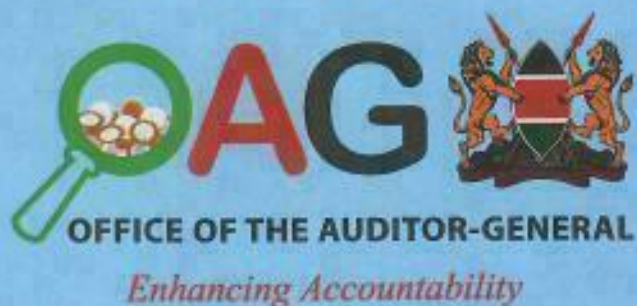


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NATIONAL DEFENCE
UNIVERSITY-KENYA**

**FOR THE EIGHTEEN (18) MONTHS
PERIOD ENDED 30 JUNE, 2023**



**NATIONAL DEFENCE UNIVERSITY-KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDING
30TH JUNE 2023**

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

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1. ACRONYMS, ABBREVIATIONS AND ACRONYMS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

AR&MS	Applied Research and Military Strategies
Comd	Commander
CSSS	Centre for Security and Strategic Studies
DCHS	Defence College of Health Sciences
DEFTEC	Defence Forces Technical College
DG	Director General
IPSAS	International Public Sector Accounting Standards
IPSTC	International Peace Support Training Centre
JCSC	Joint Command and Staff College
KA	Kenya Army
KAF	Kenya Air Force
KDF	Kenya Defence Forces
KCB	Kenya Commercial Bank
KMPDC	Kenya Medical Practitioners and Dentist Council
KN	Kenya Navy
MoD	Ministry of Defence
MoH	Ministry of Health
NDC	National Defence College
NDU-K	National Defence University-Kenya
NIRUC	National Intelligence and Research University College
NIS	National Intelligence Service
PFM	Public Finance Management
PS	Principal Secretary
SDHER	State Department for Higher Education and Research
VCDF	Vice Chief of the Defence Forces
DG NIS	Director General National Intelligence Service
Comd KA	Commander Kenya Army
Comd KAF	Commander Kenya Air Force
Comd KN	Commander Kenya Navy
Comdt	Commandant

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

The National Defence University Kenya (NDU-K) is the first institution established under Section 24 of the Universities Act, 2012 (Revised 2020) as a specialized degree-awarding research institution of national strategic importance and was chartered on 27th May, 2021. More specifically, the University is established as a center of excellence in training, education and research in national security and strategy.

The University comprises seven (7) colleges, six (6) of which are currently domiciled in the Ministry of Defence while one (1) constituent is affiliated to the National Intelligence Service (NIS). The colleges are:

- i) National Defence College (NDC) - Karen, Nairobi;
- ii) Joint Command and Staff College (JCSC) - Karen, Nairobi;
- iii) Kenya Military Academy (KMA) - Lanet, Nakuru.
- iv) Defence Forces Technical Education College (DEFTEC)- Embakasi, Nairobi;
- v) International Peace Support Training Centre (IPSTC) - Karen, Nairobi;
- vi) Defence College of Health Sciences (DCHS)-Mbagathi Road, Nairobi; and Constituent College;
- vii) National Intelligence and Research University College - Muthaiga, Nairobi.

(b) Principal Activities

The core business of the University as provided by the University Charter:

- (1) Advancing knowledge through training of students to transform themselves;
- (2) Promoting learning in the student body, train and retrain higher level professionals to build capacity for government;
- (3) Providing directly, or in collaboration with other institutions of higher learning, facilities for technological, professional, and scientific education;
- (4) Contributing to industrial and technological development of society in collaboration with industry and other organizations;
- (5) Equipping students with critical analytical skills for management and decision making at all levels;
- (6) Providing a multi-level system of education and training that is relevant to the needs of the community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between educational levels;

KEY UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

- (7)Facilitating student mobility between programmes of study at different training institutions;
- (8)Acting as a focal point and national think tank on national security matters by collaborating with like-minded institutions and agencies for national development;
- (9)Providing a forum for national strategic thinking and address the gap in training for formulation of national security policy and strategy;
- (10)Being a focal point for agencies on national strategic security research and development and dissemination for policy making;
- (11)Promoting the highest standards in, and quality of, teaching and research;
 - i) Conducting examinations for, and grant such, academic awards as may be provided for in the Statutes and
 - ii) To syndicate examinations for awards at other institutions as may be approved by the Senate;
- (12)Developing and offering courses of instruction to military personnel, public servants and students on security and related areas of study;
- (13)Developing the content of academic and research programmes;
- (14)Providing adequate equipment and facilities necessary for quality higher education, research, innovation and extracurricular activities; and
- (15)Providing appropriate policies, infrastructure, institutional framework and other resources necessary for promoting quality teaching, research, innovation, industry linkages and community outreach.

