

REPUBLIC OF KENYA



**REPORT**

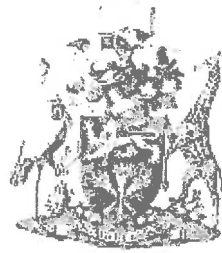
**OF**

**THE AUDITOR-GENERAL**

**ON**

**UNIVERSITY OF NAIROBI PENSION  
SCHEME 2007**

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



**UNIVERSITY OF NAIROBI PENSION  
SCHEME 2007**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2020**

**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 2020

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## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### TRUSTEES , ADVISERS AND OTHER INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

#### TRUSTEES

Prof. Stephen W. Luketero	Chairman, Board of Trustees
Prof. Stephen K. Gitahi	Trustee(nominated by Council in January 2020)
Prof. Isaac Mbeche	Trustee(nominated by Council in July 2019 and left in December 2019)
Prof. George.A.O.Magoha	Trustee (retired in April 2020)
Dr. Grace N. Kiringa	Trustee
Mr. Meshack J. Omolo	Trustee
Mrs. Flora Maghanga-Mtuweta	Trustee
Mr. Abdi Mohamud Hassan	Trustee
Engineer Kariuki Muchemi	Trustee

#### INTERNAL SCHEME ADMINISTRATOR

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

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

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

#### CUSTODIAN

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

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

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

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

#### PHYSICAL LOCATION

Unipen Apartments, 3rd Floor	
Argwings Kodhek Road,Hurlingham	P.O.BOX 30197-00100 GPO NAIROBI

## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

## **REPORT OF THE TRUSTEES**

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

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2020.

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

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

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

#### **BENEFITS**

##### **Pension Benefits**

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

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

##### **Death Benefits**

Death benefits consist of :

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

##### **Withdrawal benefits**

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

- (i) 100% of his contributions and 50% of Employer's contribution at the date of leaving service; or
- (ii) to take a deferred pension benefit commencing on his Normal Retirement Date for the amount represented by the Member's portion and the Sponsor's portion.

#### **CONTRIBUTIONS**

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

#### **MEMBERSHIP**

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

**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**ACTIVE**

	30.06.2020	30.06.2019
Membership at 1 July	3,012	3,027
New Members	127	121
Retired	(95)	(95)
Died in service	(10)	(12)
Withdrawals	(30)	(29)
At 30 June	<b>3,004</b>	<b>3,012</b>

**EXPENSES**

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

**INVESTMENT MANAGEMENT**

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

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

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

**INVESTMENT POLICY STATEMENT**

The primary investment objectives of the Scheme are as follows:

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

We confirm that the Scheme's asset allocation as at 30 June 2020 was within the guidelines of the Retirement Benefits Authority.

## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

#### RESULTS FOR THE YEAR

The statement of changes in net assets available for benefits on page 13 shows an increase in the net assets of the Scheme for the year of **Shs1,101,687,000** (2019:Shs 779,175,000 ) and the statement of net assets available for benefits on Page 14 shows the Scheme's net assets as **KShs. 18,761,586,000** (2019 :Kshs. 17,659,899,000)

#### CORPORATE GOVERNANCE STATEMENT

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

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

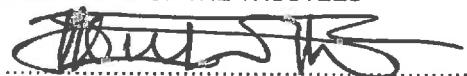
The Board of Trustees is comprised of a total of eight Trustees four of whom are appointed by the Sponsor and four elected by members. The Chairman of the Board of Trustees was elected by the Trustees themselves in accordance with Clause 12(a)(i) of the Scheme's Trust Deed and Rules. This representation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

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

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

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

ON BEHALF OF THE TRUSTEES



CHAIRMAN, BOARD OF TRUSTEES

19-10-2020

DATE

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**SCHEME GORVERNANCE DISCLOSURE STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2020

**1 Trustees in office during the year**

Name	Age	Category	No. of meetings attended	Certified (Yes/No)	Highest Qualification
Prof. Stephen Luketero	49yrs	Member elected	10	NO	PhD
Mrs. Flora Maghanga-Mtuweta	53yrs	Sponsor nominat	8	YES	MBA Strategic Mgt
Mr. Abdi Mohamud Hassan	51yrs	Sponsor nominat	8	NO	Masters
Engineer Kariuki Muchemi	66yrs	Sponsor nominat	8	yes	Msc. Engineering
Prof. Stephen K. Gitahi	56yrs	Sponsor nominat	4	NO	PhD
Prof. I. Mbeche	68yrs	Sponsor nominat	5	NO	PhD
Prof. George Magoha	68yrs	Member elected	8	NO	PhD
Dr. Grace Kiringa	45yrs	Member elected	10	YES	PhD
Mr. Meshack Juma	53yrs	Member elected	10	YES	PhD in progress

**2 The Board of Trustees held 10 meetings during the year ending 30 June 2020. The meetings were held on the dates set out hereunder:**

31.07.2019  
09.08.2019  
30.09.2019  
06.11.2019  
05.12.2019  
11.12.2019  
13.12.2019  
19.02.2020  
27.03.2020  
05.05.2020  
30.06.2020

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

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

**4 Committees of the Board**

**a) Investment Committee**

It was chaired by Prof. Mbeche from July 2019 to Dec 2019 and from Jan 2020 to June 2020 by Prof. Kiama.  
It is the investment arm of the Board.

**b) Administration Committee**

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



**SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**c) Audit and Risk Committee**

It was chaired by CPA Mrs. Flora Maghanga-Mtuweta. It assists the Board by overseeing the Scheme's financial reporting; internal control structure; risk management systems and reporting and internal and external audit functions.

**5 Fiduciary Responsibility statement**

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

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

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

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

The Board charter for the scheme is being developed.

