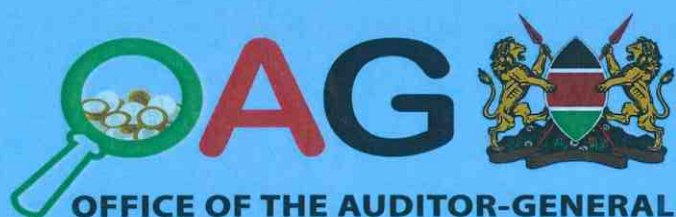


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

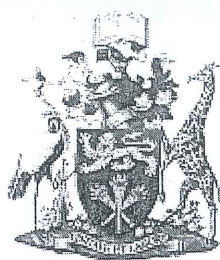
**OF**

**THE AUDITOR-GENERAL**

**ON**

**UNIVERSITY OF NAIROBI  
PENSION SCHEME 2007**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



**UNIVERSITY OF NAIROBI PENSION  
SCHEME 2007**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019**

**The financial statements are prepared in accordance with  
International Financial Reporting Standards**

# UNIVERSITY OF NAIROBI PENSION SCHEME 2007

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### TABLE OF CONTENTS

	PAGE
Trustees , advisers and other information	2
Report of the Trustees'	3 to 5
Scheme Governance Disclosure Statement	6 to 9
Statement of Trustees' Responsibilities	10
Report of the Auditors'	11 to 12
Financial Statements:	
:Statement of changes in net Assets available for Benefits	13
:Statement of Net Assets Available for Benefits	14
:Statement of Cashflow	15
:Notes to the financial statements	16 to 31

## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### TRUSTEES , ADVISERS AND OTHER INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

#### TRUSTEES

Dr. Stephen W. Luketero	Chairman, Board of Trustees
Prof.Peter.M.F.Mbithi	Trustee
Prof. George.A.O.Magoha	Trustee
Dr. Grace N. Kiringa	Trustee
Mr. Meshack J. Omolo	Trustee
Mrs. Flora Maghanga-Mtuweta	Trustee ( nominated by Council in February 2019)
Mr. Abdi Mohamud Hassan	Trustee ( nominated by Council in February 2019)
Engineer Kariuki Muchemi	Trustee ( nominated by Council in May 2019)

#### INTERNAL SCHEME ADMINISTRATOR

Mrs. Theresia Kathae-Alyela	P.O.Box 30197-00100, GPO Nairobi.
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#### ACTUARIES

Zamara Actuaries	P.O.Box 52438-00200 City Square, Nairobi.
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#### INVESTMENT MANAGERS

Old Mutual Investment Group	P.O.Box 30059-00200, City Square Nairobi.
GenAfrica Investment Management Ltd	P.O.Box 79217-00200 City Square Nairobi.

#### CUSTODIAN

Standard Chartered Bank of Kenya	P.O.Box 40984-00100 GPO Nairobi.
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#### AUDITORS

Auditor, General	P.O.Box 30084- 00100 GPO Nairobi.
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#### LAWYERS

Kaplan & Stratton Advocates	P.O.Box 40111-00100 GPO Nairobi
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#### BANKER

Barclays Bank of Kenya, Hurlingham Branch	P.O.Box 34974-00100 GPO,Nairobi.
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#### PHYSICAL LOCATION

Unipen Apartments, 3rd Floor Argwings Kodhek Road,Hurlingham	P.O.BOX 30197-00100 GPO NAIROBI
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## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### REPORT OF THE TRUSTEES

#### FOR THE YEAR ENDED 30 JUNE 2019

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2019.

#### ESTABLISHMENT, NATURE, AND STATUS OF THE SCHEME

The Scheme was established in March 2007. It is a defined contribution scheme governed by a Trust Deed dated 13th June 2007 and it is registered by the Retirement Benefits Authority with Reg. No. 01722.

Under the rules of the Scheme, it provides retirement benefits for the staff on permanent service of University of Nairobi in the Senior Clerical, Administration and Technical Staff Grades A-F, the Academic, Senior Library and Administrative Staff Grades of the Sponsor. It is an exempt approved Scheme under the Income Tax Act.

#### BENEFITS

##### Pension Benefits

All the benefits derived from contributions made by a member shall vest immediately in the member and the retirement benefits accrued from membership shall be fully vested in a member immediately.

1/3rd of the retirement benefits shall be paid as a lumpsum and 2/3rds shall purchase an annuity in a member's name from a registered insurer of the member's choice or purchase an income drawdown from a provider authorised by Retirement Benefits Authority.

##### Death Benefits

Death benefits consist of:

- (i) a lumpsum equal to three(3) times the member's pensionable emoluments at date of death; plus
- (ii) The member's fund credit at the date of death.

##### Withdrawal benefits

A member who leaves service prior to the early retirement age (50yrs) of his own free will or is dismissed by the Sponsor, shall be entitled to benefits equal to:

- (i) 100% of his contributions at the date of leaving service; or
- (ii) to take a deferred pension benefit commencing on his Normal Retirement Date for the amount represented by the Member's portion and the Sponsor's portion.

#### CONTRIBUTIONS

Contributions represent remittances to the Scheme by the University of Nairobi and its employees who are members of the Scheme. Employees contribute 10% of their basic salaries while the employer contributes 20%. Members on unpaid leave of absence contribute the total 30%.

#### MEMBERSHIP

Membership is drawn from University of Nairobi employees appointed to the permanent service in the Senior Clerical, Administrative and Technical Staff Grades A-F, Academic, Senior Library and Administrative Staff Grades of the Sponsor.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019

ACTIVE

	30.06.2019	30.06.2018
Membership at 1 July	3,027	3,034
New Members	121	125
Retired	(95)	(83)
Died in service	(12)	(16)
Withdrawals	(29)	(33)
At 30 June	<u>3,012</u>	<u>3,027</u>

EXPENSES

Expenses incurred in connection with the administration of the Scheme are borne by the Scheme.

INVESTMENT MANAGEMENT

During the year, the day to day management of the investments of the scheme was carried out by GenAfrica Investment Management Limited and Old Mutual Investment Group, who were the appointed investment managers of the Scheme.

Property management for Ambank House is carried out by Knight Frank Property Managers while Unipen Apartments is managed by the Scheme's secretariat.

We confirm that no scheme assets have been used as security or collateral on behalf of the employer or any connected business or individual.