University's strategic anchoring is as follows:

(a) Vision

A centre of excellence in training, education and research in National Security and Strategy.

(b) Mission

To advance human intellectual capacity in management of national security through the pursuit of education, research, innovation, development and community outreach to produce graduates of honour and integrity, capable of securing the country and enhancing national performance.

KEY UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

(c) Philosophy

To contribute to training and education, research, leadership development and practice in national security and strategy for the transformation of Kenya.

(d) Guiding Principles

The University activities and decisions are underpinned by the following principles:

- i. Academic freedom
- ii. Diversity, flexibility and open inquiry
- iii. Honesty and excellence
- iv. Discipline and integrity
- v. Institutional and personal responsibility
- vi. Collaboration

(e) Key Management

The following organs are responsible for university governance and management:

- i. University Council;
- ii. University Management Board; and
- iii. The Senate.

(f) Fiduciary Management

The key governance and management personnel who held office during the accounting period ended 30th June 2023 and who had direct fiduciary responsibility are shown on pages 8 - 10.

(g) Fiduciary Oversight Arrangements

The University Council is responsible and accountable to the Government through the Ministry of Defence and the Ministry of Education for ensuring that the University complies with the Universities Act, 2012 (Revised 2020), the University Statutes (2022) and adheres to the highest standards of corporate governance as prescribed in the State Corporations Act, 2010 (Revised 2012) and the University Charter.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

The Council consists of thirteen members; the Chairperson and twelve other members holding strategic leadership positions in the National Security Organs including the Principal Secretary, Ministry of Defence; Principal Secretary, State Department for University Education and Research under the Ministry of Education; Principal Secretary to the National Treasury; academia and private sector whilst the Vice-Chancellor, is the Chief Executive Officer and Secretary to the Council.

- (h) Headquarters**
P O Box 3812-20100
Dundori Road,
Nakuru, Kenya
Tel: (254) 051-851141
E-mail: info@ndu.ac.ke
Website: <https://ndu-k.ac.ke>
- (i) Bankers**

 - i. KCB Bank Ltd**
Nakuru Branch,
P O Box 248-20115
Nakuru, Kenya
 - ii. Co-operative Bank of Kenya Ltd**
Nakuru Branch
P O Box 2982-20100
Nakuru, Kenya
- (j) Independent Auditors**
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P O Box 30084-00100
Nairobi, Kenya
- (k) Principal Legal Advisor**
The Attorney General
Sheria House Harambee
P O Box 40112-00100
Nairobi, Kenya

3. THE UNIVERSITY COUNCIL

The following are NDU-K Council members:

- | | |
|-------------------------------------|---|
| a. Gen F O Ogolla MGH EBS HSC | - Chairperson (May 2023- |
| b. Gen R K Kibochi PhD EGH CBS | - Chairperson (July 2022-April 2023) |
| c. Lt Gen J M Mwangi MGH CBS | - VCDF (May 2023- |
| d. Lt Gen F O Ogolla MGH EBS HSC | - VCDF (July 2022-April 2023) |
| e. Mr N Haji | - DG NIS (June 2023- |
| f. Maj Gen (Rtd) P W Kameru EGH CBS | - DG NIS (July 2022-June 2023) |
| g. Lt Gen P M Njiru MGH CBS | - Comd KA |
| h. Maj Gen J M Omenda EBS SS OGW | - Comd KAF |
| i. Maj Gen J L Mutai MGH MBS | - Comd KN |
| j. Dr Beatrice Muganda Inyangala | - PS SDHER (Sept 2022- |
| k. Amb. Simon Nabukwesi CBS | - PS SDHER (July 2022-Sept 2022) |
| l. Hon Patrick Mariru | - PS Defence (Sept 2022- |
| m. Dr Ibrahim M Mohamed CBS | - PS Defence (July 2022-Sept 2022) |
| n. Dr Chris K Kiptoo CBS | - PS National Treasury (Sept 2022- |
| o. Dr Julius Muia PhD CBS | - PS National Treasury (July 2022-Sep 2022) |
| p. Prof Isaac M Mbeche PhD | - Senior Academician |
| q. Mr Charles O Ogalo | - Private Sector |
| r. Dr Constansia Mumma-Martinon | - Diplomat |
| s. Maj Gen S M Farah | - VC/Secretary (May 2023- |
| t. Lt Gen J M Mwangi MGH CBS | - VC/Secretary (July 2022-April 2023) |