**6 Responsible corporate citizenship**

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

**7 Key outcomes**

The Board of Trustees seeks to achieve the following:

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

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

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

**8 Annual General Meeting**

The Board of Trustees did not hold an AGM for the year ended 30th June 2019 as the Audited Accounts had not been signed by the Auditor General as the government was yet to appoint the Auditor General.

# UNIVERSITY OF NAIROBI PENSION SCHEME 2007

## SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued) FOR THE YEAR ENDED 30 JUNE 2020

### 9 Trustees remuneration policy

During the year under review , the Trustees were paid a gross sum of Kshs. 4,282,464 as reflected below. The payments complied with the Trustees remuneration policy of the Scheme. The Trustees remuneration policy will be tabled for approval by members in the 2020 Annual General Meeting and thereafter it will be forwarded to Retirement Benefits Authority for approval.

### 9 Trustees remuneration policy (continued)

#### a) TRUSTEES MEETINGS ATTENDANCE & SITTING ALLOWANCES

Trustees Name	Full Board	Investment Committee	Administrative Committee	Audit and Risk Committee	Software Implementation Committee
Total number of meetings	11	4	6	2	
Prof. Stephen Luketero	317,143	30,000	45,000		103,536
Prof. Stephen Kiama	80,000	34,000	45,000	15,000	
Prof. I. Mbeche	80,000	24,500	-	-	
Prof. George Magoha	160,000	64,000	15,000	-	
Dr. Grace Kiringa	220,000	15,000	120,000	30,000	32,143
Mr. Meshack Juma	220,000	39,000	75,000	-	
Mrs. Flora Maghanga-Mtuweta	180,000	15,000	45,000	40,000	
Mr. Abdi Mohamud Hassan	160,000	20,000	60,000	15,000	
Engineer Kariuki Muchemi	180,000	38,500	15,000	30,000	
<b>TOTAL</b>	<b>1,597,143</b>	<b>280,000</b>	<b>420,000</b>	<b>130,000</b>	<b>135,679</b>

#### b) OTHER TRUSTEE ALLOWANCES

Trustees Name	Transport Allowance	Christmas Vouchers	Seminars & Training All.	Total Paid
Prof. Stephen Luketero	44,215	65,000	222,000	331,215
Prof. Stephen Kiama	14,857	-	45,000	59,857
Prof. Isaac Mbeche	12,857	65,000	41,500	119,357
Prof. George Magoha	27,714	65,000	75,000	167,714
Dr. Grace Kiringa	35,714	65,000	164,000	264,714
Mr. Meshack Juma	31,714	65,000	165,500	262,214
Mrs. Flora Maghanga-Mtuweta	22,857	65,000	61,000	148,857
Mr. Abdi Mohamud Hassan	20,857	65,000	54,000	139,857
Engineer Kariuki Muchemi	24,857	65,000	136,000	225,857
<b>TOTAL</b>	<b>235,642</b>	<b>520,000</b>	<b>964,000</b>	<b>1,719,642</b>

### 10 Board of Trustees Evaluation

The Board and individual Trustees will undertake a Board evaluation in 2020/2021. No Board evaluation was undertaken during the year under review as there were many changes in the Board.

**SCHEME GORVERNANCE DISCLOSURE STATEMENT(continued)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**11 Board Training and Induction Programs**

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

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

**12 Members' sensitization**

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

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

The Board conducted the following sensitization activities	Date held	No. of	Remarks
		members	
		who attended	
Teaching Staff retirement planning seminar	NOT HELD		postponed due to COVID-19
Non teaching staff retirement planning seminar	26.09.2019	64 out of 104	
<b>Members' education day:</b>			
CEES	NOT HELD		postponed due to COVID-19
CAVS	NOT HELD		postponed due to COVID-19
CHS	NOT HELD		postponed due to COVID-19
CHIROMO	NOT HELD		postponed due to COVID-19
LOWER KABETE	NOT HELD		postponed due to COVID-19
PARKLANDS	NOT HELD		postponed due to COVID-19
ADD	NOT HELD		postponed due to COVID-19
MAIN CAMPUS	NOT HELD		postponed due to COVID-19

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.....19/10/2020.....  
 CHAIRMAN, BOARD OF TRUSTEES

**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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

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

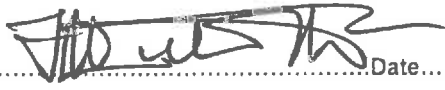
The Trustees are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards.

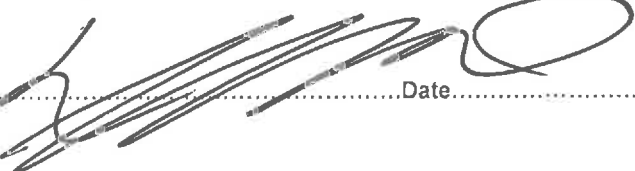
The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are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

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

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

For the Trustees

Chairman..........Date.....19/10/2020

Trustee..........Date.....19/10/20

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI PENSION SCHEME 2007 FOR THE YEAR ENDED 30 JUNE, 2020**

### **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 13 to 32, which comprise the statement of net assets available for benefits as at 30 June, 2020, and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 the University of Nairobi Pension Scheme 2007 as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the provisions of the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulation 2000 and comply with the Retirement Benefits Act, 1997.

#### **Basis for Qualified Opinion**

##### **1. Non-remittance of Pension Deductions**

The statement of net assets available for benefits as at 30 June, 2020 under Note 25 to the financial statements includes a balance of Kshs.3,220,560,000 in relation to outstanding contributions owing from the University of Nairobi. As reported in the previous years, the contributions owed dates back from November, 2016 as shown below.

