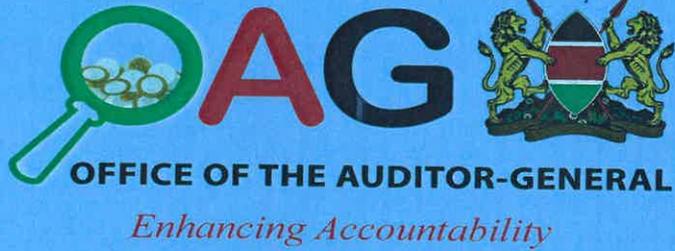


REPUBLIC OF KENYA



REPORT

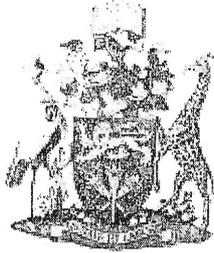
OF

THE AUDITOR-GENERAL

ON

**UNIVERSITY OF NAIROBI
PENSION SCHEME 2007**

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



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

26 SEP 2022

RECEIVED

**UNIVERSITY OF NAIROBI PENSION
SCHEME 2007**

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

**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 2022

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UNIVERSITY OF NAIROBI PENSION SCHEME 2007
KEY ENTITY INFORMATION
TRUSTEES AND PROFESSIONAL ADVISORS
FOR THE YEAR ENDED 30 JUNE 2022

TRUSTEES

Prof. Stephen W. Luketero	Chairman, Board of Trustees (term ended in May 2022)
Prof. George K. Gitau	Chairman, Board of Trustees (elected in May 2022)
Prof. Stephen G. Kiama	Sponsor appointed Trustee
Eng. Kariuki Muchemi	Sponsor appointed Trustee (resigned in February 2022)
Mrs. Flora Maghanga-Mtuweta	Sponsor appointed Trustee (term ended in September 2021)
Mr. Abdi Mohamud Hassan	Sponsor appointed Trustee (term ended in September 2021)
Mr. Meshack J. Omolo	Member elected Trustee
Ms. Hannah N. Mukua	Member elected Trustee
Dr. Caren Angima	Member elected Trustee (elected in May 2022)

INTERNAL SCHEME ADMINISTRATOR

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

Zamara Actuaries and Administrators	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

Office of the Auditor General	P.O.Box 30084- 00100 GPO Nairobi.
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LAWYERS

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

Absa 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 Telephone: 0738-555439
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UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 30 JUNE 2022

The Trustees present their report together with the audited financial statements for the year ended 30 June 2022 for University of Nairobi Pension Scheme 2007.

ESTABLISHMENT AND ADMINISTRATION

The Scheme was established under a Trust Deed dated 13th June 2007 (Principal Deed) as a defined contribution scheme to provide retirement benefits for the permanent and pensionable staff of University of Nairobi under the rules of the Scheme. The Scheme is exempt under the Income Tax Act and is registered with the Retirement Benefits Authority.

THE STRUCTURE OF THE FUND

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.

PRINCIPAL ACTIVITY

The main purpose of the Scheme is the provision of pension and other benefits for employees of the Sponsor upon their retirement from the Sponsor's service and relief for the dependants of deceased employees as defined in the Trust Deed and Rules.

CONTRIBUTIONS

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

REGISTRATION

The Scheme is registered in Kenya under the Kenyan Retirement Benefits Act; the registration number of the scheme is Reg. No. 01722

MEMBERSHIP

	Active	Deferred retirements	Deferred resignation	Deferred death/ Beneficiaries	Total
Members at 01.07.2021	2,871	14	148	74	3,107
New members joining	90	16	16	12	134
Normal retirement	(97)	(8)			(105)
Early retirement	(16)				(16)
Members leaving with refunds	(30)		(13)		(43)
Deaths	(13)				(13)
Reinstatements	-	-			-
Cessation of dependant pensions	-	-		(20)	(20)
At the end of the year	2,805	22	151	66	3,044

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 12 shows a decrease in the net assets of the Scheme for the year of KShs. -121,878,000 (Kshs.2,396,620,000) and the statement of net assets available for benefits on page 13 shows the Scheme's net assets as KShs. 21,036,328,000 (2021: KShs21,158,206,000).

INVESTMENT OF FUNDS AND INVESTMENT POLICY

Under the terms of their appointment of GenAfrica Asset Managers and Old Mutual Investment Group are responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustees.

The principal objective of the Scheme investment policy is to ensure the solvency of the Scheme over time and meet its benefits obligations as required. The total return objective is to achieve capital appreciation and investment income. The capital appreciation is to ensure the Fund's value is inflation protected.

The Scheme's investment strategy is to produce a long term return which maximizes real growth while ensuring income generation and liquidity sufficient to meet benefits payments, taking into account the restrictions and limits set out by the Trustees as agreed with the Investment Managers. The Trustees take reasonable care and the investment manager endeavors that the investments made are in the best interest of both the members of the Scheme and the employer.

We confirm that there is no self-investment, nor have any Scheme assets been used as security or collateral on behalf of the employer or any connected business or individual.

We confirm that the Scheme's asset allocation as at 30.06.2022 was within the guidelines of the Retirement Benefits Authority.

INVESTMENT PERFORMANCE

The Trustees assess the performance of the Scheme's investment in the following schedule consistent with the overall strategy:

Return seeking assets are assessed by reference to benchmarks and performance targets set and agreed with each manager.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

Performance of the Scheme's investment over short and longer periods is summarized as follows:

Annualized return over	1 year	3 years	5 years	Allocation
Return-seeking assets	-17.90%	1.50%	2.50%	24.3%
Benchmark	-13.60%	0.70%	1.10%	
Performance target	-13.60%	1.70%	1.10%	
Interest bearing including				63.9%
Government Bonds	7.90%	10.50%	12.00%	
Benchmark	7.70%	9.60%	11.80%	
Performance target	7.70%	9.60%	11.80%	
Other Assets-Offshore	-11.10%	0	-	0.50%
Benchmark	-15.60%	0	-	
Performance target	-15.60%	0	-	
Other Assets-Property	0.00%	0	-	11.2%
Scheme Total	-0.10%	8.30%	9.30%	100%

The Trustees have considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them appropriate relative to the reason of holding each class on investment. Details of the investment have been disclosed within the financial statements.

TRUSTEES

The Trustees are appointed in accordance with the Kenyan Retirement Benefits Act. The names of the Trustees who served during the year and subsequent period to the date of this report are shown on page 2.

INTEREST ON MEMBER BALANCES

The Trustees recommend payment of interest at Registered.....: Unregistered.....
(2021/2022: Registered 15.4% Unregistered 12.3%)

AUDITORS

Office of the Auditor General, having expressed their willingness, continue in office in accordance with the provisions of the Retirement Benefits Act. The Trustees monitor effectiveness, objectivity and independence of the auditor. The Trustees also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

SIGNED ON BEHALF OF THE TRUSTEES

The Trustees' Report was approved by the Trustees on 29th July 2022 and signed on their behalf:



Prof. George K. Gitau
Chairman, Board of Trustees

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2022

Retirement Benefits Scheme Regulations require the Trustees to prepare financial statements for each financial year which give a true and fair view of the disposition of the Scheme's assets and liabilities as at the end of the financial year and of the financial transactions of the Scheme for that year. The Regulations also require the Trustees to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme. They are also responsible for safeguarding the assets of the Scheme.