4. KEY MANAGEMENT TEAM

A. UNIVERSITY MANAGEMENT BOARD (UMB)

The NDU-K UMB members are:

a. Maj Gen S M Farah CBS	VC	- Chairperson (May 2023-
b. Lt Gen J M Mwangi MGH CBS	VC	- Chairperson (Jul 22- Apr 23)
c. Maj Gen R Elmi	Comdt NDC	- Member (Jun 22-
d. Lt Gen A K Kendagor	Comdt NDC	- Member (Jul 22-May 23)
e. Maj Gen E M Kinuthia	Comdt JCSC	- Member (Jul 22-Apr 23)
f. Maj Gen J M Nkoimo	Comdt JCSC	- Member (Apr 23)
g. Maj Gen E M Kinuthia	Comdt JCSC	- Member (Jun 23-
h. Maj Gen F G Ahmed	Comdt KMA	- Member (Jul 22-May 23)
i. Maj Gen J M Nkoimo	Comdt KMA	- Member (Jun 22-
j. Maj Gen W K Shume	DVC AR&MS	- Member (Jun 23-
k. Maj Gen R Elmi	DVC AR&MS	- Member (Jul 22-May 23)
l. Maj Gen (Rtd) P A Amogola	DVC F & A	- Secretary
m. Prof A W T Muigai PhD	DVC AA & R	- Member
n. Brig J Sitienei	Director IPSTC	- Member
o. Brig M D Ali	Principal DEFTEC	- Member
p. Brig D O Odeny	Head of Legal	- Member
q. Brig D O Muleyi	Director CSSS	- Member
r. Brig (Rtd) Ahmed Mohamed	Director CSSS	- Member (Jul 22- Mar 23)
s. Col H Kamocho	Principal DCHS	- Member
t. Dr S N Mailu	University Registrar	- Member
u. CPA M N Nginga	Director of Fin&Accts-	Member

B. UNIVERSITY SENATE

The NDU-K Senate members are:

a. Maj Gen S M Farah CBS	VC	- Chairperson (May 2023-
b. Lt Gen J M Mwangi MGH CBS	VC	- Chairperson (Jul 22- Apr 23)
c. Maj Gen R Elmi	Comdt NDC	- Member (Jun 22-
d. Lt Gen A K Kendagor	Comdt NDC	- Member (Jul 22-May 23)
e. Maj Gen E M Kinuthia	Comdt JCSC	- Member (Jul 22-Apr 23)
f. Maj Gen J M Nkoimo	Comdt JCSC	- Member (Apr 23)
g. Maj Gen E M Kinuthia	Comdt JCSC	- Member (Jun 23-
h. Maj Gen F G Ahmed	Comdt KMA	- Member (Jul 22-May 23)
i. Maj Gen J M Nkoimo	Comdt KMA	- Member (Jun 22-
j. Maj Gen W K Shume	DVC AR&MS	- Member (Jun 23-
k. Maj Gen R Elmi	DVC AR&MS	- Member (Jul 22-May 23)
l. Maj Gen (Rtd) P A Amogola	DVC F & A	- Member
m. Prof A W T Muigai PhD	DVC AA & R	- Secretary
n. Brig J Sitienei	Director IPSTC	- Member
o. Brig M D Ali	Principal DEFTEC	- Member
p. Brig D O Odeny	Head of Legal	- Member
q. Brig D O Muleyi	Director CSSS	- Member
r. Col H Kamotho	Principal DCHS	- Member
s. Dr S N Mailu	University Registrar	- Member

5. CHAIRPERSON'S STATEMENT

National Defence University-Kenya (NDU-K) was awarded a charter on 27 May 2021 and gazetted as an institution of national strategic importance vide Kenya Gazette Notice No 95 dated 4 June 2021, making the commencement of mandate implementation in Financial Year (FY) 2021/22. To this end, implementation of the Strategic Plan 2021 - 2026 is on course. Indeed, in the year ended 30th June 2023, the University accomplished several milestones hence enabling operationalization of governance, management, administrative and academic functions. With regard to physical infrastructure, the construction of an Administration Complex is projected for completion around September 2023.

Financial Performance

In FY 2021/22, NDU-K operated under the mentorship of the Ministry of Defence through which financial support was extended. However, the budget for FY 2022/23 of Ksh. 106,000,000 has been approved by the National Treasury and the University had established the structures need run its financial processes beginning 1st July, 2022. Therefore, it is expected that Government will continue to allocate resources for capacity building and development of physical infrastructure and ICT infrastructure.