<b>Financial Year</b>	<b>Amount (Kshs)</b>
2015/2016	226,988,000
2016/2017	382,160,000
2017/2018	912,618,000
2018/2019	883,708,000
2019/2020	815,086,000
<b>Total</b>	<b>3,220,560,000</b>

The outstanding contributions increased by Kshs.815,086,000 from the previous financial year balance of Kshs.2,405,474,000 to Kshs.3,220,560,000. This increase represented 76% of the total members contributions of Kshs.1,078,944,000 in the year under review. Non-remittance of contributions is contrary to Section 53A of the Retirement Benefits Act, 2017 (revised).

Further, the University of Nairobi Council prepared a remedial plan, which was discussed and adopted by the Board of Trustees on 30 September, 2019. The remedial plan was approved by the Retirement Benefits Authority on 8 October, 2019.

The remedial plan required the University of Nairobi to remit a total of Kshs.50 million every month being employee's contributions (approximately Kshs.29 million per month) and the balance applied towards payments of the outstanding arrears which stood at Kshs.3,220,560,000 as at 30 June, 2020. The arrears were expected to be fully paid by 30 September, 2025. However, at the time of the audit in the month of September, 2020, the University of Nairobi had only remitted Kshs.294,915,954 to the Scheme, against the targeted amount of Kshs.450,000,000 resulting to a shortfall of Kshs.155,084,046 within the nine (9) months of the remedial plan.

In the circumstances, it has not been possible to confirm whether the University of Nairobi will adhere to the remedial plan that will run up to 30 September, 2025 and recoverability of contributions due amounting to Kshs.3,220,560,000 is doubtful.

## **2. Rent Arrears-AMBank House**

The statement of net assets available for benefits as at 30 June, 2020 reflects other receivables balance of Kshs.204,819,000 which, as disclosed in Note 26 to the financial statements, includes rent arrears at AMBank House of Kshs.119,372,000. Included in this amount is Kshs.12,829,220 rent arrears due for payment during the year under review. The rent analysis availed for audit review indicated that some rent arrears have been outstanding since 2002. Although a provision for bad and doubtful debt of Kshs.9,814,000 had been provided in respect to the rent arrears, full recoverability of the rent arrears is doubtful.

In the circumstances, it has not been possible to confirm the full recoverability of the rent arrears totalling to Kshs.119,372,000 included in the trade and other receivables balance of Kshs.204,819,000 as at 30 June, 2020.

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

## **Emphasis of Matter**

### **Loss of Corporate Bond**

I draw attention to Note 27 to the financial statements which reflects other deposits totalling Kshs.90,925,000 but which have been fully provided for as bad debts resulting to a nil balance as at 30 June, 2019. The other deposits of Kshs.90,925,000 includes deposits with the Imperial Bank and the Kenya Finance Bank amounting to Kshs.31,284,000 and Kshs.44,641,000 respectively, and a Corporate Bond of Kshs.15,000,000 issued by Chase Bank later taken over by SBM Bank. These institutions have since been liquidated. Although the deposits are protected under the Kenya Deposit Insurance Corporation, corporate bonds are unsecured and uninsured. Therefore, there is no recoverability of the bond amounting to Kshs.15,000,000 and hence the same under Note 11 to the financial statements has been written off as bad debts.

### **Key Audit Matters**

Key audit matters are those matters, 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 sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Delay in Implementation of the Pension Administration Software**

Included in the administrative expenses of Kshs.21,726,000 is amortization of software of Kshs.7,162,000 which was expensed in the year under review. Records availed for audit review revealed that the scheme awarded contract No. UNPS 2007/PAS/2018 to a business solutions company for supply, delivery, installation, implementation, user training, support and commissioning of the NAV 2018-Integrated Fund Accounting, Pension Administration and Annuity System (FPAS) on 2 July, 2018. The contract sum was Kshs.7,899,920 and implementation of the software was to take 60 working days (3) months from the contract date and a one-year warrant from the go live date.

The Scheme paid Kshs.6,567,920 or 83.1% of the contract sum and renewed the license on 13 June, 2019, at an amount of Kshs.593,920 resulting to an expenditure of



Kshs.7,161,840. However, as per section six (6) of the contract under project fees and payment terms, some of the deliverables comprising of the Income Drawdown (IDD), Investment and Financial Management modules were not implemented by the service provider. Further, as per section 6.2 of the contract, the software was not commissioned after expiry of the contract period. In addition, there was no evidence of action taken by the Management to recover the amount from the supplier as the contract had expired.

In the circumstances, the project's objectives may not have been achieved and value for money has not been realized due to the implementation delays.

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 matters described in the Basis for Conclusion on Effectiveness of 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 an IT Department**

During the year under review, the Scheme operated without an IT Department contrary to Section 10 of the Retirement Benefits (Individual Retirement Benefit Schemes) Regulations which states that an appropriate internal control system should be in place, monitored and managed by a suitable compliance function within the organization to ensure that the requirements of the Act are complied with.

The IT Department is crucial for implementation of necessary systems and internal audit function for oversight of the operations of the University of Nairobi Pension Scheme 2007.

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



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Retirement Benefits Act, 1997, I report based on the audit, that

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Pension, so far as appears from the examination of those records; and,
- iii. The Scheme's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Pension Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Scheme or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 34 of the Retirement Benefits Act, 1997.

