Swahili Language and Linguistics at Kenyatta University and later Egerton University.
 <p>Amb. Simon Nabukwesi Principal Secretary State Department of University Education, MOE, Member</p>		<ul style="list-style-type: none"> • B.Ed., Kenyatta University • PS, Ministry of Foreign Affairs and International Trade • Director, FSI, MFA • Ambassador/ Director 	<ul style="list-style-type: none"> • PS, Ministry of Foreign Affairs and International Trade • Director, FSI Aug 2013 – Employment, Location, MFA • Ambassador/ Director, 2013 – Employment Duration6 yrs 9 mos Location MFA



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 <p>Dr. Julius Muia Principal Secretary, the National Treasury, Member</p>		<ul style="list-style-type: none"> • PhD in Finance- University of Nairobi • Masters in Finance- University of Nairobi • Bcom. Accounting – University of Nairobi • Certified Public Accountant (CPA-K) • Certified Public Secretary(CPS-K) 	<ul style="list-style-type: none"> • Principal Secretary – National Treasury Ministry of Finance
 <p>Lucy Muthoni Kambuni- SC Independent Member</p>		<ul style="list-style-type: none"> • Master of Laws (Public International Law), University of Nairobi • Diploma at the Kenya School of Law • Advocates, Nairobi. • LLB-University of Nairobi 	<ul style="list-style-type: none"> • Advocate of the High Court • Founder, LM Kambuni & Associates Advocates • Member of the Law Society of Kenya • Member of the East Africa Law Society • Member of the National Bar Association (U.S.A.) • Commissioner, Independent Review Commission (IREC), (Kriegler Commission) March – September 2008 • Acting Chairperson, Tourism Trust Fund, December, 2007-2012 • Member, Masinde Muliro University Council, 2006-2010

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 <p>Prof. Anne W.T Muigai Independent Member</p>		<ul style="list-style-type: none"> • PhD Biochemistry-population Genetics and Molecular Biology(JKUAT) • Master of Science-Plant Genetics(Kenyatta University) • Bed (science)-Botany & Zoology Kenyatta University 	<ul style="list-style-type: none"> • Professor of Genetics • Associate Prof. of Genetics • Editor in Chief, Journal of Agriculture Science and Technology • Board Member, Journal of Agriculture Science and Technology • Director, Institute of Biotechnology Research (JKUAT) • Chairperson, Senior Lecturer, Lecturer Assistant Lecturer Dept. of Botany-JKUAT • Senate representative JKUAT Council • Consultant
 <p>Dr. Elizabeth Muli Independent Member</p>		<ul style="list-style-type: none"> • Doctor of the Science of Law (JSD), Stanford Law School, Stanford University, Stanford, CA • Master of Laws university of Bristol, Bristol, united kingdom • Diploma of law, Kenya school of law • Bachelor of Law-University of Nairobi, • Corporate governance training course for directors, 2015 	<ul style="list-style-type: none"> • University of Nairobi School of Law Chairperson, Department Of Commercial Law (2008 to Date) • Commission For The Implementation Of The Constitution (2011-2015) <i>Vice-Chairperson of The Commission</i> • Judiciary Mediation Pilot Programme Mediator, Milimani Court, Family Division (2016 to Date) • Nexus Consulting Limited (2008 to Date) • Director, Research, ADR and Conflict Systems Design

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 <p>Eng. David Onyango Independent Member, HSC</p>		<ul style="list-style-type: none"> • MSc. Construction Engineering and Management, Loughborough University • MBA, Maastricht School of Management • BSc. (Hons), University of Nairobi 	<ul style="list-style-type: none"> • Consultant, Midrock Consulting • Managing Director, Kisumu Water and Sewerage Company (2006-2018) • Board Member, Federation of Kenya Employers • Board Member, Global Water Partnership Alliance (2015-18) • Board Member, African Utility Week • Board Member, Stadia Management Board (2010-2012) • Board Member, National Council for Occupational health and Safety • Fellow, Aspen Global Leadership Network
 <p>Prof. Mwenda Ntarangwi CEO</p>		<ul style="list-style-type: none"> • PhD (Cultural Anthropology)- Univ. of Illinois. • MA (Cultural Anthropology)- Univ. of Illinois • MA-Swahili Cultural studies- Kenyatta University • BEd. (Language Education)- Kenyatta Univ. 	<ul style="list-style-type: none"> • Vice President, Theological Book Network (2015-2017) • Executive Director, International Association for the Promotion of Christian Higher Education (2012-2015) • Associate Director Office of Off-Campus Programmes, Calvin College (2012-2015) • Director, African and African Diaspora Studies, Calvin College (2008-2011) • Director and Assistance Professor St. Lawrence Univ.- Kenya Semester Programme (1999-2003) • Assistant Director Academic Programme& students- St. Lawrence University-Kenya Semester Program (1998 to 1999) • Associate Professor of Anthropology (2008-2015)

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MANAGEMENT TEAM



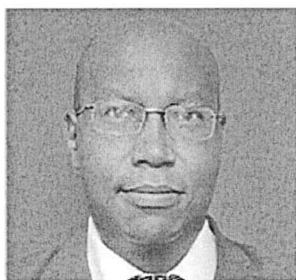
Prof. Mwenda Ntarangwi, PhD
Commission Secretary/CEO



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



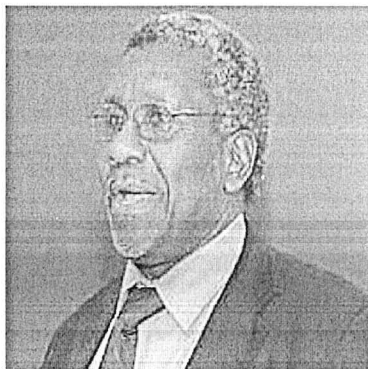
Lynette Kisaka
Ag. Deputy Commission Secretary
Quality Audits and Standards



Prof. Jackson Too, PhD
Ag. Deputy Commission Secretary
Administration and Finance

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

CHAIRMAN'S STATEMENT



Prof. Chacha Nyaigotti-Chacha
Chairman

It is with great pleasure that I present to you the Annual Report and Financial Statements for Commission for University Education (CUE) for the financial year ended June 2020.

The year presented both successes and unprecedented challenges brought by the Covid-19 pandemic.

Some of the key highlights from our performance in the 2019/20 year include the review of the sections of the Universities Act (University Regulations 2014), which was geared towards addressing the lacuna in law and ensuring all stakeholders in the university sector are at par when it comes to implementation of the Universities Act.

The Commission also launched its 2019-2023 Strategic Plan. The plan is an operational paradigm shift towards tackling critical issues and challenges in university education as well as playing the critical role in achieving national development goals.

It also centres on students who are CUE's key stakeholders. Therefore, it will ensure a well-regulated sub-sector focused on student success and attainment of set goals in priority areas in their studies such as relevance, capacity building and equity, which will help make Kenyan university education globally competitive.

The Commission prides itself in offering guidance to enhance relevant and quality university education in Kenya. Currently, CUE oversees 74 accredited universities, both public and private.

In expanding access to university education, the Commission recommended award of Charter and Letter of Interim Authority to two more universities.

It is also worth noting that the Covid-19 pandemic has laid bare the technological advancement gaps in the university sector that urgently need to be addressed to ensure smooth transition of education virtually.

The pandemic presents a special opportunity to reassess further the existing challenges. There is need to leverage on technology to make learning in universities accessible to everyone. May I take this opportunity to offer my sincerely gratitude to the Government of Kenya, Ministry

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

of Education, stakeholders, regulatory authorities and agencies that provide support to the Commission for University Education.

To our valued stakeholders, we appreciate your sustained support and confidence in us. We value your contribution and continued partnership. I wish to convey my utmost appreciation to my colleagues in the Board for their invaluable contributions and unwavering dedication, to the management and staff for their tireless effort and steadfast commitment to ensure the Commission achieves its mandate.



PROF. CHACHA NYAIGOTTI-CHACHA
COMMISSION CHAIRMAN

Commission for University Education
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REPORT OF THE CHIEF EXECUTIVE OFFICER



Prof. Mwenda Ntarangwi, PhD
Commission Secretary/CEO

I am delighted to present to you our Annual Report and Financial Statements for the year ended 30th June 2020.