Strategic Direction

The Strategic Plan 2021 -2026 will continue to be implemented guided by the following three (3) **Pillars** and the aligned **Strategic Objectives**:

Pillar 1: Education, Training, Research, Innovation and Development

Strategic Objective 1: To offer training and education programmes that are responsive to the changing security environment.

Strategic Objective 2: To undertake practical research that meets academic standards and relevant to national security needs.

Strategic Objective 3: To develop a robust quality assurance system that aligns with the laws, policies and regulations governing university education.

Strategic Objective 4: To develop human resource capacity for transformative management, delivery of academic programmes and effective research.

Pillar 2: Capacity Building

Strategic Objective 5: To develop a robust and resilient ICT infrastructure to support training, education, research, management and all operations of the University.

Strategic Objective 6: To develop contemporary infrastructure and facilities to support training and management.

Strategic Objective 7: To ensure financial sustainability through accountability in the management of financial resources in compliance with the laws and regulations governing public finance and expenditure.

Pillar 3: Collaborative Partnerships

Strategic Objective 8: To participate in community transformation and improve community wellbeing through promotion of cultural, environmental and socio-economic activities.

Strategic Objective 9: To build an institutional culture that promotes performance, diversity, discipline, integrity and patriotism.

Strategic Objective 10: To create a robust strategic communication strategy to project NDU-K corporate image.

Future Outlook

As NDU-K continues to implement its Strategic Plan 2021-2026, with its focus directed towards resource mobilization in order to create additional revenue. A University funding model will be developed to steer the University in the years ahead.



General F O Ogolla
Chairperson, National Defence University-Kenya Council

6. REPORT OF THE VICE CHANCELLOR

In the period ending 30th June 2023, the University remained focused on the attainment of its vision and mission as a centre of excellence in training, education and research in national security and strategy. Accordingly, human, financial and material resources were directed towards establishing a robust foundation to facilitate quality academic programmes, service delivery, and research outputs through enhanced stakeholder collaboration.

Education, Training and Research

The University has six (6) Ministry of Defence affiliated colleges and one (1) constituent college under the National Intelligence Service. In this context, twenty-four (24) programmes have been accredited by the Commission of University Education whilst a number of new programmes have been submitted for validation and accreditation. Furthermore, the University is keen on growing the number of colleges and programmes in response to changes in fields of Defence and security as well as contribution towards national development.

Other Activities

The construction of an Administration Complex for the University Seat and acquisition of an Enterprise Resource Planning (ERP) is underway and projected to be functional by the turn of the first quarter of FY 2023/24. Moreover, the recruitment of senior civilian management staff and full-time lecturers has been completed whilst that of support staff is on course. Student admission commenced in March 2022 and programmes successfully launched. The University's first graduation shall be on 24th November, 2023.

Financial Performance

We are thankful for the financial support provided by Ministry of Defence which enabled achievement of the set goals in the period ending 30th June, 2022. A lean budget allocation for FY 2022/23 was optimized to enable seamless operations and service delivery to NDU-K stakeholders in the financial year.



Major General S M Farah
Vice-Chancellor

7. STATEMENT OF THE UNIVERSITY'S PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES FOR FY 2022/2023

The 2021-2026 Strategic Plan has been launched. This plan will be achieved through the following 3 main pillars (10 strategic objectives) which shall inform resource allocation priorities during the 5-year implementation period;

Pillar 1: Education, Research, Innovation and Development

Strategic Objective 1: To offer training and education programmes that are responsive to the changing security sector

Strategic Objective 2: To undertake practical research that meets academic standards and the evolving security environment

Strategic Objective 3: To develop a robust quality assurance system that aligns with the laws, policies and regulations governing university education

Strategic Objective 4: To develop human resource capacity for transformative management, delivery of academic programmes and effective research

Pillar 2: Capacity Building

Strategic Objective 5: To develop a robust and resilient ICT infrastructure to support training, education, research and all the operations of the University

Strategic Objective 6: To develop contemporary infrastructure and facilities to support training, management and all the operations of the University

Strategic Objective 7: To ensure financial sustainability through accountability in the management of financial resources in compliance with the laws and regulations governing public expenditure

Pillar 3: Collaborative Partnerships

Strategic Objective 8: To ensure community transformation and improve community wellbeing through promotion of cultural activities

Strategic Objective 9: To build an institutional culture that promotes performance, diversity, discipline, integrity and patriotism