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section Retirement Benefit Act and submit the audit report in compliance with the same Act. 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 Retirement Benefit Act and Regulations and submit the audit report in compliance with Retirement Benefits Act, 1997.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Retirement Benefit Act and Regulations and submit the audit report in compliance with Retirement Benefits Act, 1997. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Scheme's ability to continue as a going concern or 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 Pension Scheme to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**15 October, 2020**

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

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


	Note	30.06.2020 Shs'000	30.06.2019 Shs'000
<b>Income from dealings with members</b>			
Contributions income	4	1,078,944	1,078,448
Transfers in	5(i)	435	5,186
		<u>1,079,379</u>	<u>1,083,634</u>
<b>Outgoings from dealings with members</b>			
Benefits paid & payable to seceding members	6	1,062,475	1,180,028
Transfers out	5(ii)	3,236	3,016
		<u>1,065,711</u>	<u>1,183,044</u>
<b>Net surplus from dealings with members</b>		<u>13,668</u>	<u>(99,410)</u>
<b>Returns on investments</b>			
Other investment income	7	1,601,297	1,239,738
Net rental Income	8 & 9	148,552	120,421
Change in market value of interest bearing deposits	21	(53,074)	330,315
Change in market value of quoted shares	23	(352,876)	(555,017)
Change in Offshore investment value	24	14,453	16,351
Less: Investment management expenses	10	(41,973)	(40,111)
Less: Chase Bank Bad Debt	11	(15,000)	-
<b>Net returns on investments</b>		<u>1,301,379</u>	<u>1,111,697</u>
Board of Trustees expenses	12	(6,969)	(5,618)
Staff Costs	13	(16,236)	(16,112)
Interest on member creditors	14	(25,153)	(29,357)
Administrative expenses	15	(21,726)	(17,371)
Transfer to death in service benefits fund	30	(58,310)	(97,592)
Taxation charge @30% on income from unregistered contributions	16	(85,858)	(72,515)
Other income	17	892	5,453
		<u>(213,360)</u>	<u>(233,112)</u>
<b>Increase in net assets for the year</b>		<u>1,101,687</u>	<u>779,175</u>
Net Assets available for benefits at start of the year		<u>17,659,899</u>	<u>16,880,724</u>
<b>Net Assets available for benefits at end of the year</b>	34	<u>18,761,586</u>	<u>17,659,899</u>

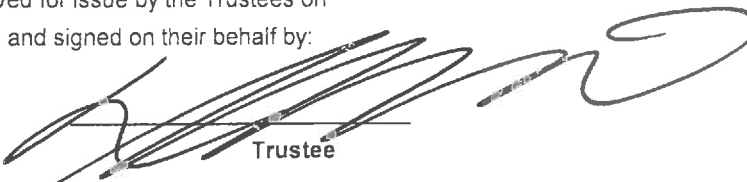
UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
AS AT 30 JUNE 2020

	Notes	30.06.2020 Shs'000	30.06.2019 Shs'000
Property, Plant & Equipment	18	2,839	3,403
Intangible Assets	19	-	7,162
<b>Investments:</b>			
Investment in real property	20	1,858,774	1,858,774
Interest bearing deposits	21	8,752,194	8,192,300
Unquoted Shares	22	22,960	22,960
Quoted shares	23	3,909,935	3,790,619
Investment in Offshore	24	139,988	281,307
		<b>14,683,851</b>	<b>14,145,960</b>
<b>Trade and Other receivables</b>			
- Contributions due	25	3,220,560	2,405,474
- Other receivables	26	204,819	243,542
- Other deposits	27	-	-
<b>Cash and cash equivalents</b>	28	1,348,898	1,591,046
		<b>4,774,277</b>	<b>4,240,062</b>
<b>Less:</b>			
<b>Trade and Other payables</b>			
Amounts due to members	29	559,828	616,465
Death in service benefits fund	30	66,329	41,690
Other payables	31	25,064	37,308
Accrued expenses	32	39,545	32,566
Unidentified bankings	33	8,615	8,659
		<b>699,381</b>	<b>736,688</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	34	<b>18,761,586</b>	<b>17,659,899</b>

The financial statements on pages 13 to 31 were approved for issue by the Trustees on  
.....2020 and signed on their behalf by:

  
Chairman

  
Trustee

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30.06.2020 Shs'000	30.06.2019 Shs'000
<b><u>Cash flow from operating activities</u></b>			
Contributions received		263,858	194,740
Other income		892	5,453
Transfers in		435	5,186
Transfers out		(3,236)	(3,016)
Purchase of property, plant and equipment		-	(893)
Purchase of Intangible Asset		-	(7,162)
Benefits paid		(1,152,783)	(1,269,956)
Board of Trustees expenses		(6,969)	(5,618)
Staff costs		(16,236)	(16,112)
Administrative expenses		(24,895)	(12,299)
Other sundry receivables		2,487	401
Other payables		(4,415)	-
Undertified bankings		8,615	-
Change in rent deposits		95	2,513
Change in prepaid rent		(5,780)	1,788
Chase Bank Bad debt written off		(15,000)	-
Provision for bad debt-Ambank House		-	7,382
Tax paid in the year on unregistered contributions		(88,002)	(74,304)
Interest paid on creditors		(25,153)	(29,357)
<b>Net Cash flow from operations of the scheme</b>		<b>(1,066,087)</b>	<b>(1,201,254)</b>
<b><u>Investing activities</u></b>			
Investment income received		1,786,085	1,292,593
Investment management expenses		(32,758)	(40,150)
Sale of offshore		155,772	225,024
Purchase of offshore investments		-	-
Purchase of quoted and unquoted shares		(1,136,557)	(203,648)
Proceeds of sale of shares - quoted & unquoted		664,365	185,787
Purchase of interest bearing investments		(2,466,710)	(1,457,070)
Proceeds from sale of interest bearing investments		1,853,742	1,272,694
<b>Net cash used in investing activities</b>		<b>823,939</b>	<b>1,275,230</b>
<b>Increase in cash and cash equivalents</b>		<b>(242,148)</b>	<b>73,976</b>
<b><u>Movement in cash and cash equivalents</u></b>			
At start of year		1,591,046	1,517,070
Increase during the year		(242,148)	73,976
<b>At end of year</b>	<b>28</b>	<b>1,348,898</b>	<b>1,591,046</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**1 ACCOUNTING POLICIES**

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

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

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

**(i) Standards and interpretations effective in the current period**

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

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

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

**(iii) Early adoption of standards**

The Scheme did not early adopt any new or amended standards in 2020.