During the period under review, the Commission invested forward-looking strategies to drive its growth towards becoming the best-performing quality assurance regulator in Africa and beyond.

In 2019, the Commission was involved in the amendments to University Regulations 2014 to address the gaps in the Universities Act. The process brought together stakeholders in the university sector including chancellors and vice-chancellors, principals of university constituent colleges, both private and public, professional bodies and representatives of student recruitment agencies. During the period under review, the Commission undertook a broad spectrum of quality audit inspections of universities across the country. This culminated into award of Charter and Letter of Interim Authority to Umma University in Kajiado County and Uzima University in Kisumu County respectively. Uzima, a former constituent university college of Catholic University of Eastern Africa, became the 19th university to be granted Letter of Interim Authority. The access to university education has grown tremendously with current number of institutions in Kenya standing at 74.

The Commission hosted a number of regulatory agencies visiting to conduct benchmarking tours, including from Malawi and Burundi's National Council for Higher Education.

The Commission also received ISO 90001:2015 certification in 2019. In terms of technology, which remains a vital catalyst to efficient business processes of the Commission, we have put in place a robust and modern technological systems connectivity that allow staff to connect from anywhere and access all systems and IT resources away from the office.

It is worth noting that the Covid-19 pandemic has significantly added to the challenges faced by education systems throughout the world. As the university regulator, we have put in place robust strategies to continue generating value for our stakeholders. These are anchored on five strategic pillars namely: Accreditation processes, quality assurances, planning and research, recognition and qualification of foreign certification.

A handwritten signature in blue ink, appearing to read 'Mwenda Ntarangwi', written over a circular stamp.

PROF. MWENDA NTARANGWI
COMMISSION SECRETARY/CEO

Commission for University Education

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REVIEW OF PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the Commission for University Education's performance against predetermined objectives.

The Commission has four (4) strategic pillars and Seven (7) objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Quality Assurance

Pillar 2: Strategy Policy and Research

Pillar 3: Corporate Positioning

Pillar 4: Institutional Capacity

The Commission develops its annual work plans based on the above four (4) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Commission achieved its performance targets set for the FY 2019/2020 period for its four (4) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Quality Assurance	To Re-engineer Quality Assurance Processes	Gazetted Amendments to the Universities regulations	Draft proposed amendments to the Universities Regulations	Amendments finalized and taken through stakeholder involvement. Finalized report submitted to the Ministry of education for gazette
		Number of proposed Universities evaluated	Evaluate proposed universities for establishment	The Commission evaluated 14 proposals for establishment of the universities
		Number of Campuses inspected/Re-inspected	Evaluate/Re-inspect university campuses and ODEL centres	12 campuses inspected
		Number of universities with transitional accreditation monitored	Annually monitor/evaluate institutions with transitional accreditation for award of charter	12 Universities with transitional accreditation monitored
		Number of programmes evaluated	Evaluate curricula for university programmes	235 No of programmes evaluated
		Number of universities audited	Conduct Regular institutional quality audits	Four Universities audited
		Number of issue based/impromptu audits undertaken	Undertake issue based quality audits	One universities audited
		Number of programme audits undertaken	Undertake programme quality audits	No university programme audited
		Percentage of student recruitment agencies evaluated and licensed	License student recruitment agencies	100% applications evaluated and those that qualified licensed

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		Percentage of application evaluated for recognition and equation	Recognize and equate foreign qualification	100% of application evaluated
Pillar 2: Strategy Policy and Research	To Provide Evidence Based Policy Advisories	Approved indicator framework	Develop indicator framework for university education	Draft framework complete. Stakeholder consultation ongoing
		Approved policy criteria for admission into universities	Develop/review policy criteria and requirement for admission to universities in Kenya	Development Committee selected
		Number of reports	Collect, analyse and disseminate data on university education	Data on university education collected analysed and report completed and disseminated to stakeholders
		Number of policy briefs prepared	Prepare policy briefs and advisories on university education	One policy brief prepared and advisory sent to the CS MOE
		Approved directory of credible journals	Develop the directory of credible universities journals	All journals were reviewed by external reviewers and an evaluation report submitted to CUE.
		Number of symposiums/ workshops/ conferences to promote sharing of research outputs	Hold symposiums/ workshops/ conferences to promote sharing of research outputs	Preparation for the 3rd Biennial conference ongoing
		Number of research undertaken	Undertake research on topical issues on university education	Research proposal on PhD in Kenya developed
Pillar 3: Corporate Positioning	To Promote Corporate Image And Branding	Improved website functionality	Re-design the corporate website and continually update the website	Website re-designed and continuously updated
		Revised service charter	Revise and Implement the Citizens Service Charter	Service charter revised and cascaded and monitoring of the implementation of Service Charter done
		Number of CSR activities undertaken	Undertake Corporate Social Responsibility (CSR)	CUE undertook strategic sponsorship and partnership in the Beyond Zero half Marathon held on 8th March 2020; Distribution of commercial umbrellas and branded reflector jackets in JKUAT, Murang'a university of Technology and Meru University of Science and Technology;

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		Number of items branded	Identify and implement corporate branding activities	Business cards printed for a section of staff Staff name tags printed Car passes printed
Pillar 4: Institutional Capacity	To Institutionalize use of ICT	Number of ICT infrastructure acquired	Acquire and maintain ICT infrastructure	New laptops, computers and other ICT equipment acquired and
		IMIS system developed	Develop and implement an integrated Information Management System (IMS)	Development of IMIS system complete awaiting training of staff and universities.
	To Enhance Human Resource Management	Career guideline developed	Develop and implement career progression guidelines	Draft complete
		Number of staff recruited	Recruit and place staff	Request for approval of recruiting staff submitted to Treasury
		Training plan developed	Develop and implement training plan	Training plan developed and all staff trained
		Succession management plan developed	Develop and implement a succession management plan	Not done
		Develop change management and organizational transformation mechanisms developed	Develop and implement mechanisms to promote culture change and organizational transformation	Not done
		Rewards and sanction policy developed	Develop and implement rewards and sanction policy	Not done
		Number of policies reviewed	Develop/review cross-cutting policies	Two policies reviewed Policy on Records management Finalized Transport Policy circulated to internal stakeholders
	To Enhance Resource Mobilization And Financial Management	Revenue collection strategy developed	Develop revenue collection strategy	Draft strategy developed
		Programme based budget	Develop program based budgeting	Programme based budget developed
		Resource mobilization strategy	Develop Resource mobilization strategy	Not done
		Number of funding proposals developed	Develop funding proposals	5 proposals developed. One submitted to funding partner but was not successful
	To Enhance Institutional Planning	Master plan developed	Develop and implement a 10 year master plan	Not done

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		Designs of the Research and Training Centre	Design and construct the Research and Training Centre	Not done
		ISO certification	Mainstream internal quality assurance mechanisms	Commission has been ISO certified
		Corporate business continuity plan developed	Develop and implement a corporate business continuity plan	Not done
		Reports	Monitor and evaluate programme/projects and policies	Quarterly reports on projects and programmes done

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CORPORATE GOVERNANCE STATEMENT

The Commission is responsible for the overall management of the organisation. The members of the Commission are committed to achieving the highest standards of good governance. In this regard, the members of the Commission and management have committed to work honestly and diligently and have put policies and strategies to ensure compliance with the law and highest standards of best practice in good governance and business ethics.

Number of Board meetings held and the attendance to those meetings by members

The Commission holds quarterly meetings while special meetings are called when it is deemed necessary to do so. During the year, the Commission held 6 meetings and 3 special meetings.

Board Charter

The Board Charter is critical to the Commission's governance framework, and offers guidance on matters including but not limited to the following; The separation of the roles, functions, responsibilities and powers of the board and its individual members; Powers delegated to the board committees; Matters reserved for final decision-making and approval by the board; Policies and practices of the board on matters of corporate governance, directors' declarations and conflict of interest, conduct of board and board committee meetings; appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Commission.