Strategic Objective 10: To create a robust strategic communication strategy to project NDU-K corporate image

The University developed its annual work plans based on the above 10 Strategic objectives. The assessment of the Board's performance against its annual work plan will be done on a quarterly basis.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
To offer training and education programmes that are responsive to the changing security sector.	Run academic programmes at all University Colleges and constituent Colleges	Number of Academic programmes	Teach and examine	24 Academic programmes
To undertake practical research that meets academic standards and the evolving security environment	Conduct research	Number of research publications	Research publications	1. Conducted a grant writing workshop 2. One research publication
To develop human resource capacity for transformative management, delivery of academic programmes and effective research	Hire academic staff	No. of academic staff	Hire academic staff	9 Academic staff hired in the year

8. CORPORATE GOVERNANCE STATEMENT

The University Council is responsible and accountable to the Government of Kenya through the Ministry of Defence and the Ministry of Education for ensuring that the University complies with the Universities Act, 2012, National Defence University Kenya Statutes (2023) and adheres to the highest standards of corporate governance as prescribed in the State Corporations Act and the University Council Charter.

Roles and Functions of the Council

The functions of the Council are:

- a) Making and approving statutes in accordance with the Act;
- b) Determining, recruiting, appointing and promoting employees of the University who are not members of the National Security Organs;
- c) Approving terms and conditions of service for employees of the University who are not members of the National Security Organs;
- d) Requesting and accepting the secondment and transfer of service of public officers from relevant public agencies with the concurrence of the relevant appointing authority;
- e) Approving the reports from senate;
- f) Recommending the annual budget of the University to the Ministry responsible for Defence and the National Treasury;
- g) Enter into association, collaboration or linkages with other bodies or organizations within or outside Kenya as the University may consider desirable or appropriate and in furtherance of the purpose for which the University is established;
- h) Open a banking account or accounts for the funds of the University;
- i) Receiving on behalf of the University, donations, endowments, gifts, grants or other moneys and make legitimate disbursements wherefrom;
- j) Approving, monitoring, and evaluating the implementation of strategies, policies and the management criteria and plans of the University;
- k) Ensuring that the University complies with the Constitution, other relevant laws, regulations, governance practices, accounting and auditing standards;
- l) Recommend to the Ministry responsible for Defence, the purchase, lease or hire or acquisition and holding of any land, buildings, easements or inheritances of any tenure and any other freehold or lease hold property, and construction or provision of any buildings, works, stores,

plant and equipment which may from time to time be deemed requisite for any of the purposes of the University.

- m) Performing such other duties as may be contained in the statutes and may have such other powers as contained in the Act.

Committees of the Council

The Committees of the Council have delegated authority to assist the Council effectively carry out its obligations. The University Council and its Committees are supported by the University Management Board and the Senate.

The Council has three committees namely:

- i) Finance, Planning and General-Purpose Committee
- ii) Audit, Risk and Compliance Committee
- iii) Human Resource Committee

The Terms of Reference for the Committees of Council are:

Finance, Planning and General-Purpose Committee

The Committee recommends to the Council for its approval the annual report and financial statements, annual estimates and expenditure, recommend policies on financial management. The Committee oversees planning and mobilization of financial resources for the development of the University, advocates on behalf of the University and ensures the marketing of the University locally and internationally, provides advice and assistance to the management with respect to corporate sponsorship and private funds raising and refers matters of major importance to Council for further direction.

The Committee advises on the development and implementation of academic and research programmes and policies; makes recommendations for the sourcing, administration and distribution of scholarships; oversees a reward scheme for excellence in teaching, research and extension; receives regular reports from and advises management on policy development and procedures relating to academic programmes and research; and considers and reports any matter referred to it by the University Management Board and Senate.

a) Audit, Risk and Compliance Committee

The Committee ensures compliance to internal control processes, accurate preparation of financial results reporting, operations and statements in compliance with legal and statutory requirements and standards, ensures the University complies with internal and external audit requirements, develops risk management strategies, monitors institutional governance, and monitors compliance with performance contract targets, and quality assurance.

b) Human Resource Committee

The Committee oversees formulation and subsequent monitoring as well as review of policies and strategies on employment of university staff, including policies on recruitment and selection, staff development and training performance management and salaries and other terms of service. The Committee reviews and monitors the implementation and effectiveness of the University's employment policies through regular reports provided by the University Management Board; reviews and recommends to Council the terms and conditions of service for university staff, remuneration, salaries, allowances and other staff payments as well as hears and deals with appeals from disciplinary or grievances processes handled by the University Management Board.