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Retirement Benefits Act, and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 financial transactions of the Scheme and of the disposition of its assets and liabilities, other than liability to pay benefits falling due after the end of the year.

The Trustees also accept responsibility for designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error: selecting suitable accounting policies and applying them consistently and making accounting estimates and judgements that are reasonable in the circumstances.

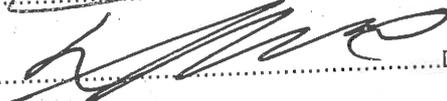
Having made an assessment of the Scheme's ability to meet its financial obligations, the Trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to meet its obligations for at least the next twelve months from the date of this statement.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The Trustee's Report was approved by the Trustees on 29th July 2022 and signed on their behalf by:-

For the Trustees

Prof. George K. Gitau, Chairman..........Date.. 12-09-2022

Prof. Stephen Kiama, Trustee..........Date.. 14/9/22

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

SCHEME GORVERNANCE DISCLOSURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

Trustees in office during the year

Name	Age	Category	No. of meetings attended	Certified (Yes/No)	Highest Qualification
Prof. Stephen Luketero	Above 35 yrs.	Member elected	6	NO	PhD
Mrs. Flora Maghanga-Mtuweta	Above 35 yrs.	Sponsor nomina	1	YES	MBA Strategic Mgt
Mr. Abdi Mohamud Hassan	Above 35 yrs.	Sponsor nomina	1	NO	Masters
Engineer Kariuki Muchemi	Above 35 yrs.	Sponsor nomina	4	YES	Msc. Engineering
Prof. Stephen K. Gitahi	Above 35 yrs.	Sponsor nomina	9	NO	PhD
Mr. Meshack Juma	Above 35 yrs.	Member elected	9	YES	PhD in progress
Prof. George K. Gitau	Above 35 yrs.	Member elected	9	YES	PhD
Ms. Hannah N. Mukua	Above 35 yrs.	Member elected	9	YES	Masters
Dr. Caren Angima	Above 35 yrs.	Member elected	1	NO	PhD

During the year under review, the above Trustees were not members of other Boards.

The Board of Trustees held 9 meetings during the year ending 30 June 2022. The meetings were held on the dates set out hereunder:

- 01.07.2021-Special Meeting
- 18.08.2021-Quarterly Meeting
- 10.11.2021-Special Meeting
- 29.11.2021-Quarterly Meeting
- 10.02.2022-Quarterly Meeting
- 24.03.2022-Special Meeting
- 09.05.2022-Quarterly Meeting
- 10.05.2022-Special Meeting
- 21.06.2022-Special Meeting

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

SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)
FOR THE YEAR ENDED 30 JUNE 2022

Committees of the Board

Committee Name	No. of meetings held	Any external allowances paid to advisors, invitees to meetings(Yes/No) and purpose for attending meeting	Allowances paid to advisors
Audit and Risk	4	NO	N/A
Investment and Finance	6	Fund Managers-to present reports Actuaries-advisory role Alternative investment advisors-to market their alternative investments No allowances were paid	N/A
Administration and Communications	4	NO	N/A

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 has been developed.

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.

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007
SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)
 FOR THE YEAR ENDED 30 JUNE 2022

(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. Number of reports 4(four).

Annual General Meeting

The Board of Trustees held the annual general meeting on the 18th December 2021 at 327 members, making 11% of scheme members attended. The Board adequately addressed the members concerns.

Trustees remuneration policy

During the year under review , the Trustees were paid a gross sum of KShs. 8,136,000. The payments complied with the Trustees remuneration policy of the Scheme. The Trustees remuneration policy was approved by members during the Annual General Meeting held in December 2021. The Authority after receipt of the policy requested the Board of Trustees to make adjustments to the policy before approval is granted.

Board of Trustees Evaluation

During the year under review, no Board evaluation was carried out due to the numerous changes in the composition of the Trustees. However, the individual Trustees undertook individual evaluations in the form of a questionnaire facilitated by Zamara.

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

The Board conducted the following sensitization activities	Date held	No. of members who attended
Members' education day	13.09.2021	353

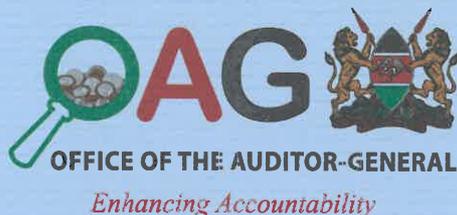
The Trustees will continually inform members of the Retirement Benefits Authority Whistle Blower portal to report any unusual occurrences in the management of scheme affairs.

SIGNED..........DATE.....12-09-2022.....
 PROF. GEORGE K. GITAU , CHAIRMAN, BOARD OF TRUSTEES

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE AUDITORS TO THE TRUSTEES OF UNIVERSITY OF NAIROBI
PENSION SCHEME 2007

REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi Pension Scheme 2007 set out on pages 12 to 38, which comprise of the statement of net assets available for benefits as at 30 June, 2022, the statement of changes in net assets available for benefits and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Pension Scheme 2007 as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000 and Retirement Benefits Act, 1997 (Revised 2020).

Basis for Qualified Opinion

1. Long Outstanding Pension Contributions

The statement of net assets available for benefits and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.5,533,486,000 which relates to contributions due from the University of Nairobi, the Scheme's sponsor. The outstanding contributions date back to 2016/2017 financial year, as analyzed in the table below:

Year	Amount (Kshs.)
2016/2017	609,148,000
2017/2018	912,618,000
2018/2019	883,708,000
2019/2020	815,086,000
2020/2021	966,898,000
2021/2022	1,346,028,000
Total	5,533,486,000

Review of records indicated that a remedial plan was prepared by the University Council, discussed and adopted by the Board of Trustees on 30 September, 2019 and approved by the Retirement Benefits Authority (RBA) on 8 October, 2019. According to the plan, the University was required to remit employees' contributions totalling to Kshs.50,000,000 per month so as to clear the and outstanding arrears by 30 September, 2025. However, as at the time of audit in September, 2022 the University had not remitted the targeted amount of Kshs.600,000,000 to the Scheme.

This was contrary to provisions of Section 53A of the Retirement Benefits Act, 1997 and the RBA can take into consideration provisions of Section 53B(a)(iii) of the Retirement Benefits Act, 1997 (Revised 2020) which states that notwithstanding the provisions stated under Section 53A, where there is non-remittance of the contribution by the employer, the Authority shall require the employer to immediately cease further deductions from employees' emoluments and notify all the members of the scheme of the cessation. Further, on 14 May, 2020 the University requested the RBA to suspend the monthly payment, following closure of all learning institutions due to the outbreak of Covid-19 pandemic. RBA requested the University to prepare a feasible remedial plan. However,

the University has not provided any remedial plan for settlement of the long outstanding employer contributions to the Scheme.