Board Size, Composition, Appointment and Succession Plan

The constitution of the Commission is as is stipulated by the University's Act in Section 6 and consists of seven members as follows:

a chairperson appointed by the President;

the Principal Secretary in the Ministry for the time being responsible for university education;

the Principal Secretary in the Ministry for the time being responsible for national treasury;

one person appointed by the Cabinet Secretary who is a distinguished academic scholar with at least ten years' experience in management of university education;

one person nominated by the Federation of Kenya Employers and appointed by the Cabinet Secretary;

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one person nominated by chairpersons Councils of public universities in a forum of chairpersons of the Councils of public universities convened by the Cabinet Secretary for that purpose;
one person nominated by chairpersons Councils of private universities in a forum of chairpersons of the Councils of private universities convened by the Cabinet Secretary for that purpose; and
the Commission Secretary who shall be an *ex-officio* member.

The First Schedule stipulates the provisions as to the Conduct of the Business and Affairs of the Commission. The quorum for a meeting of the Commission is five (5) members. The Commission has the appropriate mix of skills, knowledge and experience to perform its role effectively.

The Commission has four (4) committees which are:

Human Resources Administration and Finance Committee,
Strategy Committee,
Quality Audit Committee and
Audit Committee.

Each committee has a formal and approved terms of reference. The board periodically reviews the terms of reference for each of these committees to ensure they are in line with current legislation and best practice. The committees are provided with all necessary resources to enable them to undertake their duties effectively.

The chairperson and members of the Commission will hold office for a term not exceeding four years and shall be eligible for reappointment for one further term.

Roles and Functions of the Board

The role and functions of the Commission is as prescribed under the Mwongozo Code of Governance and includes, among others, the following:

Set and oversee overall strategy and approve policies for the organisation;
Approve the organisational structure and budget of the organisation; and
Ensure strategy is aligned with the organisation's mission, Vision and core values.

Induction and Training

Members undergo regular training and education to enable them fulfil their responsibilities. All board members receive an induction upon joining. This provides an overview of the Commission, new

Commission for University Education

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developments in the environment in which the Commission operates, as well as any regulatory changes.

Board and Member Performance and Evaluation

During the year, the Commission conducted a self-evaluation as provided for in law under the guidance of officials from the State Corporations Advisory Committee (SCAC). The evaluation provided members with an opportunity to interrogate their performance and point out issues that require the attention of both individual members and the Council as a whole.

Conflict of interest

The Universities Act in the First schedule stipulates that a member who has a direct or indirect interest in a matter being considered or to be considered by the Commission shall, as soon as the relevant facts regarding the matter come to knowledge of the member, disclose the nature of such interest, and shall not be present during any deliberations on the matter.

In addition, the Commission has a Conflict of Interest Policy that guides members in this matter.

Board remuneration

Members are remunerated as per guidelines set out in the State Corporations Advisory Committee circulars, Salaries and Remuneration Commission and National Treasury directives in respect to sitting allowance, transport, airtime and accommodation costs.

Ethics and conduct as well as governance audit

The Commission has approved policies which govern general conduct with persons interacting with the organisation; Human Resources Policies and Procedures Manual, CUE Code of Ethics, CUE Whistle Blowing Policy and CUE Conflict of Interest and Gift Policy.

The Commission governs the University consistent with its values of Professionalism, Integrity, teamwork, Accountability and Responsiveness all contributing to commitment with respect to transparency and high quality governance system.

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The Board and Committee membership

The Commission has four committees whose membership is as follows:

Audit, Risk and Compliance Committee

Ms. Lucy Kambuni ,SC- Chair Person
Mr.Micah Origa-Representing PS National Treasury
Mr. Mugambi Nyaga-Representing-PS, MoE
Prof. Anne Muigai

Quality Assurance Committee

Dr. Elizabeth Muli- Chairperson
Prof.Anne Muigai
Mr. Mugambi Nyagah-Representing- PS, MoE
Mr. Micah Origa -Representing PS National Treasury
Prof. Mwenda Ntarangwi - CEO

Strategy Committee

Prof.Anne Muigai-Chair Person
Ms. Lucy Kambuni,SC
Dr. Elizabeth Muli
Eng. David Onyango
Mr.Mugambi Nyaga PS, MoE
Prof. Mwenda Ntarangwi – CEO

Human Resources & Finance Committee

Eng. David Onyango -Chair Person
Mr.Micah Origa- Representing PS National Treasury
Mr. Mugambi Nyaga-Representing-PS, MoE
Ms. Lucy Kambuni ,SC
Prof. Mwenda Ntarangwi – CEO

Number of Board Meetings

During the year the Commission held the following meetings

Full Board- 6 Regular meetings & special meetings
Audit, Risk and Compliance Committee - 4 meetings
Quality Assurance Committee - 4 meetings
Strategy Committee - 4 meetings
Human Resources & Finance Committee - 4 meetings

Independence of Board Members and conflict of interest

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

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Annual Reports and Financial Statements for the Year Ended 30 June, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year, the Commission raised income of Kshs 313,599,673 against a budget of Kshs 379,170,487 while spending Kshs 303,212,705 against a budget of Kshs 379,170,534. The Commission recorded a surplus of Kshs 10,386,968.

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

Table 1

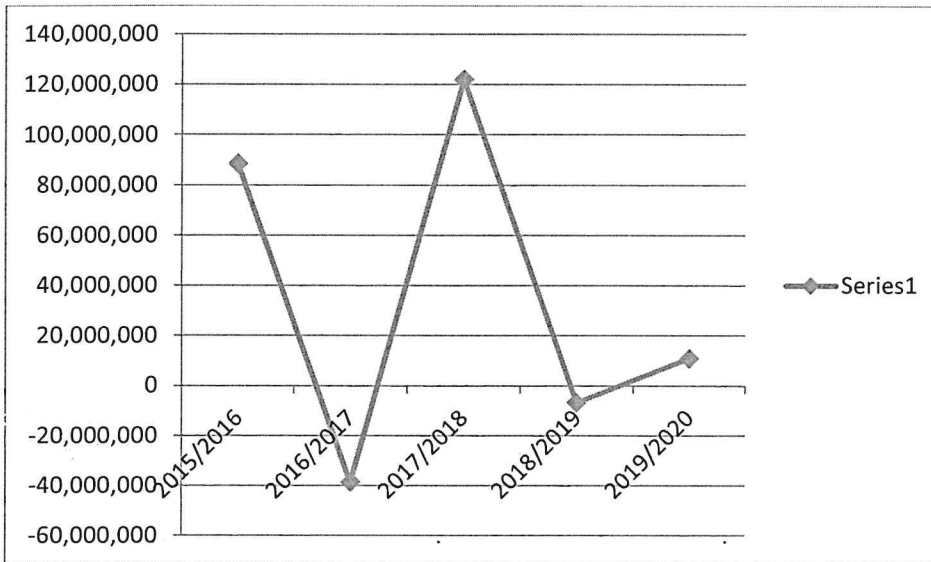
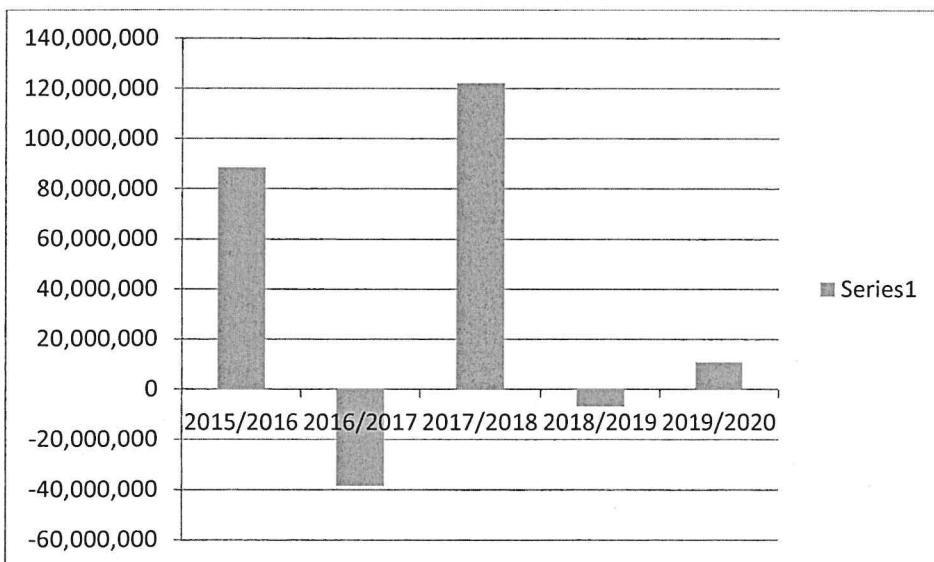