Council and Council Committee Meetings Attendance Financial Year 2021/2022 to Financial Year 2022/2023

Attendance -1stJuly 2021 to 30th June 2023

COUNCIL				
S/NO	COUNCIL MEMBER	RCM 1	RCM 2	RCM 3
		DATE	DATE	DATE
		21/01/2022	30/07/2022	2/3/2023
1	Gen R K Kibochi	x	x	x
2	Gen F O Ogolla	x	x	0
3	Lt Gen W R Koipaton	x	0	0
4	Maj Gen J M Omenda	x	x	x
5	Maj Gen J L Mutai	x	x	0
6	Amb Simon Nabukwesi	x	x	0
8	Dr Ibrahim M Mohamed	x	x	0
9	Mr Charles Ogalo	x	x	x
10	Dr Constansia Mumma Martinon	x	x	x
11	Lt Gen J M Mwangi	x	x	x
12	Maj Gen(RTD) P W Kameru	0	x	x
13	Festus Kingori	0	x	x
14	Dr B M Inyangala	0	0	x
15	Lt Gen P M Njiru	0	0	x
16	Prof Isaac Mbeche	x	x	x
17	Dr J Muia	0	0	0
18	Hon P Mariru	0	0	X

FINANCE, PLANNING AND GENERAL-PURPOSE COMMITTEE						
S/NO	COUNCIL MEMBER	MEETING 1	MEETING 2	MEETING 3	MEETING 4	
		DATE	DATE	DATE	DATE	
		24/06/22	14/07/22	12/6/2022	1/12/2023	12.4.23
1	Charles Ogalo	X	X	X	X	0
2	Lt Gen J M Mwangi	X	X	X	X	X

3	Mr Kingori	X	X	X	X	X
4	Maj Gen(Rtd)P N Kameru	X	0	X	0	x
5	Lt Gen W R Koipaton	0	0	0	0	0
6	Lt Gen P M Njiru	0	0	X	0	X

HUMAN RESOURCE COMMITTEE				
S/NO	COUNCIL MEMBER	MEETING 1	MEETING 2	MEETING 3
		DATE	DATE	DATE
		15/02/2022	14/07/2022	29/11/2022
1	Dr C Mumma Martinon	x	x	x
2	Lt Gen J M Mwangi	x	x	x
3	Maj Gen J M Omenda	x	x	0
4	Mr C Ogalo	x	x	x
5	Amb Nabukwesi	0	0	0
AUDIT, RISK AND COMPLIANCE COMMITTEE				
S/NO	COUNCIL MEMBER	MEETING 1		
		DATE		
		18/07/22		
1	Prof Isaac Mbeche	X		
2	Lt Gen J M Mwangi	X		
3	Amb. Nabukwesi	X		
4	Dr Ibrahim M Mohamed	X		
5	Maj Gen J M Omenda	X		
6	Hon P Mariru	0		
7	Dr B M Inyangala	0		

Appointment, Removal from Office and Succession Plan

The appointment of Council members is prescribed in the NDU-K Charter Part III para 15 and 16 (Legal Notice No. 95 dated 4th June 2021).

Council Remuneration

Council members are remunerated as per guidelines set out in State Corporations Advisory Committee circulars and the National Treasury directives as well as guidance of the Salaries and Remuneration Commission (SRC) in respect to sitting allowances, mileage and accommodation costs.

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A OPERATIONAL AND FINANCIAL PERFORMANCE

That the University has prepared the financial year's Annual Report and Financial Statements for the period ended 30th June 2023 in conformity with Article 83 of the Public Finance Management Act (PMFA) No 18 of 2012. The report ending 30th June 2023 highlights are:

i. Revenue

The revenues of the University have been as shown in table 1 below over the last six quarters. The MOD Grant KDF salary has been received in kind. Student Debtors worth Ksh198, 588,450 has been recommended by management and council for write-off hence 100% provision for bad debts of an equal amount has been made.