In addition, the valuation of contributions receivable from the sponsor has not been done in line with the International Financial Reporting Standards (IFRS) 9 as there has been no provision for Expected Credit Loss (ECL).

In the circumstances, it was not possible to confirm the regularity and valuation of the long outstanding contributions of Kshs.5,533,486,000, from the University of Nairobi.

2. Unsupported Journal Entries in the Ledger

Review of the Scheme's ledger revealed journal entries totalling Kshs.7,552,000,000. However, no evidence was provided to confirm that the journal entries were approved before they were processed through the ledger, contrary to the provisions of the Pension Scheme Financial Management Manual, which requires all journals entries to be appropriately approved before they are processed in the accounting system.

In the circumstances, the regularity and accuracy of the journal entries totalling Kshs.7,552,000,000 could not be confirmed.

3. Lack of Bad Debts Policy

The statement of net assets available for benefits and as disclosed in Note 27 to the financial statements, reflects other receivables balance of Kshs.252,151,000. Included in this balance is a provision for bad debts of Kshs.1,182,000 and Kshs.21,604,000 in relation to UNIPEN Apartments and Ambank House, respectively. However, it was observed that Management has not put in place a bad debts management policy to guide the provision for bad debts.

In the absence of such a policy, it was not clear how Management determined the level of provision for bad debts and impairment loss on the other receivables reflected in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the University of Nairobi Pension Scheme 2007 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 which, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Incomplete Implementation of Pension Administrative Software Project

As reported in the previous year, the Scheme paid an amount of Kshs.7,162,000 to a local company for the supply, delivery, installation, implementation, user training, support and commissioning of a pension administration system, which was to take three (3) months from the contract date of 2 July, 2018. By March, 2020 the Scheme had paid an amount of Kshs.7,161,840 directly or indirectly in relation to this contract. However, the Income Drawdown (IDD), Investment and Financial Management modules were not implemented successfully, resulting to inability by the Secretariat to extract reports, including financial statements.

The Board of Trustees resolved to issue a thirty (30) days notice of termination of contract on 5 May, 2020 under Clause 11 of the contract. In response to the notice, the Company requested for thirty (30) days extension of the contract, from 27 May, 2020, and the extension was granted. However, the Company did not meet its target and as at 30 August, 2022, the software had not been implemented and commissioned.

Available information indicated that the University Chief Legal Advisor advised the Scheme Administrator to refer the dispute to the Project Manager/Project Steering Committee for resolution in addition to requesting for refund of the entire sum paid on the contract, as well as seek exemplary damages against the company. Further, the Company requested for settlement of the dispute out of Court. The Scheme has since awarded a new contract for implementation of the software.

In the circumstances, the propriety and value for money on the expenditure of Kshs.7,162,000, incurred on the above software could not be confirmed.

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

Basis for Conclusion

Lack of Binding Agreements on Internal Control Systems

Review of records on internal controls and systems of the Scheme revealed that the Scheme has outsourced the Internal Audit, Procurement and Information and Communication Technology (ICT) Functions, in line with recommendation of the Board of Trustees. In addition, the Scheme operates an ERP system which was provided by the University. However, no binding service agreements between the Scheme and the service providers, was provided for audit.

In the circumstances, propriety of the services could not be confirmed.

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

Responsibilities of Management and the Board of Trustees

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 Scheme's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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 that govern them, and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing the Scheme financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 overall 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 Scheme's policies and procedures may deteriorate.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2022

Report of the Auditor-General on University of Nairobi Pension Scheme 2007 for the year ended 30 June, 2022

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE
FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30.06.2022 KShs'000	30.06.2021 KShs'000
CONTRIBUTIONS AND BENEFITS			
Employer/Employee contributions			
Transfers in	4	1,215,980	1,343,434
Transfers out	5(i)	1,014	758
Benefits paid	5(ii)	(41,596)	(4,694)
Interest on deferred benefits	6	(1,437,596)	(1,167,371)
Transfer to death in service benefits fund	7	(173,748)	(164,311)
	8	(89,448)	(33,671)
NET DEFICIT/SURPLUS FROM DEALING WITH MEMBERS		(525,394)	(25,855)
RETURNS ON INVESTMENTS			
Investment income	9	2,085,579	1,530,803
Net rental Income	10	90,797	100,141
Change in property revaluation		-	(148,774)
Change in fair value of investments	11	(1,573,569)	1,102,759
Other income	12	743	246
Less: Investment management expenses	13	(45,851)	(43,775)
NET RETURNS ON INVESTMENTS		557,699	2,541,400
ADMINISTRATIVE EXPENSES			
Board of Trustees expenses	14(i)	(8,136)	(8,739)
Staff Costs	14(ii)	(16,743)	(16,216)
Other Administrative expenses	14(iii)	(18,041)	(13,970)
		(42,920)	(38,925)
Decrease/ Increase in net assets for the year		(10,615)	2,476,620
Taxation	15	(111,263)	(80,000)
Decrease/ Increase in net assets for the year after tax		(121,878)	2,396,620
Net Assets available for benefits at start of the year		21,158,206	18,761,586
Net Assets available for benefits at end of the year		21,036,328	21,158,206
FUND BALANCE			
Opening net assets		21,158,206	18,761,586
Decrease/Increase in fund during the year		(121,878)	2,396,620
Closing net assets		21,036,328	21,158,206

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

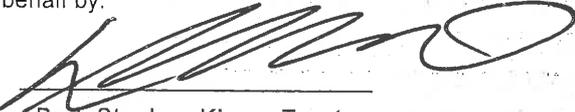
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 30 JUNE 2022

	Notes	30.06.2022 KShs'000	30.06.2021 KShs'000
ASSETS			
Bank balances	16	150,280	55,551
Property, Plant and Equipment	17	2,041	2,395
Investment in real property	18	1,710,000	1,710,000
Treasury Bonds	19	9,608,061	9,693,570
Treasury Bills	20	64,100	110,018
Corporate Bond	21	8,730	
Fixed and Call Deposits	22	361,100	608,490
Quoted shares	23	3,860,202	4,916,869
Unquoted Shares	24	20,664	20,664
Offshore Investments	25	277,471	310,805
Contributions due	26	5,533,486	4,187,458
Other receivables	27	252,151	139,290
Other deposits	28	-	-
		21,848,286	21,755,110
LIABILITIES			
Amounts due to members	29	715,142	533,056
Death in service benefits fund	8	44,931	10,552
Other payables	30	19,222	22,012
Accrued expenses	31	24,048	22,602
Unidentified bankings	33	8,615	8,682
		811,958	596,904
FUND BALANCE	34	21,036,328	21,158,206

The financial statements on pages 13 to 36 were approved for issue by the Trustees on

21/7/2022and signed on their behalf by:


Prof. George K. Gitau, Chairman


Prof. Stephen Kiama-Trustee

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30.06.2022 KShs'000	30.06.2021 KShs'000
Cash flows from operating activities			
Increase in net assets for the year		(121,878)	2,396,620
Adjustments for:			
Depreciation	17	354	444
Net fair value loss/(gain) of investment property	18	-	148,774
Net fair value loss/(gain) on treasury bonds	19	425,605	39,619
Net fair value (gain)/loss on quoted shares	23	1,064,630	(1,081,287)
Net fair value loss/(gain) on unquoted shares	24	-	2,296
Net fair value (gain)/loss on offshore investments	25	83,334	(63,387)
Increase in contributions due	26	(1,346,028)	(966,898)
Decrease in other receivables	27	(112,861)	65,529
Decrease in amounts due to members	29	182,086	(26,772)
Death in service benefits	8	34,379	(55,777)
Decrease in other payables	30	(2,790)	(3,052)
Decrease in accrued expenses	31	1,446	(16,943)
Decrease/increase in unidentified bankings	33	(67)	67
Net cash generated from operations		208,210	439,233
Investing activities			
Purchase of treasury bonds	19	(1,539,096)	(2,447,765)
Proceeds from sale/maturity of treasury bonds	19	1,199,000	1,466,770
Purchase of treasury bills	20	(144,775)	(110,018)
Maturity of treasury bills	20	190,693	-
Purchase of Corporate bonds	21	(8,730)	-
Purchase of quoted shares	23	(229,352)	(287,803)
Proceeds of sale of quoted shares	23	221,389	362,156
Purchase of offshore investments	25	(50,000)	(107,430)
Net cash used in investing activities		(360,871)	(1,124,090)
Net Decrease in cash and cash equivalents		(152,661)	(684,857)
Cash and Cash Equivalents at 1 July		664,041	1,348,898
CASH AND CASH EQUIVALENTS AT 30TH JUNE	32	511,380	664,041
Represented by:			
Standard Chartered Bank-Custodian account-GenAfrica		1,649	1,562
Standard Chartered Bank-Custodian account-OMIG		28	17
Barclays Bank Current Account as per cashbook		148,603	53,972
Call and Fixed deposits		361,100	608,490
	32	511,380	664,041

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1 ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been 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(IFRSs) and interpretations(IFRIC) Standards and interpretations effective in the current period

Various standards interpretations and amendments were effective in the period under review. Those that relate and have an impact on the Scheme's operations have been adopted where applicable.

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.

Early adoption of standards

The Trustees do not have any plans to adopt any new and revised standards until they become effective. Based on their assessment of the potential impact of application of these standards, they do not expect that there will be a significant impact on the Scheme's financial statements.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

Contributions receivable

Current service and other contributions are accounted for in the period in which they fall due.

Revenue recognition

Contributions receivable are accounted for in the period in which they fall due. Normal and additional voluntary contributions are generally accounted for on an accrual basis in the payroll period to which they relate. In the case of member contributions, this is when deducted from pay.

Investment income

Investment income includes interest and dividends receivable and net exchange (gains/losses) in the year.

Dividend income from investments is recognized when the Scheme's right to receive payment as a shareholder has been established.

Investment income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, unless collectability is in doubt.

Rental Income

It is recognized in the period in which it is earned.

1 ACCOUNTING POLICIES(continued)

Benefits payable

Benefits payable to members are recognized in the period in which they fall due.

Deferred benefits are the amounts due to those members who have left the Scheme but have not collected their benefits either because of legal reasons or they are in the process of identifying an appropriate service provider to manage their benefits. Deferred death benefits are for beneficiaries who are minors who will be paid on attaining 18 years of age . The Trustees disburse school fees as and when requested.

Other benefits are accounted for on accrual basis on the date of retirement or death as appropriate. Refunds and opt outs are accounted for when the Trustees are notified of the member's decision to leave the Scheme.

Financial Assets

Financial Instruments

The Scheme recognizes financial instruments in accordance with the revised version of IFRS 9 Financial Instruments which was issued in 2014 and became effective on 1st January 2018. The standard sets out requirements for recognizing and measuring financial assets , financial liabilities and some contracts to buy sell non-financial items.

Recognition and measurement

Financial Assets and liabilities are initially recognized in the Schemes statement of net assets at cost (including transaction costs) when the Scheme becomes party to the contractual provisions of the instrument. IFRS 9 requires subsequent classification and measurement of financial instruments to reflect the business model in which the financial instruments are managed and their cash flow characteristics.

The standard contains three principal classification categories for financial instruments namely:

- i) at amortized cost
- ii) at fair value through other comprehensive income(FVTOCI)
- iii) at fair value through profit or loss (FVTPL)

Financial Assets

The Trustees have adopted the HTCS(Held to collect/held to collect and sell) for managing the financial assets.

Debt instruments are measured at fair value through other comprehensive income (FVTOCI); all other debt and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Financial Liabilities

Fair value measurement and valuation process

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. The Trustees determine the fair value of the Scheme's assets and liabilities where required as follows:-

- a) For assets and liabilities traded in the open market fair value is the market value
- b) For assets and liabilities not traded in the open market fair value is determined using market observable data to the extent it is available

i) at fair value through other comprehensive income (FVTOCI)

ii) at fair value through profit or loss (FVTPL)

Financial Instruments

The Trustees have adopted the HTCS(Held to collect/held to collect and sell) for managing the financial assets.

Debt instruments are measured at fair value through other comprehensive income (FVTOCI); all other debt and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

The Trustees have adopted the HTCS(Held to collect/held to collect and sell) for managing the financial assets.

Debt instruments are measured at fair value through other comprehensive income (FVTOCI); all other debt and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

ACCOUNTING POLICIES(continued)

Financial instruments

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 fair value through profit or loss 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

Fixed and call deposits are classified as originated loans. These are carried at amortized cost (i.e. cost plus accrued income), using the effective yield method.

(v) Offshore Investments

The off-shore investments represent pooled investments through Franklin Templeton Emerging Markets. These investments are classified as fair value through profit or loss and are stated at market value.

(vi) Unquoted Investments

Unquoted equity investments classified as fair value through profit or loss and are valued based on the advice of the Scheme's Investment Managers and the custodian.

(vii) 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.

(viii) 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.

Impairment of financial assets

The Trustees have adopted the expected credit loss (ECL) model provided under the revised IFRS 9 in determining provision for impairment of financial assets. This model requires considerable judgement about how economic factors affect ECLs which should be determined on a probability weighted basis.

Based on the expected credit loss (ECL) model, the Trustees are of the opinion that no provision for impairment of financial assets is necessary since the assets have been stated at their market values or fair values as at the end of the year. For financial assets stated at amortized cost, fair value has been determined as the nominal value plus accrued interest thereon.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

1 ACCOUNTING POLICIES(continued)

Impairment of contributions due and other receivables

Contributions due

The Scheme recognizes contributions receivable on an annual basis. Contributions outstanding for more than 30 days are considered overdue. In determining whether overdue contributions are impaired, the Trustees have made significant judgement as to whether there is any evidence indicating that the Sponsor will not remit the overdue amount as stated.

Other receivables

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

Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the reporting date. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange difference are dealt with in the statement of changes in net assets.

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.

Employee entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the end of the reporting period is recognized as an expense accrual.