Table 2



Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2020

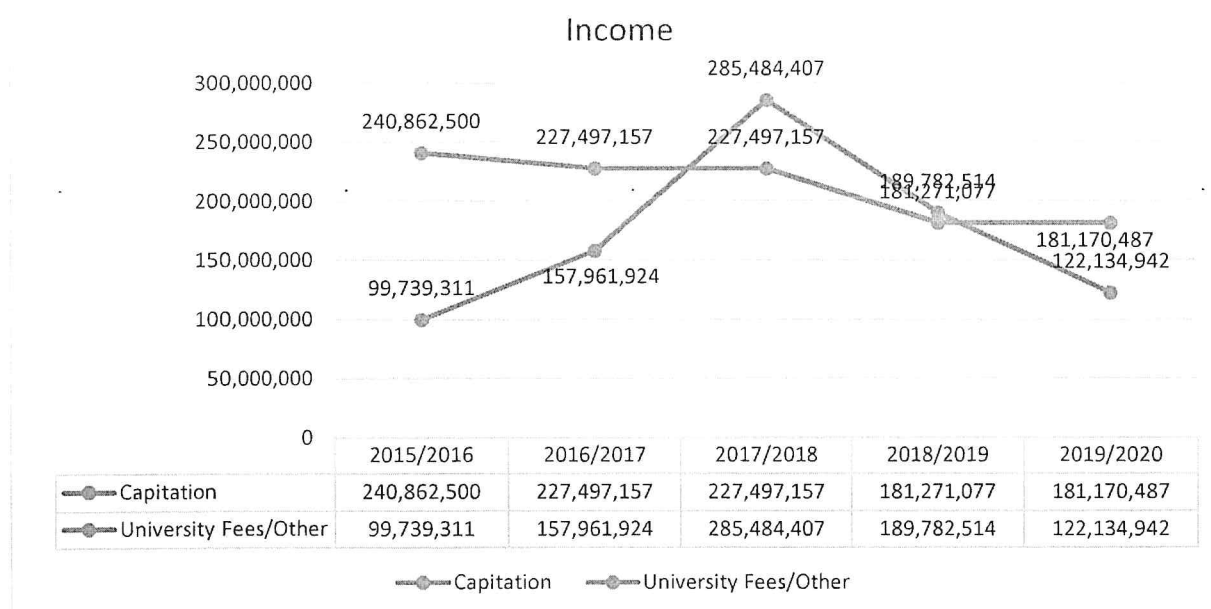
Income

Following the approval of the service charge collection policy by the Commission in January 2017, management continues to intensively engage the universities to ensure that they pay their dues. The concerned universities have been promptly informed that failure to pay their dues to the Commission will result in sanctions including not being offered any service by the Commission amongst others.

The Commission is currently pursuing the outstanding quality assurance charges debts which some universities have not yet cleared owing to cash flow challenges faced compounded by the negative effects of Covid 19. As at the end of the financial year, the Commission was owed Kshs 996,135,252 against 1,110,807,750 on quality assurance charges.

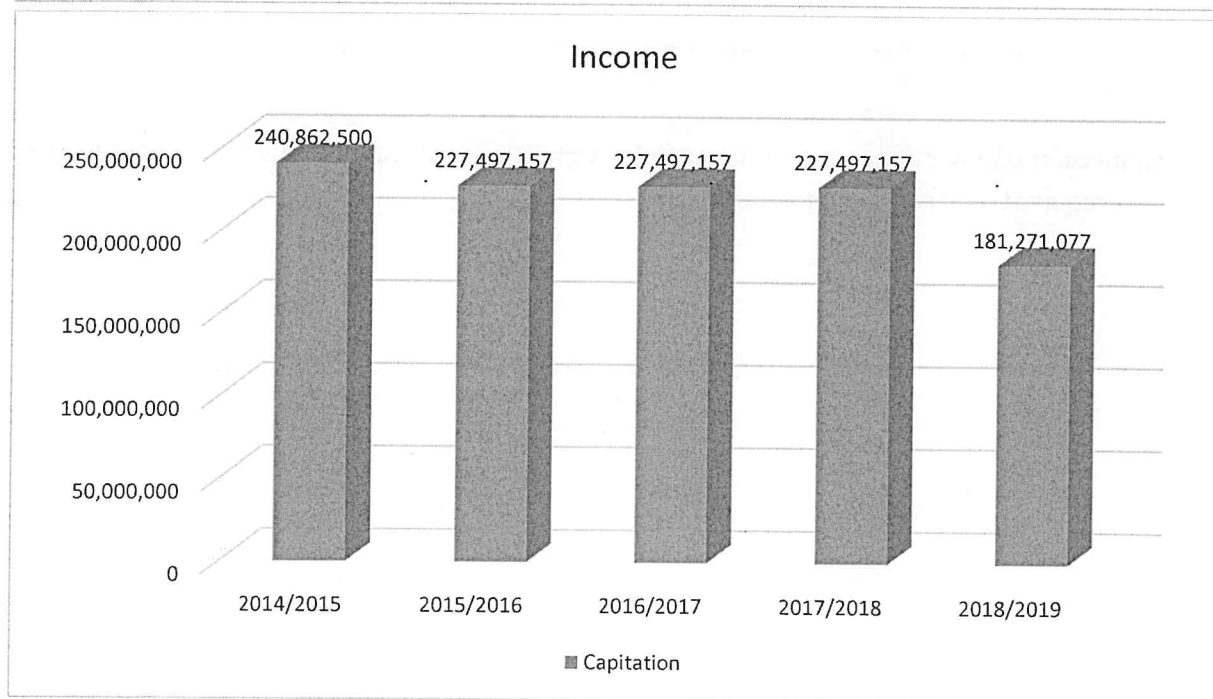
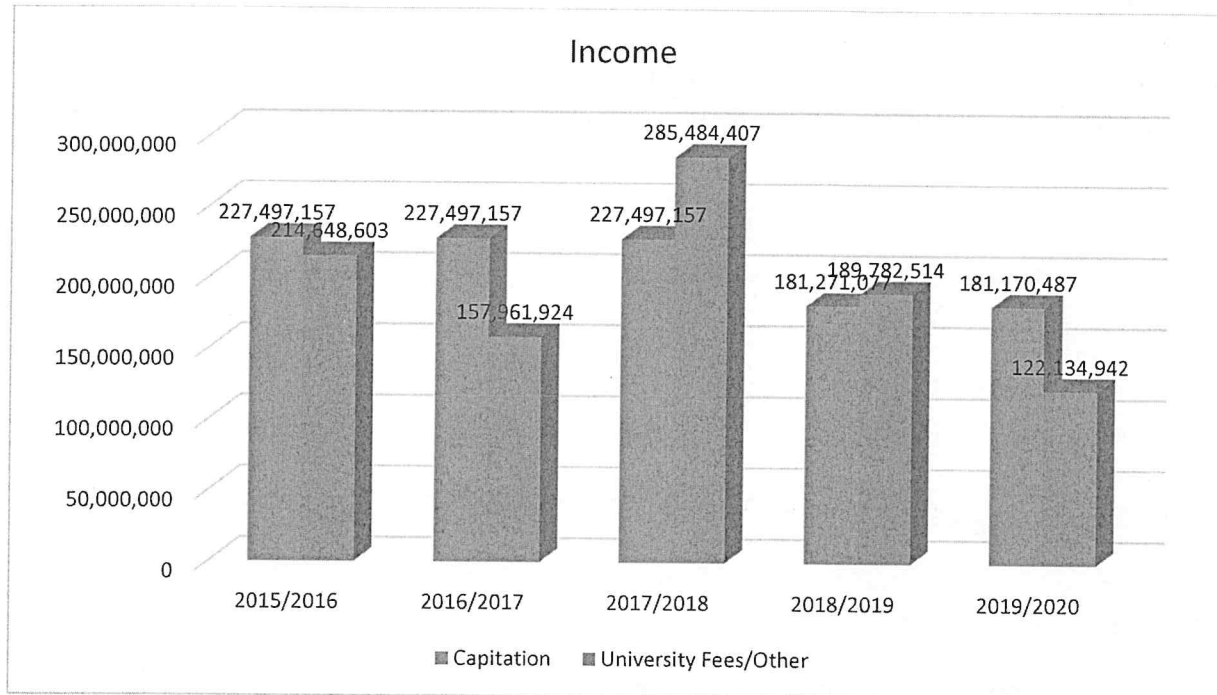
Incomes of the Commission are as illustrated in Table 3 and Table 4. It is noted that though the Universities Act, 2012 increased the mandate of the Commission, capitation has reduced by 30% from Kshs. 259 million in 2011/2012 to Kshs.181 million in 2019/2020. This has become an impediment in advancing the mandate of the Commission.