INVESTMENT POLICY STATEMENT

The primary investment objectives of the Scheme are as follows:

- i) Capital preservation: The investment of the Scheme's assets will ensure the preservation of capital
- ii) Long term capital growth: Capital growth with the avoidance of excessive risk over the long term. Short term volatility will be tolerated if appropriate considering the asset class and comparable market risk.
- iii) Return on investment: The attainment of the agreed investment performance deliverables against the accepted benchmarks over the investment period
- iv) Liquidity: An adequate level of liquidity will be maintained to enable the Scheme to meet its liabilities and obligations.

We confirm that the Scheme's asset allocation as at 30 June 2019 was within the guidelines of the Retirement Benefits Authority.



## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### REPORT OF THE TRUSTEES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

#### RESULTS FOR THE YEAR

The statement of changes in net assets available for benefits on page 13 shows an increase in the net assets of the Scheme for the year of Shs779,175,000(2018:Shs 1,667,744,000 ) and the statement of net assets available for benefits on Page 14shows the Scheme's net assets as KShs. 17,659,899,000 (2018 :Kshs. 16,880,724,000)

#### CORPORATE GOVERNANCE STATEMENT

The Trustees of the University of Nairobi Pension Scheme 2007 recognize the need to conduct the business and operations of the Scheme with openness, objectivity, integrity, honesty, professionalism and accountability and in accordance with the highest standard of governance practices. The Board of Trustees is the supreme forum for formulating and interpreting the Pension Scheme Policy, charting out the road map for goal attainment including plans of action and ensuring that the scheme meets its obligations to the members and the Sponsor(University of Nairobi Council).

The Board is accountable to the University of Nairobi Council to ensure compliance with the Scheme's Trust Deed and Rules, the Retirement Benefits Act, 1997 and best business practice and ethics.

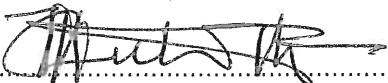
The Board of Trustees is comprised of a total of eight Trustees four of whom are appointed by the Sponsor and four elected by members. The Chairman of the Board of Trustees was elected by the Trustees themselves in accordance with Clause 12(a)(i) of the Scheme's Trust Deed and Rules. This representation of member elected and sponsor appointed trustees enables the Board of Trustees to provide effective leadership and control of the scheme while ensuring that the decision making process cannot be dominated by an individual or small group of individuals.

The Board of Trustees meets at least four times a year and their responsibilities are broadly set out in the Scheme's Trust Deed and Rules . Specifically, the Trustees meet to review monthly, quarterly and annual investment performance and to consider operational, financial, strategic, and compliance issues.

The Board of Trustees has delegated the day to day administration of the Scheme to the Scheme's secretariat who also provide the secretarial services. Every quarter, each Trustee receives detailed written reports on the performance of the Scheme, future plans and any significant issues facing the Scheme.

There is a procedure in place for the trustees to take independent professional advice from the investment managers, Custodians, Actuaries, Auditors and Legal experts at the expense of the Scheme if this is necessary in connection with their duties. The Trustees have also arranged appropriate insurance cover in respect of legal action that may be instituted against them and the Scheme.

#### ON BEHALF OF THE TRUSTEES



CHAIRMAN, BOARD OF TRUSTEES  
DR. STEPHEN LUKETERO-PHD

DATE 31/07/2019

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**SCHEME GORVERNANCE DISCLOSURE STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2019

**1 Trustees in office during the year**

Name	Age	Category	No. of meetings attended	Certified (Yes/No)	Highest Qualification
Dr. Stephen Luketero	48yrs	Member elected	10	NO	PhD
Mrs. Flora Maghanga-Mtuweta	52yrs	Sponsor nomina	4	YES	MBA Strategic Mgt
Mr. Abdi Mohamud Hassan	50 yrs	Sponsor nomina	3	NO	Masters
Engineer Kariuki Muchemi	65yrs	Sponsor nomina	2	NO	Msc. Engineering
Prof. Peter Mbithi	63yrs	Sponsor nomina	9	NO	PhD
Prof. George Magoha	67yrs	Member elected	9	NO	PhD
Dr. Grace Kiringa	44yrs	Member elected	9	YES	PhD
Mr. Meshack Juma	52yrs	Member elected	10	YES	PhD in progress

**2 The Board of Trustees held Ten (10)meetings during the year ending 30 June 2019. The meetings were held on the dates set out hereunder:**

01.08.2018  
20.08.2018  
31.10.2018  
20.11.2018  
18.12.2018  
30.01.2019  
24.03.2019  
03.05.2019  
11.06.2019  
28.06.2019

**3 The composition of the Board of Trustees is as hereunder:**

- a) Gender Balance: Female 25% Male 75%
- b) Skills mix: Number of Trustees with financial skills 1
- c) Age mix: Number of Trustees who are younger than 35 years None  
: Number of Trustees who are older than 35 years 8

**4 Committees of the Board**

**a) Investment Committee**

It was chaired by Prof. Mbithi and it is the investment arm of the Board.

**b) Administration Committee**

It was Chaired by Dr. Kiringa and it is responsible for staff and operational policies in order to align the Scheme 's operations with best practice. It also oversees the governance, compliance and communication function of the Scheme.



**SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**5 Fiduciary Responsibility statement**

The Board of Trustees is the governing body of the University of Nairobi Pension Scheme 2007 and is responsible for the corporate governance of the Scheme. The Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interests of the scheme's members and the Sponsor. To achieve this, the Trustees embraced their fiduciary responsibility by:

- (a) Acting honestly and did not improperly use inside information or abuse their position;
- (b) Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances: and
- (c) Performing their duties with the requisite degree of skill.

The Scheme has complied with the laws, regulations and guidelines that govern retirement benefits schemes and the scheme's business operations.

The Trustees have ensured that the fund managers carried out all scheme investments and that all scheme assets and funds are held by the custodian.

The Board charter for the scheme is being developed.

**6 Responsible corporate citizenship**

The Scheme has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the Sponsor, members or the community in which it operates.

**7 Key outcomes**

The Board of Trustees seeks to achieve the following:

- (a) Building trust with the members and Sponsor of the Scheme so that they are satisfied with the administration of the Scheme;
- (b) Supporting innovation and developing solutions that meet the members' and Sponsor needs; and
- (c) Ensuring that the scheme's administrative processes remain transparent and accessible to members and the Sponsor.

**The Board of Trustees will measure the progress towards these outcomes through:**

- (a) A Triennial members' survey score
- (b) Regular reports and feedback from the Sponsor.

**8 Annual General Meeting**

The Board of Trustees held the Annual General Meeting on 24th November 2018 at which 108 members, making up 4% of scheme members attended. The Board adequately addressed the members' concerns.