Retirement benefit obligations for the Scheme's employees

The scheme employees are on contractual terms. The Scheme contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute and are currently at Kshs. 200 per employee per month.

Gratuity payable to the employees is accrued in the period it falls due.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value, and are used by the Scheme in the management of its short term commitments. Cash and cash equivalents are carried at amortized cost in the statement of net assets available for benefits.

1 ACCOUNTING POLICIES(continued)

Equipment and depreciation

Equipment and Motor Vehicle are stated at cost less accumulated depreciation. Such costs includes the cost of replacing part of the equipment or motor vehicle when that cost is incurred, if the recognition criteria is met. All other repair and maintenance costs are recognized in the statement of changes in net assets as incurred. 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:

The annual depreciation rates in use are:

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

The carrying values of the Equipment are assessed annually and adjusted for impairment where it is considered necessary.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit/loss in the year the asset is derecognized.

The assets residual values , useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

Investment Property

Investment Property is property held to earn rentals and/or for capital appreciation , is measured at its net market value at the reporting date. Gains/losses arising from the net market value of investment property are included in the Statement of Changes in Net Assets as changes in the net market value of investments in the period in which they arise. Direct operating expenses arising from investment properties are included in direct investment expense.

Taxation

Income generated from segregated funds(contributions above the statutory limits) are taxed at applicable tax rates. Income generated from non-segregated funds(contributions below statutory defined limits) are exempt from tax.

Comparatives

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk material adjustment in the next year are disclosed where applicable in the relevant NOTES TO THE FINANCIAL STATEMENTS (continued).

Standards and Interpretations adopted with no effect on financial statements:

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.

Depreciation

Critical estimates are made by management in determining the depreciation rates for equipment.

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.

Definition of default

The Scheme considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:-

- (i) when there is a breach of financial covenants by the debtor; or
- (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Scheme, in full (without taking into account any collateral held by the Scheme).

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES
(continued)

Irrespective of the above analysis, the Scheme considers that default has occurred when a financial asset is more than 90 days past due unless the Scheme has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Scheme write-offs debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

3 FINANCIAL RISK MANAGEMENT

The Scheme generates income 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 the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in relation to offshore investments. The Scheme invests internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Tanzania shilling and Uganda shilling. Foreign exchange risk arises from investment in offshore investments and equity investments in Tanzania and Uganda.

The fund's currency risk is ranked as low because the Fund has divested from offshore investments.

(ii) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares classified at fair value through profit or loss. The Scheme is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Scheme diversifies its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities, the Scheme has invested in bonds of varying maturities. Diversification of the portfolio is done in accordance with resolutions passed on investments during Trustees quarterly meetings. All quoted shares held by the Scheme are traded on the Nairobi Securities Exchange (NSE), Uganda Stock Exchange (USE) and Tanzania Stock Exchange (TSE).

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

3 FINANCIAL RISK MANAGEMENT(continued)

(ii) Price Risk (continued)

As at 30.06.2022, if the price of securities were to appreciate by.....% with all other variables held constant, returns from investment for the year would have been Kshs.....(Shs.....)

(iii) 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 of these instruments are at fixed interest rates.

The nature of financial instruments held, that is fixed interest instruments, mitigates risk exposure of the Fund. Fluctuations in interest rates will have an insignificant effect on the Scheme's financial performance.

Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Scheme. The Scheme has adopted a policy of only dealing with credit worthy counterparties.

The credit risk exposure are classified in three categories:

- Fully performing
- Past due
- Impaired

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. The credit risk for liquid funds and bank balances is limited because the counter parties are banks with high credit ratings assigned by the regulator. For other investments, the Trustees ensure that the issuers of the investments have been assessed so as to reduce the risk of non-recoverability of the amounts invested as well as the interest accrued on the same.

The amount that best represents the Schemes maximum exposure to credit risk is made up as follows:

30-06-22	Up to 3				Total
	months	4-12 months	1-5 years	over 5 years	
	KShs. 000	KShs. 000	KShs. 000	KShs. 000	KShs. 000
Financial Assets					
Treasury Bonds	204,900	342,094	1,882,250	7,178,817	9,608,061
Treasury Bills		64,100			64,100
Call and term deposits	361,100				361,100
Corporate bonds			8,730		8,730
Cash and bank balances	150,280				150,280
	716,280	406,194	1,890,980	7,178,817	10,192,271

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

3 FINANCIAL RISK MANAGEMENT(continued)

Credit Risk (continued)

30-06-21	Up to 3				Total KShs. 000
	months KShs. 000	4-12 months KShs. 000	1-5 years KShs. 000	over 5 years KShs. 000	
Financial Assets					
Treasury Bonds	324,360	227,904	2,811,724	6,329,582	9,693,570
Treasury Bills		110,018			110,018
Call and term deposits	608,490				608,490
Corporate bonds					-
Cash and bank balances	55,551				55,551
	988,401	337,922	2,811,724	6,329,582	10,467,629

Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations attributable to the financial liabilities. The ultimate responsibility for the liquidity risk management rests with the Board of Trustees, which has established an appropriate liquidity risk management framework for the management of the Scheme's short, medium and long term funding and liquidity management requirements. The Scheme manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast end actual cash flows.

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 and the Trustees review it on a quarterly basis.

The table below analyses the Scheme's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

3 FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

30-06-22	Up to 3 months	4-12 months	1-5 years	over 5 years	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Financial Assets					
Treasury Bonds	204,900	342,094	1,882,250	7,178,817	9,608,061
Treasury Bills		64,100			64,100
Corporate Bonds			8,730		8,730
Call and term deposits	361,100				361,100
Bank Balance	150,280				150,280
	<u>716,280</u>	<u>406,194</u>	<u>1,890,980</u>	<u>7,178,817</u>	<u>10,192,271</u>
Financial Liabilities					
Tax Payable					
Benefits Payable	643,941		71,201		715,142
Other payables	24,048				24,048
	<u>667,989</u>	<u>-</u>	<u>71,201</u>	<u>-</u>	<u>739,190</u>
NET LIQUIDITY GAP	<u>48,291</u>	<u>406,194</u>	<u>1,819,779</u>	<u>7,178,817</u>	<u>9,453,081</u>
30-06-21					
	Up to 3 months	4-12 months	1-5 years	over 5 years	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Financial Assets					
Government Securities	324,360	227,904	2,811,724	6,329,582	9,693,570
Treasury Bills		110,018			110,018
Call and term deposits	608,490				608,490
Bank Balance	55,551				55,551
	<u>988,401</u>	<u>337,922</u>	<u>2,811,724</u>	<u>6,329,582</u>	<u>10,467,629</u>
Financial Liabilities					
Tax Payable					
Benefits Payable	90,366	135,549	214,998	92,143	533,056
Other payables	22,602				22,602
	<u>112,968</u>	<u>135,549</u>	<u>214,998</u>	<u>92,143</u>	<u>555,658</u>
NET LIQUIDITY GAP	<u>875,433</u>	<u>202,373</u>	<u>2,596,726</u>	<u>6,237,439</u>	<u>9,911,971</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

3 FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE HIERACHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Scheme takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

This note provides information about how the Scheme determines fair values of various financial assets and liabilities:

	Level 1	Level 2	Level 3	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
30-06-22				
Held for trading through profit or loss				
Quoted equity investments	3,860,202			3,860,202
Unquoted equity investments	20,664			20,664
Offshore investments	277,471			277,471
Government securities	9,608,061			9,608,061
Corporate bonds	8,730			8,730
Call and fixed deposits	361,100			361,100
	14,136,228	-	-	14,136,228
30-06-21				
Held for trading through profit or loss				
Quoted equity investments	4,916,869			4,916,869
Unquoted equity investments	20,664			20,664
Offshore investments	310,805			310,805
Government securities	9,693,570			9,693,570
Corporate bonds	-			-
Call and fixed deposits	55,551			55,551
	14,997,459	-	-	14,997,459

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

3 FINANCIAL RISK MANAGEMENT (continued)

Fair value Hierarchy (continued)

Fair value of the Scheme's financial assets and liabilities that are measured at fair value on a recurrent basis.