Table 3



Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

Table 4



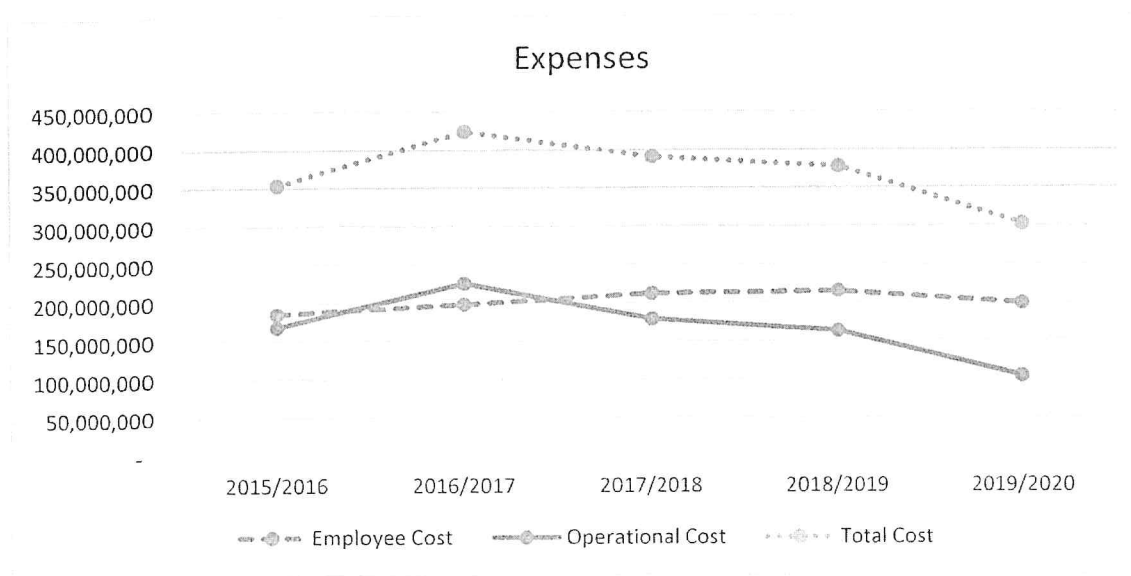
Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2020

Expenses

The Commission's expenses are as illustrated in Table 5. Over the last 4 years the Commissions' total expenses have reduced from Kshs 424 million in 2016/2017 to Kshs 302 million in 2019/2020

Table 5



The Commission will continue to steer the agenda of university education in Kenya to produce manpower required to drive the big 4 agenda.

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2020

CORPORATE SOCIAL RESPONSIBILITY /SUSTAINABILITY

The Commission seeks to be a responsible corporate citizen in all aspects of its operations and activities. Through its various initiatives, the Commission seeks to guide all its stakeholders including employees on its key role and obligation towards our three pillars which include: putting the customer/Citizen first, delivering relevant goods and services and improving operational excellence. Being aware that good corporate responsibility practice and responsible behaviour are integral parts of sustainable development, the Commission is fully committed to conducting its work responsibly and in the best interests of its customers, employees and other stakeholders that it interacts with that are affected by its activities. In this connection, the Commission's commitments to its employees, the environment, customers, suppliers and key stakeholders remains paramount.

Our engagement in corporate social responsibility (CSR) has been borne out of the realization that we must integrate social and environmental concerns into our business operations in order to remain relevant to not only our employees and their families, but also to our customers, local community, partners and the society at large.

Here are some of the highlights of our achievements in the period 2019/20

Sustainability strategy and profile

The Commission has established a clear need to engage universities top management as key stakeholders to establish viable and sustainable solutions to the challenges facing the sub-sector. In view of this, the Commission organized a series of regional Stakeholder Engagement Workshops within the period. Some of the engagements hosted by the Commission included the Stakeholders workshop on Validation The engagements were guided by the Stakeholder Relationship Management Policy to ensure the realization of the legitimate interests and expectations of stakeholders. Participants reflected on cross-cutting topics including:

- ✓ The current state of university education in the country;
- ✓ The recent experiences in quality audit of universities;
- ✓ Leadership and management challenges in the universities;
- ✓ Alignment of university education to national development goals; and
- ✓ The role of Commission for University Education in ensuring quality university education;

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2020

- ✓ In addition, the forum provided an opportunity to share experiences, gain input and better understand stakeholder priorities.

Benchmarking and Partnerships-

The Commission has benchmarked quality assurance practices with continental, regional and global quality assurance framework. Towards this end, the Commission in 2017 and 2018, partnered with the East African Community member states in the development of a harmonized accreditation system under the IUCEA framework. The Commission has participated in regional technical meetings comprising representatives of National Commissions/Councils for Higher/University Education and has been part of the development of the road map for the development of the proposed regional accreditation framework.

Environmental performance

The Commission is committed to maintaining the state of the environment where social and economic goals ensure the achievement of improved quality of life whilst avoiding a scenario whereby CUE actions may cause environmental issues that could undermine or threaten human survival. The organization endeavors to at all times minimize the extent of any adverse impact its operations may have on the enjoyment by the community of the world's natural environments. For instance, the Global warming (predicted rise in global average temperatures resulting in rising sea-levels, coastal destruction, displaced populations, crop failures, desertification, etc.) is now recognized as a major environmental issue brought about largely by mankind's inappropriate use or abuse of natural resources. Minimizing factors which contribute to global warming has, and continues to be a critical consideration in formulation of the Commission's sustainable development strategy.

3. Employee welfare

The Commission has consistently supported training of staff (both individual and organizational level) as it considers it important in improving efficiency and service delivery. In its effort to address performance and skills gaps with the aim of enhancing service delivery, the Commission has made it a routine to train all its staff through various training institutions. Over 70 staff were trained within the period.

The hiring process is guided by the Human Resource policy

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2020

Market place practices-

As a Commission, we are strongly committed to high standards of ethics and integrity in all aspects of our business and to ensuring our affairs are conducted in accordance with applicable laws and regulations. When carrying out their duties all employees of the Commission are required to act impartially and responsibly, and not give preferential treatment to any organizations or individuals. All employees of the Commission are required to adhere to this high standard whenever they act on behalf of the Commission, whether in dealings with other employees, customers, vendors, Government regulators or the general public.

Marketing and advertisement-

With today's empowered stakeholders who have diverse expectations, the role of communications is becoming more important than ever before for any key player in service delivery. Communications has a key role in disseminating information, raising awareness on government services and policies, advocacy and generally supporting decision making processes including behavioral change among communities through targeted campaign drives in order to entrench the rule of law and create a Cohesive society. Public Communication is therefore essential in sufficiently raising the knowledge levels of CUE on what they expect of their stakeholders and thereby identifying their role for participation through dialogue and engagement. As the University Regulator in Kenya, its incumbent upon us to create a framework that guides us as an organization in undertaking public communications activities and media relations function in support of its mandate. Thus, the Commission has made it mandatory through its Corporate Affairs department to continuously inform and influence stakeholders and enhance the reputation of government by collectively adhering to the vision, mission and core values.

Community Engagements-

Corporate Social Responsibility is not merely donations but it signifies a commitment to behave ethically and to contribute to the economic development of the quality of life of the workforce and their families and of the community around us. The Commission is also considering the broad social impacts of its activities, corporate products, services and processes.