**9 Trustees remuneration policy**

During the year under review, the Trustees were paid a gross sum of Kshs. 4,142,145 as reflected below. The payments complied with the Trustees remuneration policy of the Scheme. The Trustees remuneration policy will be tabled for approval by members in the 2019 Annual General Meeting and thereafter it will be forwarded to Retirement Benefits Authority for approval.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)  
FOR THE YEAR ENDED 30 JUNE 2019

9 Trustees remuneration policy (continued)

a) TRUSTEES MEETINGS ATTENDANCE & SITTING ALLOWANCES

Trustees Name	Full Board	Investment Committee	Administrative Committee	Software Implementation Committee	Total Paid
Total meetings	10	4	4	6	KShs.
Dr. Stephen Luketero	10	4	4	6	467,638
Prof. Peter Mbithi	8	4	N/A	N/A	234,000
Prof. George Magoha	9	2	N/A	N/A	211,714
Dr. Grace Kiringa	9	N/A	4	5	297,071
Mr. Meshack Juma	10	3	4	5	360,928
Mrs. Flora Maghanga-Mtuweta	4	1	1	N/A	110,000
Mr. Abdi Mohamud Hassan	2	1	1	N/A	70,000
Engineer Kariuki Muchemi	2	N/A	N/A	N/A	40,000
					<b>1,791,351</b>

b) OTHER TRUSTEE ALLOWANCES

Trustees Name	Transport Allowance	Christmas Vouchers	Seminars & Training All.	AGM Allowance	Total Paid
Dr. Stephen Luketero	56,000	50,000	484,570	22,000	612,570
Prof. Peter Mbithi	-	50,000	122,500	14,000	186,500
Prof. George Magoha	24,000	50,000	131,142	16,000	221,142
Dr. Grace Kiringa	38,000	50,000	375,070	16,000	479,070
Mr. Meshack Juma	52,000	50,000	304,642	16,000	422,642
Mrs. Flora Maghanga-Mtuweta	12,000	-	223,870	-	235,870
Mr. Abdi Mohamud Hassan	10,000	-	141,500	-	151,500
Engineer Kariuki Muchemi	4,000	-	37,500	-	41,500
<b>TOTAL</b>	<b>196,000</b>	<b>250,000</b>	<b>1,820,794</b>	<b>84,000</b>	<b>2,350,794</b>

10 Board of Trustees Evaluation

The Board and individual Trustees will undertake a Board evaluation in 2019/2020. No Board evaluation was undertaken during the year under review as there were many changes in the Board.

11 Board Training and Induction Programs

Board development encompasses proper induction of new Trustees and enhancement of skills derived from regular training. The Board ensures all Trustees are kept abreast of both emerging trends and pension industry developments and that their expertise is constantly upgraded.

Each Trustee on appointment is provided with sufficient information to enable him/her to perform his/her roles. Induction of newly appointed Trustees is organized by the Secretariat. Newly appointed Trustees will under go the Trustees Development Program for certification as per the Prudential Guideline Number RBA 001 of 2013.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)  
FOR THE YEAR ENDED 30 JUNE 2019

**12 Members' sensitization**

The Scheme has adopted various channels of communication to members. The Trustees carry out education to members once every year in every campus. They also organize a two day planning for retirement seminar once every year for the non teaching members of staff and also for teaching members of staff who have 10 or so years to retirement. These are held separately for each category.

The table below summarizes the sensitization carried out during the year.

The Board conducted the following sensitization activities	Date held	No. of	Remarks
		members	
		who attended	
Teaching Staff retirement planning seminar	21/22.02.19	42	Low turnout
Non teaching staff retirement planning seminar	27/28.09.18	71	Positive and high turnout
<b>Members' education day:</b>			
CEES	04.06.2019	44	It was successful
CAVS	06.06.2019	100	It was successful
CHS	11.06.2019	65	It was successful
CHIROMO	13.06.2019	103	It was successful
LOWER KABETE	18.06.2019	43	It was successful
PARKLANDS	20.06.2019	27	It was successful
ADD	25.06.2019	78	It was successful
MAIN CAMPUS	05.07.2019	75	It was successful

Members concerns raised during the sensitization are discussed by the Board of Trustees and acted upon accordingly.

The Trustees will continually inform members of the Retirement Benefits Authority Whistle Blower portal to report any unusual occurrences in the management of scheme affairs.

SIGNED..........DATE 31/07/2019

CHAIRMAN, BOARD OF TRUSTEES  
DR. STEPHEN LUKETERO-PHD

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2019

The Kenyan Retirement Benefits Act require the trustees to prepare financial statements in a prescribed form for each financial year. They also require the Trustees to ensure that the scheme keeps proper accounting records of its income, expenditure, liabilities and assets, and that contributions are remitted to the custodian in accordance with the rules of the scheme.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

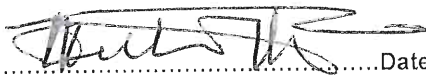
The Trustees are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards.

The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The Trustees certify that to the best of their knowledge and belief, the information furnished to the auditors for the purposes of the audit was correct and complete in every respect.

Nothing has come to the attention of the Board of Trustees to indicate that the Pension Scheme will not be able to meet its obligations for at least the next twelve months from the date of this statement.

For the Trustees

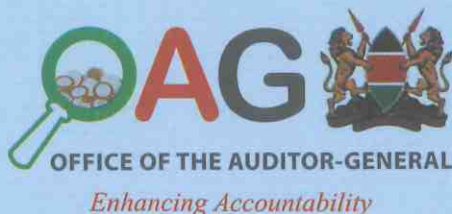
Chairman..........Date 31/07/2019  
DR. STEPHEN LUKETERO-PHD

Trustee..........Date 31/07/2019  
DR. GRACE KIRINGA



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI PENSION SCHEME 2007 FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of University of Nairobi Pension Scheme 2007 set out on pages 13 to 31, which comprise the statement of net assets available for benefits as at 30 June, 2019, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Pension Scheme 2007 as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the provisions of Retirement Benefits (Occupational Retirement Benefits Schemes) Regulation 2000, and comply with the Retirement Benefits Act, 1997.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of University of Nairobi Pension Scheme 2007 in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Emphasis of Matter**

##### **Non-Remittance of Pension Deductions**

I draw attention to Note 24 to the financial statements on receivables (contributions due) which reflects a balance of Kshs.2,405,474,000. This balance relates to outstanding contributions owing from the University of Nairobi and which have accumulated for more than four years as shown below;



<b>Financial year</b>	<b>Amount Kshs.</b>
2015/2016	226,988,000
2016/2017	382,160,000
2017/2018	912,618,000
2018/2019	883,708,000
<b>Total</b>	<b>2,405,474,000</b>

The outstanding contributions increased by Kshs.883,708,000 from the previous financial year balance of Kshs.1,521,766,000. This increase represented 82% of the total members contributions of Kshs.1,078,448,000 for the financial year.