**Basis of accounting**

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

**Contributions and benefits**

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

**Investment Income**

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

**Dividend income**

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

**Recognition**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

1 ACCOUNTING POLICIES (continued)

**Classification**

The scheme classifies its financial assets into the following categories:

**(i) Quoted Investments**

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

**(ii) Government securities**

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

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

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

**(iii) Corporate Bonds**

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

**(iv) Short term deposits**

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

**Impairment and uncollectability of financial assets**

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

**Accounts receivable**

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

**Accounts payable**

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

**Members' balances**

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



## UNIVERSITY OF NAIROBI PENSION SCHEME 2007

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 1 ACCOUNTING POLICIES (continued)

##### **Taxation**

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

##### **Foreign currencies**

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

##### **Comparatives**

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

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

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

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

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

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

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

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

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

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

**3 FINANCIAL RISK MANAGEMENT**

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

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

**Market Risk**

**(i) Foreign exchange risk**

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

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

**(ii) Interest rate risk**

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

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

**(iii) Price risk**

The Scheme is exposed to equity securities price risk because of investments in quoted shares and fixed income securities classified as held for trading. To manage this risk, the Scheme has diversified its portfolio by investing in companies in different sectors of the economy as well as in bonds of varying maturities.

Diversification of the portfolio is done in accordance with investment policies approved by the Trustees. The quoted shares held by the Scheme are traded on the Nairobi Securities Exchange, Uganda Stock Exchange and Tanzania Stock Exchange.

**Credit Risk**

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

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL RISK MANAGEMENT (continued)

	30.06.2020	30.06.2019
	KShs. 000	KShs. 000
Treasury Bonds	8,602,294	7,381,071
Treasury Bills	421,697	808,349
Investment in equities-Quoted & Unquoted	3,932,895	3,813,579
Short-term deposits	903,600	666,514
Corporate bonds	149,900	811,229
Cash and bank balances	18,007	116,183
Other receivables	210,413	243,542
Contributions receivable	3,220,560	2,405,474
	<b>17,459,366</b>	<b>16,245,941</b>

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

**Liquidity risk**

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

	1-6 months KShs. 000	6-12 months KShs. 000	Over 1 year KShs. 000	Total KShs. 000
<b>Financial Assets</b>				
Investment in equities-Quoted & Unquoted	3,932,895			3,932,895
Treasury bonds	420,180	43,800	8,138,314	8,602,294
Investment in corporate bonds	149,900			149,900
Treasury bills	421,697			421,697
Short term deposits	903,600			903,600
Due from the Sponsor	3,220,560			3,220,560
Other receivables	210,413			210,413
Bank and Cash balances	18,007			18,007
	<b>9,277,252</b>	<b>43,800</b>	<b>8,138,314</b>	<b>17,459,366</b>
<b>Financial Liabilities</b>				
Benefits and other payables	(636,882)	-	-	(636,882)
<b>Net liquidity gap</b>	<b>8,640,370</b>	<b>43,800</b>	<b>8,138,314</b>	<b>16,822,484</b>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**FINANCIAL RISK MANAGEMENT (continued)**

**Fair value hierarchy**

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

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

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

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

30-Jun-20	Level 1 Kshs. 000	Level 2 Kshs. 000	Level 3 Kshs. 000	Total Kshs. 000
Investment in quoted equities	3,909,935			3,909,935
Investment in treasury bonds	8,602,294			8,602,294
	<b>12,512,229</b>	-	-	<b>12,512,229</b>
30-Jun-19	Level 1 Kshs. 000	Level 2 Kshs. 000	Level 3 Kshs. 000	Total Kshs. 000
Investment in quoted equities	3,790,619			3,790,619
Investment in treasury bonds	7,381,071			7,381,071
	<b>11,171,690</b>	-	-	<b>11,171,690</b>

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 30 JUNE 2020

4 Contributions received & receivable	30.06.2020	30.06.2019
	Shs'000	Shs'000
From employer		
: Normal	709,613	708,351
From members		
: Normal	354,807	354,175
: Voluntary	14,524	15,922
	<b>1,078,944</b>	<b>1,078,448</b>

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.

	30.06.2020	30.06.2019
	Shs'000	Shs'000

5(i) Transfers in :

Individual transfers in from other Schemes

	435	5,186
	<b>435</b>	<b>5,186</b>

5(ii) Transfers out :

Individual transfers out to other Schemes

	3,236	3,016
	<b>3,236</b>	<b>3,016</b>

6 Members Benefits paid & payable

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

	30.06.2020	30.06.2019
	Shs'000	Shs'000
Commutation and lump sum retirement benefits	917,645	987,305
Death in service fund credit balances	59,229	131,361
Payments on withdrawal of members	85,601	61,362
	<b>1,062,475</b>	<b>1,180,028</b>

7 Other investment income

Dividends receivable:

: Quoted shares (Kenya)

Interest and discounts receivable:

: Fixed and time deposits:

Interest on UoN Pension arrears

Interest on Corporate Bonds

: Interest on T-bills

Treasury Bonds

	30.06.2020	30.06.2019
	Shs'000	Shs'000
Quoted shares (Kenya)	226,276	203,316
Fixed and time deposits:	44,255	36,204
Interest on UoN Pension arrears	259,929	-
Interest on Corporate Bonds	63,973	123,394
Interest on T-bills	49,996	94,069
Treasury Bonds	956,868	782,755
	<b>1,601,297</b>	<b>1,239,738</b>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

<b>8 Investment Income-Rental Account Unipen Apartments</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Gross Rental Income</b>	<b>20,128</b>	<b>19,413</b>
<b>Less Expenditure</b>		
Rates	75	73
Water	167	292
Electricity	687	810
Security	329	303
Insurance	117	42
Repairs & maintenance of Unipen	49	126
Cleaning	665	641
Ground Upkeep	23	138
Staff Costs	488	489
Painting	-	1,240
	<b>2,600</b>	<b>4,154</b>
<b>Net Rental Income</b>	<b>17,528</b>	<b>15,259</b>

<b>9 Investment Income-Rental Account Ambank House</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Gross Rental Income/Service Charge/Parking fees</b>	<b>155,536</b>	<b>142,261</b>
<b>Less Expenditure</b>		
Rates	432	422
Water	914	891
Security	5,388	6,202
Insurance	2,284	1,724
Professional fees	-	60
Lease renewals	151	50
Management fees	4,874	5,966
Letting fees	312	217
Repairs & Maintenance	6,286	15,684
Cleaning	2,185	2,001
Sundry Expenses	50	43
Staff Costs	857	642
Telephone	-	4
Audit fees	281	206
Other Expenses	341	148
Bank Charges	31	53
IT Services/Internet Connectivity	126	198
Service Charge- Landlord	-	2,588
	<b>24,512</b>	<b>37,099</b>
<b>Net Rental Income</b>	<b>131,024</b>	<b>105,162</b>

# UNIVERSITY OF NAIROBI PENSION SCHEME 2007

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2020

	30.06.2020	30.06.2019
	Shs'000	Shs'000
<b>10 Investment management expenses</b>		
Fund management fees	28,541	27,444
Custodian fees	13,432	12,667
	<b>41,973</b>	<b>40,111</b>

<b>11 Bad Debt- Chase Bank Corporate Bond</b>		
Chase Bank Corporate Bond	15,000	-
	<b>15,000</b>	<b>-</b>

*Chase Bank went under and it was sold but the buyers did not buy some of the banks liabilities which included the Corporate Bond and hence the write-off.*

	30.06.2020	30.06.2019
	Shs'000	Shs'000
<b>12 Board of Trustees Expenses</b>		
Trustees' Sitting Allowances	2,563	1,792
Trustees Seminars & Training expenses	2,027	2,553
Trustees Election expenses	-	622
Trustees AGM Expenses	-	84
Gifts and expenses for outgoing Trustees	-	-
Trustees Meeting expenses	158	121
Transport Expenses	236	196
Trustees Christmas Vouchers	520	250
Tablets	1,465	-
	<b>6,969</b>	<b>5,618</b>

	30.06.2020	30.06.2019
	Shs'000	Shs'000
<b>13 Staff Costs</b>		
Salaries	12,238	12,239
Gratuity	3,727	3,727
Medical Expenses	271	146
	<b>16,236</b>	<b>16,112</b>

*The scheme had four(4) employees during the year (2019: 4)*

### Retirement Benefit costs

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

### Employees entitlements

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

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

### Medical Costs

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

<b>14 Interest on members creditors</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Interest on members creditors	<b>25,153</b>	<b>29,357</b>

This is interest declared for the year ended 30.06.2018 but was credited to member creditors accounts in the year ended 30.06.2020

<b>15 Administrative expenses</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Actuarial fees	1,394	1,400
Audit fees	1,160	1,160
Professional fees	348	325
Other sitting allowances	363	412
Change in legislation expenses	-	-
RBA Levy provision	5,000	5,000
Seminars & Training	2,154	4,257
Bank Charges	198	217
Stationery	169	105
Depreciation	564	727
Amortization of software	7,162	-
Software implementation expenses	119	1,038
Insurance	754	797
Legal fees	666	625
Motor Vehicle Running Expenses	79	117
Advertising	303	220
Telephone & Postage	162	151
AGM Expenses	-	300
Office expenses	253	272
Tablets	628	-
Christmas Vouchers	250	248
	<b>21,726</b>	<b>17,371</b>

**16 Tax status of the scheme**

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

	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>
Income from unregistered contributions		
Tax payable @ 30% for year 2018/2019	<b>85,858</b>	<b>72,515</b>



UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2020**

17 Other Income	30.06.2020	30.06.2019
	Shs'000	Shs'000
Tender fees	51	24
Rent from Billboard at Unipen	841	807
Imperial debt repayment	-	4,622
	<b>892</b>	<b>5,453</b>

**18 Property, Plant & Equipment**

	Motor Vehicle Shs'000	Furniture & Equipment Shs'000	Computers & Accessories Shs'000	Total Shs'000
<b><u>COST</u></b>				
As at 01.07.2019	2,608	5,860	4,627	13,095
Additions				-
As at 30.06.2020	<b>2,608</b>	<b>5,860</b>	<b>4,627</b>	<b>13,095</b>
<b><u>DEPRECIATION</u></b>				
As at 01.07.2019	2,143	3,693	3,856	9,692
Charge for the period	116	217	231	564
As at 30.06.2020	<b>2,259</b>	<b>3,910</b>	<b>4,087</b>	<b>10,256</b>
<b><u>NET BOOK VALUE</u></b>				
As at 30.06.2020	<b>349</b>	<b>1,950</b>	<b>540</b>	<b>2,839</b>
As at 30.06.2019	<b>465</b>	<b>2,167</b>	<b>771</b>	<b>3,403</b>