During the period under review, the Commission embarked on CSR initiatives that integrate the business operations and values whereby the interests of all stakeholders, including employees, partners and the community are reflected in the mandate and functions. The CSR programmes are anchored on the continuing commitment to improve the quality of life of the less fortunate members

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

of society. As part of its commitment to CSR, the Commission took part in the First Lady Margaret Kenyatta's The Beyond Zero initiative in which funds were donated by CUE to start early diagnosis and treatment of cancer. The Commission has committed to participate in this annual event as it seeks to strategically locate itself as the regulatory agency mandated to ascertain quality university education in the country by adapting international, regional and local best practice in quality assurance.

The Commission has also embarked on disbursing Staff mortgage and Car loan schemes to promote the welfare of the staff and improve their living standards.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

REPORT OF THE COMMISSIONERS

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Commission's affairs.

Principal activities

The principal activities of the Commission are to regulate and assure quality university education by setting standards & guidelines and monitoring compliance to achieve global competitiveness.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page vii to viii.

During the financial year, the terms of 3 independent board members came to an end in April 2020.

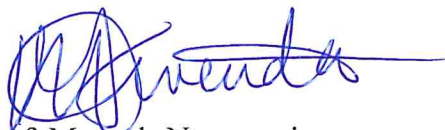
Dividends/Surplus remission

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 entity did not make any surplus during the year (FY 2019/2020 Nil) and hence no remittance to the Consolidated Fund, the surplus reported is due to Donor Funds which were utilised in a MIS project.

Auditors

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

By Order of the Commission.



Prof. Mwenda Ntarangwi
Commission Secretary

Nairobi

Date 30/9/2020

Commission for University Education

Annual Reports and Financial Statements for the Year Ended 30 June, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Universities Act, 2012 section 33, Section 81 of the Public Finance Management Act, 2012 and section 14(2) of the State Corporations Act, require the Commissioners to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

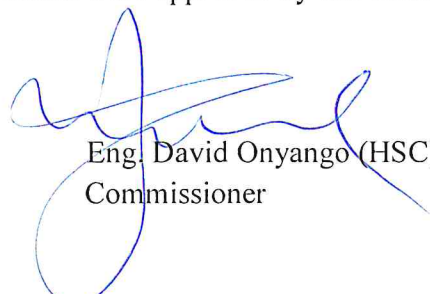
The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2020, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Commission's financial statements were approved by the Commission on 30th September 2020 and signed on its behalf by:

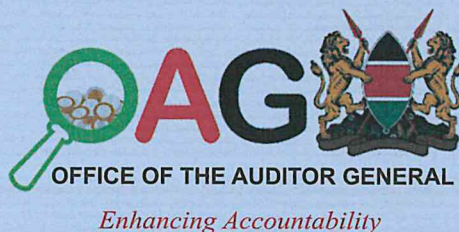

Prof. Chacha Nyaigotti-Chacha
Chairman


Eng. David Onyango (HSC)
Commissioner


Prof. Mwenda Ntarangwi
Commission Secretary

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON COMMISSION FOR UNIVERSITY EDUCATION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Commission for University Education set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of the Commission for University Education as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions of Kshs.1,005,793,810 which, as disclosed in Note 19 to the financial statements, includes an amount of Kshs.1,000,186,619 relating to exchange receivables. Examination of the aging analysis of the exchange receivables revealed that an amount of Kshs.791,558,855 related to the financial year 2016/2017 and earlier years. The recoverability of the long outstanding debts remains doubtful.

Further, third-party confirmations received from some of the Universities under exchange receivables revealed unreconciled variances in the balances reflected as owing to the Commission for University Education (CUE) as detailed below.

Name of Institution	Amount as per CUE Kshs.	Amount as per University's Records Kshs.	Variance Kshs.
Cooperative University of Kenya	1,028,429	1,102,000	(73,572)
Kenyatta University	171,102,000	8,774,000	162,328,000
Multimedia University	10,263,670	5,454,670	4,809,000
Jomo Kenyatta University of Agriculture and Technology (JKUAT)	52,409,400	64,965,024	(12,555,624)
Technical University of Mombasa	11,393,100	3,914,375	7,478,725
Pwani University	9,432,500	0	9,432,500

Under the circumstances the accuracy and validity of the receivable balance of Kshs.1,005,793,810 as 30 June, 2020 could not be confirmed and recoverability from the respective Universities is also doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Commission for University Education 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 judgement, are of most significance in the audit of the financial statements. There are 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.379,170,487 and Kshs.313,599,673 respectively resulting in under-performance of Kshs.65,570,814 or 17%. Similarly, the Commission spent Kshs.303,212,705 against an approved budget of Kshs.379,170,534 resulting to an under-expenditure of Kshs.75,957,829 or 20% of the budget. Management has not provided explanations for the under-performance and under-expenditure which affected the planned activities and may have impacted negatively on 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, I confirm that, nothing 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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International public sector accounting standards (Accrual basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Commission or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR GENERAL

Nairobi

22 November, 2021

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	6	181,170,487	181,271,077
Donor Funds-NICHE		10,067,686	
		191,238,173	181,271,077
Revenue from exchange transactions			
Rendering of services	7	96,366,138	142,723,627
Rental revenue from facilities and equipment	8	2,032,800	1,936,200
Finance income - external investments	9	23,495,846	44,607,983
Other income	10	466,716	514,706
		122,361,500	189,782,516
Total revenue		313,599,673	371,053,593
Expenses			
Use of goods and services/Bulk purchases of water & electricity	11	2,778,391	3,052,736
Employee costs	12	198,733,517	214,870,356
Remuneration of Commissioners	13	10,982,498	17,183,420
Depreciation and amortization expense	14	13,001,408	18,529,869
Repairs and maintenance	15	2,660,149	2,363,672
Contracted services	16	27,281,794	41,120,209
General expenses	17	47,774,948	78,563,910
Total expenses		303,212,705	375,684,172
Surplus/(deficit) for the period		10,386,968	(4,630,579)

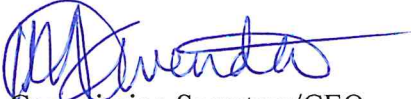
The notes set out on pages 6 to 29 form an integral part of these Financial Statements

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020


STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2019-2020	2018-2019
Assets			
Current assets			
Cash and cash equivalents	18	491,341,794	639,539,398
Receivables from exchange transactions	19	1,005,793,810	1,055,950,862
		1,497,135,604	1,695,490,260
Non-current assets			
Property, plant and equipment	21	454,962,781	467,664,061
Total assets		1,952,098,385	2,163,154,321
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	27	49,377,677	67,307,000
Total liabilities	27	49,377,677	67,307,000
Net assets		1,902,720,708	2,095,847,321
Capital Funds	24	197,449,724	197,449,724
Accumulated surplus	23	1,418,933,199	1,608,546,231
Revaluation Reserves	22	286,337,785	289,851,366
Total net assets and liabilities		1,902,720,708	2,095,847,321

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:


 Commission Secretary/CEO
 Prof. Mwenda Ntarangwi


 Head of Finance
 Linah Kiptoo
 ICPAK Member No: 4426


 Chairman of the Board
 Prof. Chacha Nyaigotti Chacha

Date... 30/9/2020

Date... 30/9/2020

Date... 30/9/2020

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Capital Funds	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2019	197,449,724	284,976,016	1,613,176,810	2,095,602,550
Surplus/(deficit) for the period			(4,630,579)	(4,630,579)
Depreciation on revaluation	-	(3,874,650)		(3,874,650)
Revaluation	-	8,750,000		8,750,000
Balance as at 30 June 2019	197,449,724	289,851,366	1,608,546,231	2,095,847,321
Balance as at 1 July 2019	197,449,724	289,851,366	1,608,546,231	2,095,847,321
Surplus/(Deficit) for the period			10,386,968	10,386,968
Transfer to National Treasury			(200,000,000)	(200,000,000)
Depreciation on revaluation		(3,513,581)		(3,513,581)
Balance as at 30 June 2020	197,449,724	286,337,785	1,418,933,199	1,902,720,708