Non-remittance of the contributions is contrary to Rule 2(b) of the Trust Deed and Rules which states that all contributions in respect of any member shall be paid to the Trustees before the tenth day of every subsequent calendar month. Any contributions not remitted within the stipulated period shall attract interest at a rate determined by the Trustees on advice of the Actuary or the Fund Manager and shall be payable by the Sponsor on demand by the Trustees or otherwise recoverable summarily as a civil debt owed by the Sponsor to the Scheme. The Scheme management has explained that as per the law, Retirement Benefits Authority (RBA) requires a Sponsor who has outstanding pension contributions to come up with a remedial plan outlining how they will make good of the arrears.

The University of Nairobi Council prepared a remedial plan which was discussed with and adopted by the Board of Trustees on 30 September, 2019. The remedial plan was approved by the Retirement Benefits Authority on 8 October, 2019. The University of Nairobi has so far remitted a total of Kshs.353,676,773.25 to the Scheme. However, the University of Nairobi is facing financial difficulties and, in the circumstances, it has not been possible to confirm that the University will adhere to the remedial plan that will run up to 30 September, 2025.

### **Key Audit Matters**

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 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 those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Scheme'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 liquidate the Scheme 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.



Those charged with governance are responsible for overseeing the 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 Scheme's 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 Scheme to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme 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 September, 2020**

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*Report of the Auditor-General on the University of Nairobi Pension Scheme 2007 for the year ended 30 June, 2019*

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE  
FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

	Note	30.06.2019 Shs'000	30.06.2018 Shs'000
<b>Income from dealings with members</b>			
Contributions income	4	1,078,448	1,033,790
Transfers in	5(i)	5,186	2,115
		<u>1,083,634</u>	<u>1,035,905</u>
<b>Outgoings from dealings with members</b>			
Benefits paid & payable to seceding members	6	1,180,028	1,033,081
Transfers out	5(ii)	3,016	15,528
		<u>1,183,044</u>	<u>1,048,609</u>
<b>Net surplus from dealings with members</b>		<u>(99,410)</u>	<u>(12,704)</u>
<b>Returns on investments</b>			
Other investment income	7	1,239,738	1,197,252
Net rental Income	8 & 9	120,421	128,913
Change in market value of interest bearing deposits	20	330,315	136,723
Change in market value of quoted shares	22	(555,017)	492,791
Change in Offshore investment value	23	16,351	(9,468)
Less: Investment management expenses	10	(40,111)	(39,559)
<b>Net returns on investments</b>		<u>1,111,697</u>	<u>1,906,652</u>
Board of Trustees expenses	11	(5,618)	(5,036)
Staff Costs	12	(16,112)	(16,534)
Interest on member creditors	13	(29,357)	(73,215)
Administrative expenses	14	(17,371)	(15,364)
Transfer to death in service benefits fund	29	(97,592)	(45,589)
Taxation charge @30% on income from unregistered contributions	15	(72,515)	(71,267)
Other income	16	5,453	801
		<u>(233,112)</u>	<u>(226,204)</u>
<b>Increase in net assets for the year</b>		779,175	1,667,744
<b>Net Assets available for benefits at start of the year</b>		<u>16,880,724</u>	<u>15,212,980</u>
<b>Net Assets available for benefits at end of the year</b>	32	<u>17,659,899</u>	<u>16,880,724</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30.06.2019 Shs'000	30.06.2018 Shs'000
Property, Plant & Equipment	17	3,403	3,237
Intangible Assets	18	7,162	-
<b>Investments:</b>			
Investment in real property	19	1,858,774	1,858,774
Interest bearing deposits	20	8,192,300	7,677,609
Unquoted Shares	21	22,960	22,960
Quoted shares	22	3,790,619	4,327,775
Investment in Offshore	23	281,307	489,980
		<u>14,145,960</u>	<u>14,377,098</u>
<b>Trade and Other receivables</b>			
- Contributions due	24	2,405,474	1,521,766
- Other receivables	25	243,542	176,377
- Other deposits	26	-	-
<b>Cash and cash equivalents</b>	27	1,591,046	1,517,070
		<u>4,240,062</u>	<u>3,215,213</u>
<b>Less:</b>			
<b>Trade and Other payables</b>			
Amounts due to members	28	616,465	648,083
Death in service benefits fund	29	41,690	2,408
Other payables	30	37,308	34,796
Accrued expenses	31	41,225	29,537
		<u>736,688</u>	<u>714,824</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	32	<u>17,659,899</u>	<u>16,880,724</u>

The financial statements on pages 13 to 31 were approved for issue by the Trustees on 31/07/2019 and signed on their behalf by:



Chairman  
DR. STEPHEN LUKETERO-PHD



Trustee  
DR. GRACE KIRINGA

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30.06.2019 Shs'000	30.06.2018 Shs'000
<b><u>Cash flow from operating activities</u></b>			
Contributions received		194,740	121,172
Other income		5,453	801
Transfers in		5,186	2,115
Transfers out		(3,016)	(15,528)
Purchase of property, plant and equipment		(893)	(90)
Purchase of Intangible Asset		(7,162)	-
Benefits paid		(1,269,956)	(962,708)
Board of Trustees expenses		(5,618)	(5,036)
Staff costs		(16,112)	(16,534)
Administrative expenses		(12,299)	(11,421)
Other sundry receivables		401	251
Change in rent deposits		2,513	435
Change in prepaid rent		1,788	(4,338)
Provision for bad debt-Ambank House		7,382	-
Tax paid in the year on unregistered contributions		(74,304)	(61,267)
Interest paid on creditors		(29,357)	(73,215)
<b>Net Cash flow from operations of the scheme</b>		<b>(1,201,254)</b>	<b>(1,025,363)</b>
<b><u>Investing activities</u></b>			
Investment income received		1,292,593	1,321,052
Investment management expenses		(40,150)	(39,199)
Sale of offshore		225,024	-
Purchase of offshore investments		-	(499,448)
Purchase of quoted and unquoted shares		(203,648)	(378,722)
Proceeds of sale of shares - quoted & unquoted		185,787	366,671
Purchase of interest bearing investments		(1,457,070)	(1,658,547)
Proceeds from sale of interest bearing investments		1,272,694	976,403
<b>Net cash used in investing activities</b>		<b>1,275,230</b>	<b>88,210</b>
<b>Increase in cash and cash equivalents</b>		<b>73,976</b>	<b>(937,153)</b>
<b><u>Movement in cash and cash equivalents</u></b>			
At start of year		1,517,070	2,454,223
Increase during the year		73,976	(937,153)
<b>At end of year</b>	<b>27</b>	<b>1,591,046</b>	<b>1,517,070</b>

## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards.