**2017/2018 COMPARISON**

As at 01.07.2018	2,608	5,639	3,955	12,202
Additions		221	672	893
As at 30.06.2019	<b>2,608</b>	<b>5,860</b>	<b>4,627</b>	<b>13,095</b>
<b><u>DEPRECIATION</u></b>				
As at 01.07.2018	1,988	3,452	3,525	8,965
Charge for the period	155	241	331	727
As at 30.06.2019	<b>2,143</b>	<b>3,693</b>	<b>3,856</b>	<b>9,692</b>
<b><u>NET BOOK VALUE</u></b>				
As at 30.06.2019	<b>465</b>	<b>2,167</b>	<b>771</b>	<b>3,403</b>
As at 30.06.2018	<b>620</b>	<b>2,187</b>	<b>430</b>	<b>3,237</b>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
 FOR THE YEAR ENDED 30 JUNE 2020

**19 INTANGIBLE ASSETS**

2019/2020

	Software KShs.'000	Total KShs.'000
<b>COST</b>		
As at 01.07.19	7,162	7,162
Additions	-	-
As at 30.06.20	<u>7,162</u>	<u>7,162</u>
<b>AMORTISATION</b>		
As at 01.07.19	-	-
Charge for the year	<u>7,162.00</u>	<u>7,162</u>
As at 30.06.20	<u>7,162.00</u>	<u>7,162</u>
<b>CARRYING AMOUNT</b>	<u>-</u>	<u>-</u>

Intangible assets was work in progress that related to NAVISION software. The amount has been recognized as an expense in the current year.

**20 Investment - Real property**

	30.06.2020 Shs'000	30.06.2019 Shs'000
Unipen Apartments at Hurlingham Shopping Center	358,774	358,774
Ambank House	1,500,000	1,500,000
	<u>1,858,774</u>	<u>1,858,774</u>

**21 Investments-Interest Bearing Deposits**

	Value at 01.07.19 Shs'000	Purchases/ capitalization Shs'000	Redemptions proceeds Shs'000	Change in market value Shs'000	Value at 30.06.20 Shs'000
Corporate Bonds	811,229		(661,329)		149,900
Kenya Government Securities	7,381,071	2,466,710	(1,192,413)	(53,074)	8,602,294
<b>Total</b>	<u>8,192,300</u>	<u>2,466,710</u>	<u>(1,853,742)</u>	<u>(53,074)</u>	<u>8,752,194</u>

**22 Investments-Unquoted Shares**

	Value at 1st July 19 Shs'000	Purchases at cost Shs'000	Sales proceeds Shs'000	Change in fair value Shs'000	Value at 30-Jun-20 Shs'000
<b>Company</b>					
UAP Holdings Limited	22,960	-	-	-	<u>22,960</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

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

**FOR THE YEAR ENDED 30 JUNE 2020**

<b>23 Investments-Quoted Shares</b>	<b>Value at 1st July 19 Shs'000</b>	<b>Purchases at cost Shs'000</b>	<b>Sales proceeds Shs'000</b>	<b>Change in fair value Shs'000</b>	<b>Value at 30-Jun-20 Shs'000</b>
Company	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Commercial Bank	422,281	251,641		(66,884)	607,038
Absa Kenya	119,477	722	(753)	(5,114)	114,332
Standard Chartered Bank	110,239			(14,028)	96,211
NIC Bank	103,539		(32,673)	(5,889)	64,977
Diamond Trust	52,912			(21,120)	31,792
Co-operative Bank	217,849	24,246	(26,014)	4,491	220,572
Equity Bank	368,374	367,064	(17,455)	(110,694)	607,289
I & M Bank	83,363		(1,422)	(7,406)	74,535
CFC Stanbic	24,750	24,026		(6,651)	42,125
Stanbic Uganda	47,410			(6,283)	41,127
East Africa Breweries	299,485			(55,849)	243,636
Bamburi Cement	91,472			(68,856)	22,616
Kenya Power & Lighting	15,089		(649)	(7,547)	6,893
Kengen Co. Ltd	13,045		(13,243)	198	-
Kenya Oil Co. Ltd			(191)	191	-
British American Tobacco	55,600		(55,781)	181	-
Nation Media Group	18,280			(12,535)	5,745
Centum Investments	37,261			(6,942)	30,319
Scan group	1				1
TPS	5,095			(1,293)	3,802
Safaricom	1,558,209	468,858	(516,184)	50,129	1,561,012
Umeme Uganda	35,133			(5,026)	30,107
CRDB Tanzania	17,722			6,420	24,142
Tanzania Breweries	62,901			(746)	62,155
Jubilee Insurance Co. Ltd	26,383			(10,411)	15,972
Nairobi Security Exchange	2,945			(1,084)	1,861
Britam	1,804			(128)	1,676
	<b>3,790,619</b>	<b>1,136,557</b>	<b>(664,365)</b>	<b>(352,876)</b>	<b>3,909,935</b>
<b>24 Investments-Offshore</b>	<b>Value at 1st July 19</b>	<b>Purchases at cost</b>	<b>Sales proceeds</b>	<b>Change in fair value</b>	<b>Value at 30-Jun-20</b>
USD Templeton Emerging markets	136,198			3,790	139,988
Blackrock Development World Index	145,109		(155,772)	10,663	-
	<b>281,307</b>	<b>-</b>	<b>(155,772)</b>	<b>14,453</b>	<b>139,988</b>

# UNIVERSITY OF NAIROBI PENSION SCHEME 2007

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

FOR THE YEAR ENDED 30 JUNE 2020

25 Receivables-Contributions due	30.06.2020	30.06.2019
	Shs'000	Shs'000
Outstanding contributions-Nov 16 to June 2020 contributions	3,220,560	2,405,474
	<b>3,220,560</b>	<b>2,405,474</b>

The Sponsor has a Retirement Benefits Authority approved remedial plan in place. Due to COVID-19, the Sponsor has not been able to adhere to the remedial plan but has continued to remit all arrears for retiring members. The Sponsor has requested RBA to give them until January 2021 in order to be able to prepare a feasible remedial plan.