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
Cash flows from operating activities		Kshs	Kshs
Receipts			
Surplus/(Deficit) for the year		10,386,968	(4,630,579)
Adjusted for:			
Depreciation	21	13,001,408	18,529,869
Gain on disposal of motor vehicle			
Working capital adjustment		23,388,376	13,899,290
Increase/(Decrease) in payables	27	(17,929,323)	(31,092,449)
(Increase)/Decrease in receivables	19	50,157,052	75,105,096
Net cash flows from operating activities		55,616,105	57,911,937
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(3,813,707)	(20,158,494)
Disposal of Motor Vehicle			
Net cash flows used in investing activities		(3,813,707)	(20,158,494)
Transfer to the National Treasury		(200,000,000)	
Net increase/(decrease) in cash and cash equivalents		(148,197,602)	37,753,443
Cash and cash equivalents at 1 July	18	639,539,398	601,785,955
Cash and cash equivalents at 30 JUNE	18	491,341,796	639,539,398

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage variance
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	181,170,487	-	181,170,487	181,170,487	0	0.0
Donor Funding				10,067,686	10,067,686	
Rendering of services	167,500,000	-	167,500,000	98,865,654	-68,634,346	-41.0
Finance Income	30,500,000	-	30,500,000	23,495,846	-7,004,154	-23
Total income	379,170,487	0	379,170,487	313,599,673	-65,570,814	-17.3
Expenses						
Compensation of employees	239,500,047	-	239,500,047	198,733,517	40,766,530	17.0
Goods and services	139,670,487	-	139,670,487	104,479,188	35,191,299	25.2
Finance Cost	-	-	-	-	-	
Total expenditure	379,170,534	0	379,170,534	303,212,705	75,957,829	
Surplus/(Deficit) for the period	-47	0	-47	10,386,968	10,387,015	

Commission for University Education
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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The standard has no impact on the Commission

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The standard has no impact on the Commission</p>

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Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. The standard has no impact on the Commission

iii. Early adoption of standards

The Commission did not early-adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees & Charges

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Commission for University Education
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Rendering of services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

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

Sale of goods

The Commission does not engage in the sale of goods. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. The Commission does not have investment properties.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly.

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

c) Taxes

Current income tax

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Property, plant and equipment

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

e) Financial instruments

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) Provisions

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent liabilities

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

Contingent assets

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

g) Changes in accounting policies and estimates

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

h) Employee benefits

Retirement benefit plans

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

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Foreign currency transactions

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

j) Borrowing costs

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

k) Related parties

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

l) Service concession arrangements

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Cash and cash equivalents

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

n) Stocks

The Commission stock is made up of consumables, largely in form of stationeries and as such stocks are expensed in the year of purchase

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

p) Depreciation

Assets of the Commission are maintained at cost and depreciated using straight line method using the following rates:

Asset Type	Depreciation Rates
Motor Vehicles	25%
Equipment	12.5%
Furniture	12.5%
Buildings	2.5%
Computers	30%

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Performance

The Commission's financial statements have been prepared on a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As of 30 June 2020, the Commission had a surplus of Kshs 10,979,497, largely attributable to donor funding by NICHE on capacity building of the Commission. There were also challenges of collecting quality assurance charges brought about by the transition from the 2014 gazette notice to 2016 gazette notice on fees collected by the Commission. The revision of the gazette notice reduced most charges by half since the Universities had raised the concern of the high charges in the 2014 gazette notice.

However, the Commission has now embarked in quality charges collection in 2018/2019 financial year following the development and implementation of Commission for University Education fee collection strategy and face to face engagement with the Universities

Estimates and assumptions

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

Useful lives and residual values

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

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

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Provision of Kshs 1,450,000 has been made in relation to Loresho unpaid rent by the previous tenant dating back to the period prior to the year 2011, the matter is a court case.

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 Kshs	2018-2019 KShs
MOHEST Ministry/State Department	181,170,487	-	181,170,487	181,170,487	181,271,077
Total	181,170,487	-	181,170,487	181,170,487	181,271,077

DONATIONS

	2019-2020	2018-2019
NICHE	10,067,686	-

7. RENDERING OF SERVICES

The Commission renders services to universities, agencies, and to those who seek Equation of Qualification

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Description	2019-2020	2018-2019
	KShs	KShs
Quality Assurance Charge	45,455,000	72,157,000
Equation of Qualification	11,309,473	17,456,218
Programme Accreditation & Student Recruitment Agency charge	39,601,665	53,110,409
Total revenue from the rendering of services	96,366,138	142,723,627

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

The Commission Rents out space to other parties

Description	2019-2020	2018-2019
	KShs	KShs
Rent from leasing office space	2,032,800	1,936,200

9. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Cash investments and fixed deposits	23,495,846	44,607,983

10. OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Prequalification Income		
Miscellaneous	466,716	514,706
Total other income	466,716	514,706

Commission for University Education
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11. USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Electricity	2,669,815	2,976,150
Water	108,576	76,586
Total good and services	2,778,391	3,052,736

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	100,213,467	107,849,790
Employee related costs - contributions to pensions	21,471,020	22,961,920
Transport Allowance	13,487,079	14,933,373
Housing benefits and allowances	38,843,146	42,653,163
Medical Expense	16,024,909	17,402,712
Other Allowances- Leave/Entertainment	8,693,897	9,069,398
Employee costs	198,733,517	214,870,356

13. REMUNERATION OF COMMISSIONERS

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria	960,000	960,000
Commission sitting Allowance	4,640,000	7,280,000
Mileage allowances	183,147	106,468
Lunch Allowance	170,000	266,000
Air Tickets	679,864	1,448,715
Per Diem	3,093,233	5,531,312
Telephone/Internet	360,018	382,872
Medical Insurance	466,236	444,093
Training	430,000	753,040

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

Total director emoluments	10,982,498	17,183,420
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14. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	13,001,408	18,529,869
Total depreciation and amortization	13,001,408	18,529,869

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Property	1,518,197	1,486,255
Equipment	1,141,952	877,417
Total repairs and maintenance	2,660,149	2,363,672

16. CONTRACTED SERVICES

Description	2019-2020	2018-2019
	KShs	KShs.
Resource Persons	20,168,188	32,748,801
Professional fees	7,113,606	8,371,408
Total contracted services	27,281,794	41,120,209

17. GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Travelling & accommodation	17,184,875	26,764,695
Transport & Generator operating costs	4,324,589	6,597,781
Audit fees	1,000,000	1,000,000
Conferences and Seminars	3,397,410	5,633,763
Insurance	896,493	1,182,334
Advertising	292,020	1,804,040

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Library Expense	423,780	272,650
Hiring charges	437,049	3,223,125
Postage	111,845	228,190
Printing, photocopying & stationery	1,647,664	3,866,122
Office expenses	5,155,145	7,265,255
Rent & Rates	217,750	602,593
Telephone & Internet	5,655,915	5,662,976
Training	6,811,729	14,150,632
Other	218,684	309,754
Total general expenses	47,774,948	78,563,910

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Main Account-KCB A/C No. 1108031625	479,933,701	32,431,033
NICHE Euro account-KCB A/C No. 1150742135	-	554,976
NICHE Kshs account-KCB A/C No. 1173967656	-	1,088,654
Fixed Deposit KCB-Car loan KCB- Moi Avenue Branch	11,408,093	11,181,535
Treasury Bills	-	594,283,200
Total cash and cash equivalents	491,341,794	639,539,398

19. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Staff Debtors/Imprest	642,949	717,900
Prepayments	3,134,242	3,333,380
Exchange Receivables	1,000,186,619	1,045,795,218
Accrued Dues	1,830,000	6,104,364

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

Total current receivables	1,005,793,810	1,055,950,862
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Exchange in receivables relate to invoicing of quality assurance charges from FY2014/2015 to date, the Commission has been challenged in collection

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENTS

Description	2019-2020	2018-2019
		KShs
a) Investment in Treasury bills and bonds		
-Financial institution		
CBK	-	594,283,200
CBK		
Sub- total		594,283,200
b) Investment with Financial Institutions/ Banks		
KCB-Moi Avenue	-	-
Sub- total		-
c) Equity investments (specify)		
Equity/ shares	-	-
Sub- total		-
Grand total	-	594,283,200

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21. PROPERTY, PLANT AND EQUIPMENT