The financial statements summarize the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay benefits which fall due after the end of the year.

#### **Adoption of new and revised International Financial Reporting Standards**

(i) Standards and interpretations effective in the current period

Various standards interpretations and amendments were effective in the period under review but had no effect on the scheme's financial statements.

(ii) New and revised standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The Trustees anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the scheme.

(iii) Early adoption of standards

The Scheme did not early adopt any new or amended standards in 2018.

#### **Basis of accounting**

The financial statements have been prepared on the historical cost basis of accounting.

#### **Contributions and benefits**

Contributions receivable and benefits payable are recognized in the period they fall due.

#### **Investment Income**

Investment income is recognized in the period in which it is earned.

#### **Dividend income**

Dividends on ordinary shares are recognized when the Scheme's right to receive payment is established.

#### **Recognition**

Financial assets and liabilities are initially recognized on the scheme's statement of net assets available for benefits at cost using settlement date accounting, when the scheme has become a party to the contractual provisions of the instrument.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

1 ACCOUNTING POLICIES (continued)

**Classification**

The scheme classifies its financial assets into the following categories:

**(i) Quoted Investments**

Quoted investments are classified as at fair value through profit and loss and are stated at the market values as at the reporting date.

**(ii) Government securities**

Government securities comprise treasury bonds and treasury bills which are debt securities issued by the Government of Kenya.

Treasury bonds are classified as available for sale and are stated at the market values as at the reporting date.

Treasury bills are classified as held to maturity and stated at amortized cost as at the reporting date.

**(iii) Corporate Bonds**

Corporate bonds are classified at fair value through profit and loss and are stated at fair value.

**(iv) Short term deposits**

Short term deposits are classified as held to maturity and stated at amortized cost as at the reporting date.

**Impairment and uncollectability of financial assets**

At the end of the reporting period, all financial assets are subject to review for impairment. If it is possible that the scheme will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held to maturity investments carried at amortized cost, an impairment or bad debt loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount through use of the provision for bad and doubtful debts account. The amount of the loss incurred is in statement of changes in net assets available for benefits for the period.

**Accounts receivable**

Accounts receivable are carried at their original amount less an estimate made for bad and doubtful receivables based on the review of all outstanding amounts on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified.

**Accounts payable**

The liabilities for accounts payable are carried at cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the Scheme.

**Members' balances**

Members' balances comprise the accumulated net surpluses or deficits realized from dealings with members and any surpluses or deficits realized from the Scheme's investing activities to the extent that they are not captured in the reserves.



## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1 ACCOUNTING POLICIES (continued)

##### **Taxation**

The Scheme is a registered pension scheme and is exempt from income tax.

##### **Foreign currencies**

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at year end. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are included in the statement of changes in net assets available for benefits.

##### **Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

#### 2 **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES**

In the process of applying the Scheme's accounting policies, management has made estimates and assumptions that affect the reported amounts and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed under the circumstances. These are dealt with below:

##### **Impairment losses on financial assets**

At each reporting date, the scheme reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in the statement of changes in net assets available for benefits whenever the carrying amount exceeds its recoverable amount.

##### **Equipment and depreciation**

All equipment are initially recorded at cost. All equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Motor Vehicle	25%
Furniture, fittings and equipment	10%
Computers & accessories	30%

A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal. Gains or losses arising from disposal of equipment are computed by reference to the sales proceeds and the net carrying amounts at the date of disposal. The gains or losses are dealt with through the income statement.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

**3 FINANCIAL RISK MANAGEMENT**

The Scheme generates revenues for the members by investing in various income generating activities which involve trading in the stock exchange, trading in government and other securities and offshore investments. These activities expose the Scheme to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Trustees together with the investment managers under policies approved by the Trustees. The investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk. The Scheme also follows guidelines issued by the Retirement Benefits Authority in respect of maximum investment in different types of investments.

**Market Risk**

**(i) Foreign exchange risk**

The scheme is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to quoted investments denominated in Uganda and Tanzanian shilling.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily by setting limits on the percentage of net assets available for benefits that may be invested in such deposits.

**(ii) Interest rate risk**

The Scheme's interest bearing assets comprise of investments in treasury bonds, corporate bonds, treasury bills, commercial paper and fixed deposits.

All these instruments are subject to fixed interest rates and this therefore mitigates the exposure of the Scheme to fluctuations in interest rates.

**(iii) Price risk**

The Scheme is exposed to equity securities price risk because of investments in quoted shares and fixed income securities classified as held for trading. To manage this risk, the Scheme has diversified its portfolio by investing in companies in different sectors of the economy as well as in bonds of varying maturities. Diversification of the portfolio is done in accordance with investment policies approved by the Trustees. The quoted shares held by the Scheme are traded on the Nairobi Securities Exchange, Uganda Stock Exchange and Tanzania Stock Exchange.

**Credit Risk**

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks, and receivables. As part of the credit risk management system, the investment managers and the Trustees monitor and review information on significant investments.

The Trustees have approved a larger portfolio investment with the Government of Kenya debt securities which have a low credit risk and no default record. For the other investments, Trustees ensure that they invest solely in large companies with good reputation.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL RISK MANAGEMENT (continued)

	30.06.2019	30.06.2018
	KShs. 000	KShs. 000
Treasury Bonds	7,381,071	6,708,892
Treasury Bills	808,349	897,397
Investment in equities-Quoted & Unquoted	3,790,619	4,350,735
Short-term deposits	666,514	537,009
Corporate bonds	811,229	968,717
Cash and bank balances	116,183	82,620
Other receivables	227,537	186,706
Contributions receivable	2,405,474	1,521,766
	<u>16,206,976</u>	<u>15,253,842</u>

None of the above financial asset are either past or impaired.

Liquidity risk

The Scheme is required to make periodic payments in respect of retirement benefits when members retire from the Scheme, and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Scheme's liquidity on a regular basis. The table below represents the Scheme's financial assets and financial liabilities per their maturity dates. However, all the financial assets can be disposed of at any time before maturity should the need arise.