26 Other receivables	30.06.2020	30.06.2019
	Shs'000	Shs'000
Water deposit	4	4
Garbage Deposit	5	5
Electricity deposit	201	201
Other sundry receivables	1,813	4,300
Accrued Interest Income	31,610	89,234
Accrued Dividends	9,719	34,124
Knight Frank	35,174	22,055
Rent arrears-Ambank House	119,372	89,599
Rent arrears-Unipen Apartments	6,921	4,020
	<b>204,819</b>	<b>243,542</b>

27 Other deposits	30.06.2020	30.06.2019
	Shs'000	Shs'000
Imperial Bank	31,284	31,284
Kenya Finance Bank	44,641	44,641
Chase Bank	15,000	-
<b>Sub Total</b>	<b>90,925</b>	<b>75,925</b>
Bad debt provision Imperial Bank	(31,284)	(31,284)
Provision for bad debt-Kenya Finance Bank	(44,641)	(44,641)
Bad debt provision Chase Bank	(15,000)	-
<b>Sub Total</b>	<b>(90,925)</b>	<b>(75,925)</b>
	<b>-</b>	<b>-</b>

## 28 Cash & Cash Equivalents

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

	30.06.2020	30.06.2019
	Shs'000	Shs'000
Standard Chartered Bank-Custodian account-GenAfrica	6,224	1,854
Standard Chartered Bank-Custodian account-OMIG	3,884	954
Barclays Bank Current Account as per cashbook	7,899	113,375
Call & Fixed deposits	903,600	666,514
Treasury Bills	427,291	808,349
	<b>1,348,898</b>	<b>1,591,046</b>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 30 JUNE 2020

29 Deferred dues to members	30.06.2020	30.06.2019
	Shs'000	Shs'000
Retirement	225,610	223,851
Death Lump sum	112,205	129,523
Death Fund Credit	129,848	175,161
Deferred Withdrawals	92,165	84,970
Monthly Pension	-	2,960
	<b>559,828</b>	<b>616,465</b>

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

	< = 2 years	> 2 years	Total
Retirement	183,766	41,844	225,610
Death Lump sum	37,589	74,616	112,205
Death Fund Credit	90,968	38,880	129,848
Deferred Withdrawals	92,165		92,165
	<b>404,488</b>	<b>155,340</b>	<b>559,828</b>

**Deferred amounts more than two years**

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

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

30 Death in service benefits Fund	30.06.2020	30.06.2019
	Shs'000	Shs'000
Balance b/fwd.	41,690	2,408
Transfer for the year from reserve fund	58,310	97,592
Payments made during the year	(33,671)	(58,310)
Balance as at 30 June	<b>66,329</b>	<b>41,690</b>

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, ten (10) members passed on and an amount of Kshs. 58,310,000 was transferred from the reserve fund to top up the opening balance to Kshs. 100 million.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 30 JUNE 2020

31 Other payables	30.06.2020	30.06.2019
	Shs'000	Shs'000
Federated Superannuation System for Universities-capitation	-	1,511
Federated Superannuation System for University members	-	2,904
Rent Deposits-Unipen Apartments	3,510	3,415
Rent Deposits-Ambank House	13,431	13,431
Prepaid Rent(Unipen Apartments)	207	106
Prepaid Rent(Ambank House)	1,849	7,730
Provision on tax payable on income on unregistered contributions	6,067	8,211
	<b>25,064</b>	<b>37,308</b>

32 Accrued expenses	30.06.2020	30.06.2019
	Shs'000	Shs'000
Audit fees	2,320	1,160
Standard Chartered bank-Custodian fees	2,134	1,083
Old Mutual Fund Management Fees	5,789	1,147
Genesis Kenya Management fees	7,001	3,479
Stamp Duty	-	72
RBA Levy	5,000	5,000
Actuarial Fees	694	700
Other accrued expenses	6,793	18,770
Bad debts provision-Ambank House	9,814	9,814
	<b>39,545</b>	<b>41,225</b>

**33 UNIDENTIFIED BANKINGS-KSHs. 8,615,000.00**

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 can be 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		
				<b>TOTAL -</b>	<b>8,614,917.70</b>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
 FOR THE YEAR ENDED 30 JUNE 2020

**34 MANAGEMENT OF MEMBERS' FUNDS**

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

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

	30.06.2020	30.06.2019
	Shs'000	Shs'000
Members' Funds At 1st July	17,659,899	16,880,724
Increase in Net assets	1,101,687	779,175
Members' Funds As 30 June	<u>18,761,586</u>	<u>17,659,899</u>

**35 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 2020 or 30 June 2019

**36 Self investment**

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

**37 Progress on follow up of Auditor recommendations for 2018/2019 financial year**

The following is the summary of issues raised by the Office of the Auditor General, and Management comments that were provided to the auditor. The Board of Trustees in collaboration with the University of Nairobi Management (Sponsor) is working towards resolving the issues of non-remittance of pension contributions as shown below with the associated time frame within which we expect the issues to be resolved.

Ref.	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the	Status:	Timeframe:
	1. Non-Remittance of Pension Contributions	The Sponsor has come up with a remedial plan on how to clear the arrears and adopted by the Board and approved by RBA.	The Board of Trustees and Scheme Management	Resolved	Continuous