Table 1: Revenues

Type of Income	FY21/22 Quarter 3	FY21/22 Quarter 4	FY22/23 Quarter 1	FY22/23 Quarter 2	FY22/23 Quarter 3	FY22/23 Quarter 4	Cumulative todate
GoK Recurrent Capitation Grant	-	-	26,500,000	26,500,000	26,500,000	26,500,000	106,000,000
Partner Recurrent Grants -MOD Grants-Salaries	-	-	52,812,357	52,812,357	52,812,357	50,274,157	208,711,228
Partner Recurrent Grants -MOD Grants-Mess Annexes	-	-	52,812,357	52,812,357	52,812,357	50,274,157	16,270,800
Partner Recurrent Grants -MOD Grants-Others	-	1,543,210	5,322,546	11,647,991	587,735	-	19,101,482
Tuition and Related Fees	-	-	53,375,430	58,477,694	86,690,046	6,716,650	205,259,820
Other Services Rendered-CSSS	-	-	3,395,669	3,522,617	-	-	6,918,286
Total	-	1,543,210	194,218,359	205,773,016	219,402,495	133,764,964	562,261,616

i. Expenses

The expenses of the University over the quarters have been constrained to the available cash as much of the actual income collected. 100% provision for bad debts of Ksh. 198,588,450 has been made on debtors recommended for write-off in quarter 4. The following table 2 indicate the expenditure trends over the period:

Table 2: Expense

Type of Expenditure	FY21/22 Quarter 3	FY21/22 Quarter 4	FY22/23 Quarter 1	FY22/23 Quarter 2	FY22/23 Quarter 3	FY22/23 Quarter 4	Cumulative todate
Staff Costs	-	1,539,111	5,322,546	11,647,991	172,629,455	67,035,525	258,174,628
Other Costs	-	4,100	6,932,381	25,369,194	22,905,470	245,344,923	300,556,068
Total	-	1,543,211	12,254,927	37,017,185	195,534,925	312,380,448	558,730,696

Assets

The MoD assets allocated to the Seat are valued at **Kshs 108 Million**. These assets have not been vested to the University hence they are not recorded in University books but a stock count of the same has been done as at 30th June 2023. The NDU-K Administration Complex construction is ongoing and hence its net book value is not yet realized. The University has recorded and depreciated **Kshs 3 Million** assets in its books as at the end of the period. Table 3 below is the analysis of the current assets as at the end of the period.

Table 3: Current Assets

Type of Expenditure	FY21/22 Quarter 3	FY21/22 Quarter 4	FY22/23 Quarter 1	FY22/23 Quarter 2	FY22/23 Quarter 3	FY22/23 Quarter 4
Cash at Bank	-	17,558,272	71,905,662	42,316,417	62,191,601	22,783,893
Student Debtors	-	-	53,775,830	62,075,504	79,977,921	6,642,450
Imprests	-	-	940,600	256,417	616,216	56,000
Total	-	17,558,272	126,622,092	104,648,338	142,785,738	29,482,343

ii. Current Liabilities

The current liabilities have been contained to the level of operations matched with the collections. The following table 4 indicate the trends over the period:

Table 4: Current Liabilities

Type of Expenditure	FY21/22 Quarter 3	FY21/22 Quarter 4	FY22/23 Quarter 1	FY22/23 Quarter 2	FY22/23 Quarter 3	FY22/23 Quarter 4
Trade Payables	-	-	4,651,390	2,173,520	26,134,947	11,868,820
Accrual Provisions	-	-	4,533,391	5,163,027	3,073,260	12,769,677
Deferred Income	-	17,558,272	12,235,726	587,735	-	3,729,810
Total	-	17,558,272	21,420,507	7,924,282	29,208,207	28,368,307

SECTION B

COMPLIANCE WITH STATUTORY REQUIREMENTS

The University endeavoured to comply with all statutory requirements during the period under review.

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS

The University is constructing an ultra-modern administration complex to house the Seat at an estimated cost of Kshs. 1.6 Billion and is working on an ERP system which is fully funded by the Government, through MOD.

SECTION D

MAJOR RISKS FACING THE ENTITY

The University is in the process of preparing its risk management framework.

SECTION E

MATERIAL ARREARS IN STATUTORY /FINANCIAL OBLIGATIONS

The University has no pending bills.

SECTION F

THE UNIVERSITY'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The University has no major financial improbity as reported by internal/audit committee/external auditors or other National Government Agencies providing oversight; nevertheless, none of the board members has serious governance issues including conflict of interest.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

National Defence University-Kenya exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the University's policies and activities that promote sustainability.

a. Sustainability Strategy and Profile

The University management is focussed in automation in order to manage its wage bill for sustainability.

b. Environmental Performance

The University has participated in greening agenda. The University has managed to plant 1000 trees in collaboration with Equity and KCB banks. The University supported Egerton University in the Run for Mau Marathon in the period.

c. Employee welfare

The University has elaborate human resource instruments that guide the hiring process and takes into account gender ratio. The instruments are under review after one year of implementation. The University is in the process of making a policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

d. Market place practices

The University has made efforts to:

i.Responsible completion practice

Ensure responsible competition practices with issues of anti-corruption, responsible political involvement, fair competition and respect for competitors.

ii.Responsible Supply chain and supplier relations

Maintain good business practices; treat own suppliers responsibly by honouring contracts and respecting payment practices.

iii.Responsible marketing and advertisement

Maintain ethical marketing practices.

iv.Product stewardship

Safeguard consumer rights and interests.

e. Corporate Social Responsibility / Community Engagements

Engage communities in Ngorika Forest's greening.