	1-6 months KShs. 000	6-12 months KShs. 000	Over 1 year KShs. 000	Total KShs. 000
<b>Financial Assets</b>				
Investment in equities-Quoted & Unquoted	3,790,619			3,790,619
Treasury bonds	142,045	66,819	7,172,207	7,381,071
Investment in corporate bonds	355,594	44,282	411,353	811,229
Treasury bills	808,349			808,349
Short term deposits	666,514			666,514
Due from the Sponsor	2,405,474			2,405,474
Other receivables	227,537			227,537
Bank and Cash balances	116,183			116,183
	<u>8,512,315</u>	<u>111,101</u>	<u>7,583,560</u>	<u>16,206,976</u>
<b>Financial Liabilities</b>				
Benefits and other payables	1,180,028	-	-	1,180,028
<b>Net liquidity gap</b>	<u>9,692,343</u>	<u>111,101</u>	<u>7,583,560</u>	<u>17,387,004</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

The level below shows an analysis of financial instruments at fair value by level of the fair value hierarchy. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

(i) Level 1 fair value measurements are those derived from quoted prices(unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly ( i.e. as a price) or indirectly ( i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data ( unobservable inputs).

30-Jun-19	Level 1 Kshs. 000	Level 2 Kshs. 000	Level 3 Kshs. 000	Total Kshs. 000
Investment in quoted equities	3,790,619			3,790,619
Investment in treasury bonds	7,381,071			7,381,071
	<u>11,171,690</u>	-	-	<u>11,171,690</u>
30-Jun-18	Level 1 Kshs. 000	Level 2 Kshs. 000	Level 3 Kshs. 000	Total Kshs. 000
Investment in quoted equities	4,327,775			4,327,775
Investment in treasury bonds	6,708,892			6,708,892
	<u>11,036,667</u>	-	-	<u>11,036,667</u>

There were no transfers between levels 1,2 and 3 in the period.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2019

<b>4 Contributions received &amp; receivable</b>	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>Shs'000</b>	<b>Shs'000</b>
From employer		
: Normal	708,351	679,313
From members		
: Normal	354,175	339,656
: Voluntary	15,922	14,821
	<u>1,078,448</u>	<u>1,033,790</u>

**5 Transfers**

Transfer values represent the amounts receivable in respect of newly joined members from the pension funds of their previous employers or payable to the pension funds of new employers of members who have left service.

	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>Shs'000</b>	<b>Shs'000</b>

**5(i) Transfers in :**

Individual transfers in from other Schemes

	5,186	2,115
	<u>5,186</u>	<u>2,115</u>

**5(ii) Transfers out :**

Individual transfers out to other Schemes

	3,016	15,528
	<u>3,016</u>	<u>15,528</u>

**6 Members Benefits paid & payable**

Commutation and lump sum retirement benefits  
Death in service fund credit balances  
Payments on withdrawal of members

	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>Shs'000</b>	<b>Shs'000</b>
	987,305	737,441
	131,361	143,363
	61,362	152,277
	<u>1,180,028</u>	<u>1,033,081</u>

**7 Other investment income**

Dividends receivable:

: Quoted shares (Kenya)

Interest and discounts receivable:

: Fixed and time deposits;

: Interest on Corporate Bonds

: Interest on T-bills

: Treasury Bonds

	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>Shs'000</b>	<b>Shs'000</b>
	203,316	183,177
	36,204	172,038
	123,394	106,785
	94,069	
	782,755	735,252
	<u>1,239,738</u>	<u>1,197,252</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2019**

8 Investment Income-Rental Account Unipen Apartments	30.06.2019	30.06.2018
	Shs'000	Shs'000
Gross Rental Income	19,413	17,204
Less Expenditure		
Rates	73	73
Water	292	355
Electricity	810	799
Security	303	337
Insurance	42	5
Repairs & maintenance of Unipen	126	82
Cleaning	641	641
Ground Upkeep	138	150
Staff Costs	489	458
Painting	1,240	-
	4,154	2,900
Net Rental Income	15,259	14,304

9 Investment Income-Rental Account Ambank House	30.06.2019	30.06.2018
	Shs'000	Shs'000
Gross Rental Income/Service Charge/Parking fees	142,261	139,007
Less Expenditure		
Rates	422	422
Water	891	958
Security	6,202	5,062
Insurance	1,724	3,909
Professional fees	60	-
Lease renewals	50	172
Management fees	5,966	4,452
Letting fees	217	530
Repairs & Maintenance	15,684	4,335
Cleaning	2,001	2,161
Sundry Expenses	43	30
Staff Costs	642	1,331
Telephone	4	12
Audit fees	206	206
Other Expenses	148	125
Bank Charges	53	50
IT Services/Internet Connectivity	198	144
Service Charge- Landlord	2,588	499
	37,099	24,398
Net Rental Income	105,162	114,609

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
FOR THE YEAR ENDED 30 JUNE 2019

	30.06.2019	30.06.2018
	Shs'000	Shs'000
<b>10 Investment management expenses</b>		
Fund management fees	27,444	27,759
Custodian fees	12,667	11,799
	<b>40,111</b>	<b>39,558</b>
	30.06.2019	30.06.2018
	Shs'000	Shs'000
<b>11 Board of Trustees Expenses</b>		
Trustees' Sitting Allowances	1,792	1,895
Trustees Seminars & Training expenses	2,553	1,349
Trustees Election expenses	622	701
Trustees AGM Expenses	84	84
Gifts and expenses for outgoing Trustees	-	450
Trustees Meeting expenses	121	104
Transport Expenses	196	203
Trustees Christmas Vouchers	250	250
	<b>5,618</b>	<b>5,036</b>
	30.06.2019	30.06.2018
	Shs'000	Shs'000
<b>12 Staff Costs</b>		
Salaries	12,239	12,176
Gratuity	3,727	3,710
Medical Expenses	146	648
	<b>16,112</b>	<b>16,534</b>

*The scheme had four(4) employees during the year (2018: 4)*

**Retirement Benefit costs**

The Scheme and its employees contribute to the National Social Security Fund.

**Employees entitlements**

Employee entitlement to gratuity are recognized when they accrue to employees.

Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the statement of financial position date. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognized as an accrued expense.

**Medical Costs**

The Scheme staff have a medical cover operated under the University Health Services.