Some of the Scheme's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular , the valuation technique(s) and inputs used).

Financial assets/Liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	KShs.'000	KShs.'000		
Treasury Bonds	9,608,061	9,693,570	Level 1	Quoted bid prices in an active market
Quoted equities	3,860,202	4,916,869	Level 2	Quoted bid prices in an active market
Corporate bonds	8,730	-	Level 3	Quoted bid prices in an active market
	13,476,993	14,610,439		

There were no transfers between levels 1, 2 and 3 in the period. There were no financial assets or financial liabilities measured at fair value on level 3 and level 2 of the fair value measurement.

The Trustees consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

4 Employer/Employee contributions	30.06.2022	30.06.2021
	KShs'000	KShs'000
Employer:		
Normal	805,394	890,153
Employees:		
Normal	402,697	445,077
Voluntary	7,889	8,204
	<u>1,215,980</u>	<u>1,343,434</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.

	30.06.2022	30.06.2021
	KShs'000	KShs'000
5(i) Transfers in :		
Individual transfers in from other Schemes	1,014	758
	<u>1,014</u>	<u>758</u>

5(ii) Transfers out :

Individual transfers out to other Schemes

	30.06.2022	30.06.2021
	KShs'000	KShs'000
Individual transfers out to other Schemes	41,596	4,694
	<u>41,596</u>	<u>4,694</u>

6 Benefits paid

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

	30.06.2022	30.06.2021
	KShs'000	KShs'000
Commutation and lump sum retirement benefits	1,228,272	835,571
Death in service fund credit balances	104,153	198,634
Payments on withdrawal of members	105,171	133,166
	<u>1,437,596</u>	<u>1,167,371</u>

7 Interest on deferred members accounts

Interest on deferred members

	30.06.2022	30.06.2021
	KShs'000	KShs'000
Interest on deferred members	173,748	164,311

This is interest declared for the year ended 30.06.2021 that was paid to members who retired or left in the year 2020/2021 and were not paid interest at the time they exited. It also includes interest credited into members deferred accounts.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

8 Movement in Death in Service benefits Fund	30.06.2022	30.06.2021
	KShs'000	KShs'000
Balance b/fwd.	10,552	66,329
Transfer for the year from reserve fund	89,448	33,671
Payments made during the year	(55,069)	(89,448)
Balance as at 30 June	<u>44,931</u>	<u>10,552</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, 13 members passed on and an amount of Kshs.89.448 m was transferred from the reserve fund to top up the opening balance to Kshs. 100 million.

9 Investment income	30.06.2022	30.06.2021
	KShs'000	KShs'000
a) Interest Income		
: Fixed and time deposits;	34,922	25,490
: Interest on UoN Pension arrears	620,478	203,889
: Interest on Corporate Bonds	719	12,985
: Interest on T-bills	11,165	18,264
: Interest on treasury Bonds	1,164,174	1,109,930
	<u>1,831,458</u>	<u>1,370,558</u>
b) Dividend Income	254,121	160,245
	<u>2,085,579</u>	<u>1,530,803</u>

10 Rental Income	30.06.2022	30.06.2021
	KShs'000	KShs'000
a) Unipen Apartments		
Gross Rental Income	20,491	20,296
Less Expenditure	(5,069)	(2,906)
	<u>15,422</u>	<u>17,390</u>
b) Ambank House		
Gross Rental Income/Service Charge/Parking fees	113,709	112,067
Less Expenditure	(38,334)	(29,316)
	<u>75,375</u>	<u>82,751</u>
Net Rental Income	<u>90,797</u>	<u>100,141</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

11 Change in fair value of Investments	30.06.2022	30.06.2021
	KShs'000	KShs'000
Quoted equities	(1,064,630)	1,078,991
Treasury Bonds	(425,605)	(39,619)
Offshore	(83,334)	63,387
	(1,573,569)	1,039,372
12 Other Income	30.06.2022	30.06.2021
	KShs'000	KShs'000
Tender fees	-	21
Kenya Finance bank Payment	518	-
Imperial bank payment	225	225
	743	246
13 Investment management expenses	30.06.2022	30.06.2021
	KShs'000	KShs'000
Fund management fees	31,317	29,911
Custodian fees	14,534	13,864
	45,851	43,775
14 Administrative Expenses	30.06.2022	30.06.2021
	KShs'000	KShs'000
a) Board of Trustees Expenses		
Trustees' Sitting Allowances	2,222	2,402
Trustees Seminars and Training expenses	4,485	4,222
Trustees Election expenses	-	491
Trustees AGM Expenses	129	410
Gifts and expenses for outgoing Trustees	-	450
Trustees Meeting expenses	143	90
Internet Bundles Expenses	350	334
Trustees Christmas Vouchers	405	340
Tablets	402	-
	8,136	8,739
b) Staff Costs	30.06.2022	30.06.2021
	KShs'000	KShs'000
Salaries	16,555	15,981
Medical Expenses	188	235
	16,743	16,216

The scheme had four(4) employees during the year (2020: 4)

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

14 c) Other Administrative expenses	30.06.2022	30.06.2021
	KShs'000	KShs'000
Actuarial fees	1,206	1,260
Audit fees	1,160	1,160
Professional fees	87	171
Change in regulations expenses	345	348
Other sitting allowances	945	800
RBA Levy provision	5,000	5,000
Seminars and Training	3,048	2,060
Bank Charges	224	255
Stationery	119	105
Depreciation	354	444
Software License	-	584
Insurance	479	590
Legal fees	397	257
Motor Vehicle Running Expenses	90	76
Advertising	-	158
Internet and Telephone expenses	2,478	202
AGM Expenses	36	35
Office expenses	202	170
Elections	411	-
Christmas Vouchers	300	295
Valuation fees	1,160	-
	<u>18,041</u>	<u>13,970</u>

15 Taxation

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%.