Cost	Land		Buildings		Furniture and fittings		Equipment		Computers		Motor vehicles		Intangible Assets		Work-In-Progress		Total	
	Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs		Shs	
At 1 July 2018	49,380,000		144,927,570		26,025,749		15,203,326		29,484,240		47,767,349		7,565,515				320,353,749	
Revaluations 2009/2010																		
Additions	264,620,000		23,623,251		-		-		-		-		-				288,243,251	
Disposals	-		-		1,996,217		622,580		2,640,500		7,082,000		370,000		7,447,200		20,158,497	
Transfer/adjustments	-		-		-		-		-		(15,783,471)						(15,783,471)	
At 30 th June 2019	314,000,000		168,550,821		28,021,966		15,825,906		32,124,740		47,815,878		7,935,515		7,447,200		621,722,026	
Additions	-		-		1,381,050				2,095,157						337,500		3,813,707	
At 30 th June 2020	314,000,000		168,550,821		29,403,016		15,825,906		34,219,897		47,815,878		8,273,015		7,447,200		625,535,733	
At 1 July 2018	-		49,744,054		17,218,054		11,235,538		25,936,702		35,637,080		7,665,488				147,436,916	
Depreciation	-		3,623,189		2,390,474		879,030		2,856,278		8,669,898		111,000				18,529,869	
Disposal	-		-		-		-		-		(15,783,471)						(15,783,471)	
Depreciation on Revaluation	-		590,581		-		-		-		3,284,069						3,874,650	
At 30 June 2019	-		53,957,824		19,608,528		12,114,568		28,729,980		31,807,576		7,776,488		-		154,057,964	
Depreciation	-		3,623,189		2,350,862		852,306		2,492,901		3,469,900		212,250				13,001,408	
Depreciation on Revaluation	-		590,581		-		-				2,923,000						3,513,581	
At 30 th June 2020	-		58,171,595		21,959,390		12,966,874		31,285,881		38,200,476		7,988,738		-		170,572,952	
Net book values																	-	
At 30 th June 2020	314,000,000		110,379,226		7,443,626		2,859,032		2,934,016		9,615,402		284,277		7,447,200		454,962,781	
At 30 th June 2019	314,000,000		114,592,997		8,413,438		3,711,338		3,331,760		16,008,302		159,027		7,447,200		467,664,062	

Commission for University Education
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. REVALUATION RESERVES

	2019-2020	2018-2019
Balance B/F	289,851,366	284,976,016
Depreciation	(3,513,581)	(3,874,650)
Revaluations		8,750,000
Balance C/F	<u>286,337,785</u>	<u>289,851,366</u>

23. ACCUMULATED SURPLUS

	2019-2020	2018-2019
Balance B/F	1,608,546,231	1,613,176,810
Transfer to NT	(200,000,000)	
Surplus for the year	10,386,968	(4,630,579)
Balance C/F	<u>1,418,933,199</u>	<u>1,608,546,231</u>

24. Capital Funds

	2019-2020	2018-2019
Balance	197,449,724	197,449,724

25. PROVISIONS

The commission did not set any provision for bad debts during the year

26. TAXATION

The Commission has no taxes.

Commission for University Education
Annual Reports and Financial Statements for the Year Ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	KShs
Audit Fees	1,990,000	990,000
Research Funds	11,045,195	11,045,195
McCormack Partnership A	2,112,000	2,112,000
Other Funds-Needs Assessment/PEBL	10,864,197	10,797,220
Biennial Conference	3,150,801	3,501,152
Exhibition by Kenyan Universities	2,662,905	2,662,905
Sundry Creditors-Gratuity	5,191,928	14,997,140
Creditors Control	4,602,069	3,650,980
NICHE Project	-	16,350,408
Rent Deposit-Touchstone	225,000	225,000
Rent Deposit-Amin Nanji	225,000	225,000
Rent Deposit-National Biosafety	-	750,000
Payroll Liability	3,017,219	-
University Fee Prepayment/Other Creditors	4,291,363	-
Total Trade and Other Payables	49,377,677	67,307,000

28. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or

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external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the

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

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	3,332,401	252,292	1,017,376	4,602,069
Total	3,332,401	252,292	1,017,376	4,602,069
At 30 June 2019				
Trade payables	2,374,359	397,553	879,071	3,650,983
Total	2,374,359	397,553	879,071	3,650,983

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Risk Management

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

	2019-2020	2018-2019
		Kshs
Revaluation reserve	286,337,785	289,851,366
Retained earnings	1,418,933,199	1,606,312,071
Capital reserve	197,449,724	197,449,724
Total funds	1,902,720,708	2,093,613,161
Total borrowings	-	-
Less: cash and bank balances	491,458,703	639,718,478
Net debt/(excess cash and cash equivalents)	(491,458,703)	(639,718,478)
Gearing	100%	100%

29. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Commission, holding 100% of the Commission's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

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

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to related parties	-	-
Sales of services to related parties	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt	181,170,487	181,271,077
Grants from County Government	-	-
Donations in kind	-	-
Total	181,170,487	181,271,077
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Commissioners' emoluments	10,982,498	17,183,420
Compensation to the CEO	7,752,000	10,155,120
Compensation to key management	6,375,648	21,694,380
Total	25,110,146	49,032,920

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Commission had the following court cases.

NO	CASE NUMBER AND NAME	FIRM AWARDED	COMMENCED ON	AWARDED FEES
1	NAIROBI COURT OF APPEAL NO. 190 OF 2020 KMPDU & 7 OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	PROF. TOM OJIENDA & ASSOCIATES	JULY 2020	680,000
2	NAIROBI COURT OF APPEAL NO. 119 OF 2018 KELVIN MBWAYA & OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & OTHERS	GITONGA MUREITH & CO. ADVOCATES	MAY 2018	145,000
3	NAIROBI HCPT NO. 307 OF 2017 GEORGE OMONDI V IEBC & 6 OTHERS	GITONGA MUREITH & CO. ADVOCATES	MARCH 2017	185,000
4	NAIROBI HCPT NO. 596 OF 2017 JANE KIONGO & 15 OTHERS V CUE & 5 OTHERS	CM ADVOCATES LLP	MARCH 2017	150,000
5	NAIROBI HCPT NO. 321 OF 2017 GEORGE OKOTH OMONDI V ORANGE DEMOCRATIC MOVEMENT & 5 OTHERS	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	130,000
6	NAIROBI CIVIL APPEAL NO. 264 OF 2017 GEORGE OKOTH OMONDI V ORANGE DEMOCRATIC MOVEMENT & 5 OTHERS	GITONGA MUREITH & CO. ADVOCATES	FEBRUARY 2017	99,000
7	NAIROBI HCPT NO. 222 OF 2017 PATU OLE NAIKUNI V COMMISSION FOR UNIVERSITY EDUCATION & 5 OTHERS	CM ADVOCATES LLP	FEBRUARY 2017	180,000
8	NAIROBI HCPT NO. 511 OF 2016 KIRWA BITOK & 4 OTHERS V COMMISSION FOR UNIVERSITY EDUCATION & ANOTHER	PATRICK TEDDY & COMPANY ADVOCATES	DECEMBER 2016	450,000

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31. EVENTS AFTER THE REPORTING PERIOD

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

32. ULTIMATE AND HOLDING ENTITY

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

33. CURRENCY

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

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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Commission is following up payment of quality assurance fee.

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMMISSION

Projects

Projects implemented by the Commission partially funded by development partners-NICHE

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. MIS		NICHE	18/10/2018	Partial	Yes	Yes

Status of Projects completion

Summary of the Project Completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	MIS	45,761,000	7,445,000	30%	38,317,000		Donor & A-in-A


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APPENDIX III: INTER-ENTITY TRANSFERS

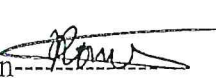
	ENTITY NAME:	Commission For University Education		
	Break down of Transfers from the State Department of University Education			
	FY 18/19			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/08/2019	45,292,621	FY 19/20
		04/11/2019	45,292,622	FY 19/20
		04/02/2020	45,292,622	FY 19/20
		28/05/2020	45,292,622	FY 19/20
		Total	181,170,487	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	

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

Head of Finance
Commission for University Education

Sign 

Head of Accounting Unit
Ministry of Education

Sign 

Commission for University Education
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education	Various	Recurrent	181,170,487	-	-	-	-	-	181,170,487
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			181,170,487	-	-	-	-	-	181,170,487