	30.06.2019	30.06.2018
	Shs'000	Shs'000
<b>13 Interest on members creditors</b>		
Interest on members creditors	<b>29,357</b>	<b>73,215</b>

This is interest declared for the year ended 30.06.2018 but was credited to member creditors accounts in the year ended 30.06.2019



UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	30.06.2019	30.06.2018
	Shs'000	Shs'000
<b>14 Administrative expenses</b>		
Actuarial fees	1,400	1,400
Audit fees	1,160	1,160
Professional fees	325	371
Other sitting allowances	412	-
Change in legislation expenses	-	150
RBA Levy provision	5,000	5,000
Seminars & Training	4,257	2,981
Bank Charges	217	202
Stationery	105	153
Depreciation	727	634
Software implementation expenses	1,038	457
Insurance	797	1,313
Legal fees	625	250
Motor Vehicle Running Expenses	117	90
Advertising	220	313
Telephone & Postage	151	150
AGM Expenses	300	286
Office expenses	272	206
Christmas Vouchers	248	248
	<b>17,371</b>	<b>15,364</b>

**15 Tax status of the scheme**

University of Nairobi Pension Scheme 2007 has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income. Only the Income earned on unregistered contributions is taxed at 30%.

	30.06.2019	30.06.2018
	Kshs. '000'	Kshs. '000'
<b>Income from unregistered contributions</b>		
<b>Tax payable @ 30% for year 2018/2019</b>	<b>72,515</b>	<b>71,267</b>

**16 Other Income**

	30.06.2019	30.06.2018
	Shs'000	Shs'000
Tender fees	24	26
Rent from Billboard at Unipen	807	755
Imperial debt repayment	4,622	-
Hire of Boardroom	-	20
	<b>5,453</b>	<b>801</b>

Imperial Bank which is under receivership paid an amount of Kshs. 4,621,858.40 which has now being recognized as income since the amount held under Imperial Bank had been written off.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2019

17 Property, Plant & Equipment

	Motor Vehicle Shs'000	Furniture & Equipment Shs'000	Computers & Accessories Shs'000	Total Shs'000
<u>COST</u>				
As at 01.07.2018	2,608	5,639	3,955	12,202
Additions	-	221	672	893
As at 30.06.2019	2,608	5,860	4,627	13,095
<u>DEPRECIATION</u>				
As at 01.07.2018	1,988	3,452	3,525	8,965
Charge for the period	155	241	331	727
As at 30.06.2019	2,143	3,693	3,856	9,692
<u>NET BOOK VALUE</u>				
As at 30.06.2019	465	2,167	771	3,403
As at 30.06.2018	620	2,187	430	3,237
<u>2017/2018 COMPARISON</u>				
As at 01.07.2017	2,608	5,639	3,865	12,112
Additions			90	90
As at 30.06.2018	2,608	5,639	3,955	12,202
<u>DEPRECIATION</u>				
As at 01.07.2017	1,782	3,209	3,340	8,331
Charge for the period	206	243	185	634
As at 30.06.2018	1,988	3,452	3,525	8,965
<u>NET BOOK VALUE</u>				
As at 30.06.2018	620	2,187	430	3,237
As at 30.06.2017	826	2,430	525	3,781

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 30 JUNE 2019

18 INTANGIBLE ASSETS

2018/2019	Software work in progress KShs.'000	Total KShs.'000
<b>COST</b>		
As at 01.07.18		
Additions	7,162	7,162
As at 30.06.19	7,162	7,162
<b>AMORTISATION</b>		
As at 01.07.18	-	-
Charge for the year	-	-
As at 30.06.19	-	-
<b>CARRYING AMOUNT</b>	<b>7,162</b>	<b>7,162</b>

Intangible assets work in progress relates to NAVISION software which is in the implementation stage and thus it is yet to be commissioned.

19 Investment - Real property

	30.06.2019 Shs'000	30.06.2018 Shs'000
Unipen Apartments at Hurlingham Shopping Center	358,774	358,774
Ambank House	1,500,000	1,500,000
	<b>1,858,774</b>	<b>1,858,774</b>

20 Investments-Interest Bearing Deposits

	Value at 01.07.18 Shs'000	Purchases/ capitalization Shs'000	Redemptions proceeds Shs'000	Change in market value Shs'000	Value at 30.06.19 Shs'000
Corporate Bonds	968,717		(157,488)		811,229
Kenya Government Securities	6,708,892	1,457,070	(1,115,206)	330,315	7,381,071
<b>Total</b>	<b>7,677,609</b>	<b>1,457,070</b>	<b>(1,272,694)</b>	<b>330,315</b>	<b>8,192,300</b>

21 Investments-Unquoted Shares

	Value at 1st July 18 Shs'000	Purchases at cost Shs'000	Sales proceeds Shs'000	Change in fair value Shs'000	Value at 30-Jun-19 Shs'000
<b>Company</b>					
UAP Holdings Limited	22,960	-	-	-	22,960

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2019**

<b>22 Investments-Quoted Shares</b>	<b>Value at 1st July 18 Shs'000</b>	<b>Purchases at cost Shs'000</b>	<b>Sales proceeds Shs'000</b>	<b>Change in fair value Shs'000</b>	<b>Value at 30-Jun-19 Shs'000</b>
<b>Company</b>					
Kenya Commercial Bank	468,842	37,248		(83,809)	422,281
Barclays Bank of Kenya	99,710	30,833		(11,066)	119,477
Standard Chartered Bank	112,223			(1,984)	110,239
NIC Bank	120,119			(16,580)	103,539
Diamond Trust	89,423			(36,511)	52,912
Co-operative Bank	317,696			(99,847)	217,849
Equity Bank	421,227	14,020		(66,873)	368,374
I & M Bank	87,152			(3,789)	83,363
CFC Stanbic	27,587		(4,893)	2,056	24,750
Stanbic Uganda	50,034			(2,624)	47,410
East Africa Breweries	326,847			(27,362)	299,485
Bamburi Cement	144,578			(53,106)	91,472
Kenya Power & Lighting	27,891		(1,130)	(11,672)	15,089
Kengen Co. Ltd	15,373			(2,328)	13,045
Kenya Oil Co. Ltd	45,836	4,426	(63,995)	13,733	-
British American Tobacco	66,720			(11,120)	55,600
Nation Media Group	33,575			(15,295)	18,280
Centum Investments	43,906			(6,645)	37,261
Scan group	6,870		(4,912)	(1,957)	1
TPS	7,920			(2,825)	5,095
Safaricom	1,622,470	117,121	(110,857)	(70,525)	1,558,209
Umeme Uganda	34,389			744	35,133
CRDB Tanzania	25,727			(8,005)	17,722
Tanzania Breweries	90,863			(27,962)	62,901
Jubilee Insurance Co. Ltd	33,330			(6,947)	26,383
Nairobi Security Exchange	4,255			(1,310)	2,945
Britam	3,212			(1,408)	1,804
	<b>4,327,775</b>	<b>203,648</b>	<b>(185,787)</b>	<b>(555,017)</b>	<b>3,790,619</b>
<b>23 Investments-Offshore</b>	<b>Value at 1st July 18</b>	<b>Purchases at cost</b>	<b>Sales proceeds</b>	<b>Change in fair value</b>	<b>Value at 30-Jun-19</b>
USD Templeton Emerging markets	129,953			6,245	136,198
Blackrock Development World Index	251,866		(123,109)	16,352	145,109
Blackrock Emerging Market Account Fur	108,161		(101,915)	(6,246)	-
	<b>489,980</b>	<b>-</b>	<b>(225,024)</b>	<b>16,351</b>	<b>281,307</b>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