a) Taxation Charge	30.06.2022	30.06.2021
	Kshs. '000'	Kshs. '000'
Income from unregistered contributions		
Tax payable @ 30% for year 2021/2022	<u>111,263</u>	<u>80,000</u>

b) Tax payable

At 1 July	6,067	6,067
Tax payable on investment income	111,263	95,337
Tax paid during the year	<u>(113,022)</u>	<u>(95,337)</u>
	<u>4,308</u>	<u>6,067</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

16 Bank Balance

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

	30.06.2022	30.06.2021
	KShs'000	KShs'000
Standard Chartered Bank-Custodian account-GenAfrica	1,649	1,562
Standard Chartered Bank-Custodian account-OMIG	28	17
Barclays Bank Current Account as per cashbook	148,603	53,972
	<u>150,280</u>	<u>55,551</u>

17 Property, Plant and Equipment

	Motor Vehicle	Furniture and Equipment	Computers and Accessories	Total
	KShs'000	KShs'000	KShs'000	KShs'000
<u>COST</u>				
As at 01.07.2021	2,608	5,860	4,627	13,095
Additions	-	-	-	-
As at 30.06.2022	<u>2,608</u>	<u>5,860</u>	<u>4,627</u>	<u>13,095</u>
<u>DEPRECIATION</u>				
As at 01.07.2021	2,346	4,105	4,249	10,700
Charge for the period	65	176	113	354
As at 30.06.2022	<u>2,411</u>	<u>4,281</u>	<u>4,362</u>	<u>11,054</u>
<u>NET BOOK VALUE</u>				
As at 30.06.2022	<u>197</u>	<u>1,579</u>	<u>265</u>	<u>2,041</u>
As at 30.06.2021	<u>262</u>	<u>1,755</u>	<u>540</u>	<u>2,557</u>
<u>2019/2020 COMPARISON</u>				
As at 01.07.2020	2,608	5,860	4,627	13,095
Additions	-	-	-	-
As at 30.06.2021	<u>2,608</u>	<u>5,860</u>	<u>4,627</u>	<u>13,095</u>
<u>DEPRECIATION</u>				
As at 01.07.2020	2,259	3,910	4,087	10,256
Charge for the period	87	195	162	444
As at 30.06.2021	<u>2,346</u>	<u>4,105</u>	<u>4,249</u>	<u>10,700</u>
<u>NET BOOK VALUE</u>				
As at 30.06.2021	<u>262</u>	<u>1,755</u>	<u>378</u>	<u>2,395</u>
As at 30.06.2020	<u>349</u>	<u>1,950</u>	<u>540</u>	<u>2,839</u>

18 Investment Property

	Value	Change in	Value
	01.07.2021	revaluation	30.06.2022
	KShs'000	KShs'000	KShs'000
Unipen Apartments at Hurlingham Shopping Center	310,000	-	310,000
Ambank House	1,400,000	-	1,400,000
	<u>1,710,000</u>	<u>-</u>	<u>1,710,000</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2022

19 Treasury Bonds

	30.06.2022	30.06.2021
	KShs'000	KShs'000
At fair value through profit or loss		
At start of year	9,693,570	8,602,294
Purchases during the year	1,539,096	2,447,765
Proceeds on disposal	(1,199,000)	(1,316,870)
Change in fair value	(425,605)	(39,619)
At end of year	<u>9,608,061</u>	<u>9,693,570</u>

The maturity dates for government treasury bonds at fair value are:

Maturing within 1 year	546,994	552,264
Maturing after 1 year but within 5 years	1,882,250	2,811,724
Maturing after 5 years	7,178,817	6,329,582
	<u>9,608,061</u>	<u>9,693,570</u>

20 Treasury Bills

	30.06.2022	30.06.2021
	KShs'000	KShs'000
At amortised cost:		
At start of the year	110,018	427,291
Purchases during the year	144,775	213,386
Proceeds on disposal	(190,693)	(530,659)
Interest earned	11,165	18,264
Interest received	(11,165)	(18,264)
At end of the year	<u>64,100</u>	<u>110,018</u>

The maturity dates for government treasury bills are:

Maturing within 91 days	-	-
Maturing within 182 days	-	-
Maturing within 364 days	64,100	110,018
	<u>64,100</u>	<u>110,018</u>

21 Corporate Bonds

			30.06.2022	30.06.2021
			KShs'000	KShs'000
At fair value through profit or loss				
	Maturity date	Interest		
East African Breweries Limited (EABL)	29.10.26	12.25%	8,730	-
			<u>8,730</u>	<u>-</u>

The weighted average effective interest rate on corporate bonds at 30.06.2022 was 12.25% p.a.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

22 Fixed Deposits	30.06.2022	30.06.2021
Fair value through other comprehensive income:	KShs'000	KShs'000
Maturing within 90 days	361,100	608,490
Amortised cost	<u>361,100</u>	<u>608,490</u>

The weighted average effective interest rate on fixed deposits for the year ended 30.06.2022 was 8.58% (2021:7.06%)

23 Investments-Quoted Shares

Company

	Value at 1st July 21 KShs'000	Purchases at cost KShs'000	Sales proceeds KShs'000	Change in fair value KShs'000	Value at 30-Jun-22 KShs'000
Kenya Commercial Bank	795,555			(74,612)	720,943
Absa Kenya	113,417			6,060	119,477
Standard Chartered Bank	80,894			(3,117)	77,777
NIC Bank	68,648			(5,115)	63,533
Diamond Trust	26,623			(4,179)	22,444
Co-operative Bank	250,526			(52,647)	197,879
Equity Bank	783,174		(173,121)	2,228	612,281
I and M Bank	65,143			(14,460)	50,683
CFC Stanbic	40,500			8,875	49,375
Stanbic Uganda	48,241			(6,871)	41,370
East Africa Breweries	332,002	28,873		(81,599)	279,276
Bamburi Cement	11,818			(269)	11,549
Kenya Power and Lighting	5,026			108	5,134
Nation Media Group	10,259			(3,262)	6,997
Centum Investments	20,648			(9,042)	11,606
Scan group	0			-	-
TPS	3,696			(53)	3,643
Safaricom	2,094,531	200,479	(48,268)	(845,894)	1,400,848
Umeme Uganda	26,918			2,437	29,355
CRDB Tanzania	49,665			18,013	67,678
Tanzania Breweries	62,849			5,434	68,283
Jubilee Insurance Co. Ltd	23,133			(6,006)	17,127
Nairobi Security Exchange	2,010			(298)	1,712
Britam	1,593			(361)	1,232
	<u>4,916,869</u>	<u>229,352</u>	<u>(221,389)</u>	<u>(1,064,630)</u>	<u>3,860,202</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

24 Investments-Unquoted Shares

Company	Value at 1st July 21 KShs'000	Purchases at cost KShs'000	Sales proceeds KShs'000	Change in fair value KShs'000	Value at 30-Jun-22 KShs'000
UAP Holdings Limited	20,664	-	-	-	20,664

25 Investments-Offshore

	Value at 1st July 21	Purchases at cost	Sales proceeds	Change in fair value	Value at 30-Jun-22
USD Templeton Emerging markets	310,805			(77,834)	232,971
Blackrock World Index		50,000		(5,500)	44,500
	310,805	50,000	-	(83,334)	277,471

26 Receivables-Contributions due

	30.06.2022 KShs'000	30.06.2021 KShs'000
Outstanding contributions	5,533,486	4,187,458
	5,533,486	4,187,458

The Sponsor during the year paid the employee portion of contribution diligently as per the RBA regulations.
The Sponsor has promised to prepare a feasible remedial plan.

27 Other receivables

	30.06.2022 KShs'000	30.06.2021 KShs'000
Water deposit	4	4
Garbage Deposit	5	5
Electricity deposit	201	201
Other sundry receivables	-	1,317
Accrued Interest Income	6,398	6,184
Accrued Dividends	83,173	1,664
Knight Frank-Ambank House	48,078	35,053
KnightFrank-Unipen Apartments	19,431	5,715
Rent arrears-Ambank House	66,611	79,207
Rent arrears-Unipen Apartments	5,464	9,940
Provision for bad debts-Unipen Apartments	1,182	-
Provision for bad debts-Ambank House	21,604	-
	252,151	139,290

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

28 Other deposits	30.06.2022	30.06.2021
	KShs'000	KShs'000
Imperial Bank	30,835	31,059
Bad debt provision Imperial Bank	(30,835)	(31,059)
Kenya Finance Bank	44,123	44,641
Provision for bad debt-Kenya Finance Bank	(44,123)	(44,641)
Chase Bank	15,000	15,000
Bad debt provision Chase Bank	(15,000)	(15,000)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
29 Deferred member balances	30.06.2022	30.06.2021
	KShs'000	KShs'000
Retirement	225,872	121,079
Death Lump sum	130,166	123,469
Death Fund Credit	168,768	140,129
Deferred Withdrawals	190,336	148,379
	<u>715,142</u>	<u>533,056</u>
	<u>715,142</u>	<u>533,056</u>

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

	< = 2 years	> 2 years	Total
Retirement	206,808	19,064	225,872
Death Lump sum	63,525	66,641	130,166
Death Fund Credit	113,010	55,758	168,768
Deferred Withdrawals	109,042	81,294	190,336
	<u>492,385</u>	<u>222,757</u>	<u>715,142</u>
	<u>492,385</u>	<u>222,757</u>	<u>715,142</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 Benefits Act. The deferred withdrawals amount will only be accessed after the member attains the age of 50 years in accordance to the RBA regulations.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007
NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2022

30 Other payables	30.06.2022	30.06.2021
	KShs'000	KShs'000
Rent Deposits-Unipen Apartments	3,219	3,436
Rent Deposits-Ambank House	7,488	9,265
Prepaid Rent(Unipen Apartments)	292	266
Prepaid Rent(Ambank House)	3,915	2,978
Provision on tax payable on income on unregistered contributions	4,308	6,067
	<u>19,222</u>	<u>22,012</u>
31 Accrued expenses	30.06.2022	30.06.2021
	KShs'000	KShs'000
Audit fees	1,160	1,160
Standard Chartered bank-Custodian fees	1,116	2,412
Old Mutual Fund Management Fees	1,174	1,270
Genesis Kenya Management fees	7,775	3,904
RBA Levy	5,000	5,000
Actuarial Fees	630	326
Other accruals	7,193	8,530
	<u>24,048</u>	<u>22,602</u>
32 Note to the Statement of Cashflows	30.06.2022	30.06.2021
	KShs'000	KShs'000
Standard Chartered Bank-Custodian account-GenAfrica	1,649	1,562
Standard Chartered Bank-Custodian account-OMIG	28	17
Barclays Bank Current Account	148,603	53,972
Cash and cash equivalent	361,100	608,490
Cash used in operations	<u>511,380</u>	<u>664,041</u>

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

UNIDENTIFIED BANKINGS-KSHs.8,615,000

33 The following are amounts transferred / deposited directly into scheme's bank account that have not been identified. Concerned members' need to provide the details so that the amount is posted into their accounts.

Date	Amount -Kshs.	Date	Amount -Kshs.	Date	Amount Kshs.
01.07.07	- 87,724.60	14.02.15	- 46,121.50	26.04.16	- 50,775.40
16.09.10	- 26,000.00	15.05.15	- 165,375.00	26.04.16	- 50,775.40
11.05.11	- 259,224.65	11.08.15	- 122,423.70	05.05.16	- 3,000.00
17.08.11	- 412,475.00	17.08.15	- 1,101,456.00	01.12.16	- 153,274.00
17.08.11	- 2,223,579.00	19.10.15	- 304,652.40	05.12.16	- 100,000.00
17.01.12	- 294,488.75	10.12.15	- 16,000.00	01.04.17	- 64,102.00
06.11.12	- 37,600.00	10.12.15	- 24,500.00	02.08.17	- 56,773.20
07.02.13	- 255,285.45	10.12.15	- 8,500.00	21.07.17	- 120,000.00
28.03.13	- 312,385.55	10.12.15	- 91,350.00	23.10.18	- 130,008.50
28.05.13	- 25,000.00	23.12.15	- 113,475.95		
11.06.13	- 345,777.20	23.01.16	- 101,550.00		
11.06.14	- 55,695.00	15.02.16	- 104,357.00		
15.07.14	- 790,616.00	26.02.16	- 101,550.80		
29.08.14	- 22,185.00	11.04.16	- 42,000.00		
08.12.14	- 332,540.60	21.04.16	- 62,320.00		
				Total	- 8,614,917.70

The above will be transferred to Unclaimed Financial Assets Authority as no member has come forward to claim.

34 FUND BALANCE

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:

	30.06.2022	30.06.2021
	KShs'000	KShs'000
Members' Funds At 1st July	21,158,206	18,761,586
Increase in Net assets	(121,878)	2,396,620
Members' Funds As 30 June	<u>21,036,328</u>	<u>21,158,206</u>

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 2022 or 30 June 2021

Self Investment

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

35 Progress on follow up of Auditor recommendations for 2020/2021 financial year

The following is a summary of issues raised by the Office of the Auditor General and management comments that were provided to the auditor. The Board of Trustees is working on resolving the issues as shown below with the associated time frame within which we expect the issues to be resolved.

Issue /Observations from Auditor	Management Comments	Focus Point	Status	Timeframe
		person to		
		resolve the		
		issue		
Non remittance of Pension Deductions	The Sponsor has continued to remit employee contributions but is yet to clear the employers portion. However, the Sponsor remits the unremitted contributions for members exiting. The Sponsor is following up with Treasury for a way forward in regard to the unremitted contributions.	The Board of Trustees	Interest is earned from the unremitted contributions at the declared rate of return for the year.	Continuous
Rental Arrears	Knight Frank recommended for writeoffs of amounts that they have been unable to collect.	The Board of Trustees	Provision is reflected in the financial statements.	Continuous
Outstanding Billboard rent arrears	Knight Frank following up with the tenant	The Board of Trustees	KnightFrank being followed up	Continuous
Unidentified Bankings	Members have been sensitized and to date, none has come to lay claim. The amount to be transferred to Unclaimed Financial Assets Authority.	The Board of Trustees	To be transferred during the amnest period by UFAA	Continuos