24 Receivables-Contributions due	30.06.2019	30.06.2018
	Shs'000	Shs'000
Outstanding contributions-Nov 16 to June 2019 contributions	2,405,474	1,521,766
	<u>2,405,474</u>	<u>1,521,766</u>

25 Other receivables	30.06.2019	30.06.2018
	Shs'000	Shs'000
Water deposit	4	4
Garbage Deposit	5	5
Electricity deposit	201	201
Other sundry receivables	4,300	4,701
Accrued Interest Income	89,234	64,514
Accrued Dividends	34,124	27,581
Knight Frank	22,055	6,146
Rent arrears-Ambank House	89,599	71,471
Rent arrears-Unipen Apartments	4,020	1,754
	<u>243,542</u>	<u>176,377</u>

26 Other deposits	30.06.2019	30.06.2018
	Shs'000	Shs'000
Imperial Bank	31,284	35,906
Bad debt provision Imperial Bank	(31,284)	(35,906)
Kenya Finance Bank	44,641	44,641
Provision for bad debt-Kenya Finance Bank	(44,641)	(44,641)
	<u>-</u>	<u>-</u>

*Kenya Finance Bank and Imperial Bank are under receivership. Imperial Bank paid Kshs. 4,621,858.40 during the year.*

**27 Cash & Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	30.06.2019	30.06.2018
	Shs'000	Shs'000
Standard Chartered Bank-Custodian account-GenAfrica	1,854	1,243
Standard Chartered Bank-Custodian account-OMIG	954	844
Barclays Bank Current Account as per cashbook	113,375	80,533
Call & Fixed deposits	666,514	537,053
Treasury Bills	808,349	897,397
	<u>1,591,046</u>	<u>1,517,070</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2019

28 Deferred dues to members	30.06.2019	30.06.2018
	Shs'000	Shs'000
Retirement	223,851	253,514
Death Lump sum	129,523	135,593
Death Fund Credit	175,161	175,026
Deferred Withdrawals	84,970	80,990
Monthly Pension	2,960	2,960
	<u>616,465</u>	<u>648,083</u>

*The following is the age analysis of the deferred amounts to members:*

	< = 2 years	> 2 years	Total
Retirement	202,570	21,281	223,851
Death Lump sum	59,239	70,284	129,523
Death Fund Credit	113,038	62,123	175,161
Deferred Withdrawals	27,324	57,646	84,970
Monthly Pension	-	2,960	2,960
	<u>402,171</u>	<u>214,294</u>	<u>616,465</u>

**Deferred amounts more than two years**

The amount for retirement is for members who retired and have deferred their dues to later dates when annuity rates in the market will be favorable. Death lump sum and death fund credit is for beneficiaries who are minors and will only be paid once they attain the age of 18 years.

Deferred withdrawals is for members who resigned or were terminated and requested for part of their benefits as per the Retirement Act. The deferred amount will only be accessed after the member attains the age of 50 years in accordance to the RBA rules.

29 Death in service benefits Fund	30.06.2019	30.06.2018
	Shs'000	Shs'000
Balance b/fwd.	2,408	34,411
Transfer for the year from reserve fund	97,592	45,589
Payments made during the year	(58,310)	(77,592)
Balance as at 30 June	<u>41,690</u>	<u>2,408</u>

Treasury through Circular No. 18/2010 directed that all public service retirement benefit schemes provide death in service benefits through an insurance policy purchased from a reputable insurance company. The Trustees appealed to Treasury and the Scheme was allowed to insure death in service benefits in-house. The Actuaries advised the Trustees to have a fund of Kshs. 100 million this year to cater for these benefits. During the year, twelve (12) members passed on and an amount of Kshs. 58,310,000 was transferred from the reserve fund to top up the opening balance to Kshs. 100 million.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2019

30 Other payables	30.06.2019	30.06.2018
	Shs'000	Shs'000
Federated Superannuation System for Universities-capitation	1,511	1,511
Federated Superannuation System for University members	2,904	2,904
Rent Deposits-Unipen Apartments	3,415	3,234
Rent Deposits-Ambank House	13,431	11,099
Prepaid Rent(Unipen Apartments)	106	254
Prepaid Rent(Ambank House)	7,730	5,794
Provision on tax payable on income on unregistered contributions	8,211	10,000
	<b>37,308</b>	<b>34,796</b>

31 Accrued expenses	30.06.2019	30.06.2018
	Shs'000	Shs'000
Audit fees	1,160	1,160
Standard Chartered bank-Custodian fees	1,083	1,006
Old Mutual Fund Management Fees	1,147	1,161
Genesis Kenya Management fees	3,479	3,581
Stamp Duty	72	72
RBA Levy	5,000	5,000
Actuarial Fees	700	350
Other accrued expenses	18,770	14,775
Bad debts provision-Ambank House	9,814	2,432
	<b>41,225</b>	<b>29,537</b>

**32 MANAGEMENT OF MEMBERS' FUNDS**

The Scheme maintains an efficient structure of members' funds consistent with the Scheme's risk profile and the regulatory and market requirements of its operating environment.

The Scheme's objectives when managing members' funds are to safeguard the Scheme's ability to continue as a going concern in order to fulfill its obligations of paying retirement benefits when they fall due. The constitution of members' funds managed by the Scheme is as shown below:

	30.06.2019	30.06.2018
	Shs'000	Shs'000
Members' Funds At 1st July	16,880,724	15,212,980
Increase in Net assets	779,175	1,667,744
Members' Funds As 30 June	<b>17,659,899</b>	<b>16,880,724</b>

**33 Contingent liabilities**

Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Scheme as at 30 June 2019 or 30 June 2018.

**34 Self investment**

The fund does not hold any investment in the University of Nairobi or any other related company or persons related to it.