11. REPORT OF THE COUNCIL

The Council submits their report together with the financial statements for the year ended June 30th, 2023 which show the state of the University's affairs.

Principal Activities

The principal activities of the University are shown on pages v-vi.

Results

The results of the University financial position for the 18 months ending June 30th, 2023 are set out on pages 1-29.

Council

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

Auditors

The Auditor General is responsible for statutory audit of the University in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act, 2015.

By order of the Council



Major General S M Farah
Vice-Chancellor/Secretary to the Council

12. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 47 of the Universities Act, 2012 require the Council to prepare financial statements in respect of the University, giving a true and fair view of the state of affairs of the University's financial position at the end of the financial year/period and the operating results for that year/period. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the University's financial position. The Council is also responsible for safeguarding the assets of the University.


The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs at the end of the 18 months ending June 30th, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management (PFM) Act, 2012. In this context, Council is of the opinion that the University's financial statement gives a true and fair view of the state of University's transactions during the 18 months ending June 30th, 2023, and the financial position as at that date. The Council further confirms completeness of the accounting records maintained by the University, which are the basis of financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The University's financial statements were approved by the Council on September 2023 and signed on its behalf by:

Signature.....
Name: **General F O Ogolla**
Chairperson of the Council

Signature.....
Name: **Major General S M Farah**
Accounting Officer

**13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL
STATEMENTS OF NATIONAL DEFENCE UNIVERSITY-KENYA**

REPUBLIC OF KENYA

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Enhancing Accountability

HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL DEFENCE UNIVERSITY-KENYA FOR THE EIGHTEEN (18) MONTHS PERIOD ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2023, and the statement of

financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the eighteen (18) months then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Defence University-Kenya as at 30 June, 2023, and of its financial performance and its cash flows for the eighteen (18) months then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Public Finance Management Act, 2012 and comply with the Universities Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Defence University-Kenya 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 opinion.

Key Audit Matters

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

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

Use of Unapproved Human Resource Policy Instruments

Review of the University's human resource records revealed that the University was using draft human resource policy instruments which were yet to be approved by the State Corporations Advisory Committee (SCAC). This was in contravention of

OP/SCAC.9/21/1/1 of 11 March, 2020 which provided that Board of Directors of state corporations had to implement approved Human Resource Policy Instruments at all times.

In the circumstances, Management was in breach of the State Corporations Advisory Committee guidelines.

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 governance were not effective.

Basis for Conclusion

1. Lack of a Management Information System

Review of operations in the finance Department revealed that, there is no financial information management system in place. Currently the University is using Microsoft Excel to maintain the organization records. Further, despite the growth in students' and financial data, the University uses a manual system to manage its financial, procurement, human resource and students' records.

In the circumstances, the effectiveness of adequate risk management mechanisms could not be confirmed.

2. Staff Under-Establishment

Review of the Organizational Structure, Staff Grading & Establishment revealed that the optimal staffing level for the University is 200 substantive positions. However, examination of available human resource records shows the staffing as at 30 June, 2023 was 121 members hence leading to a deficit of 79 staff members. This has a negative effective on operations of some of the departments such as finance and human resource where internal controls such as segregation of duties may not be practiced to achieve the optimal results. Further, review of operations in the finance and human resource departments revealed that, most of the duties were performed by the Heads of the Departments. As a result, there was lack of internal checks and review mechanisms that

would ensure errors of omissions or commission in the financial and human resource records are minimized.

In the circumstances, the optimal achievement of the University's goals and objectives may be compromised while the effectiveness of the internal controls could not be confirmed.

3. Lack of Internal Audit Function

Review of documents revealed that the University has not filled the internal audit position and therefore it is not possible to establish how the Management ensures the internal controls are evaluated. Lack of a functional internal audit contravenes Regulation 160 (1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the effectiveness of internal control mechanisms could not be confirmed.

4. Failure to Meet Council Meetings Thresholds

Examination of the Council documents provided for audit revealed that the Council held only two (2) full Council meetings during the year. Further, the Committees established by the Council were; Finance, Planning and General-Purpose Committee, Audit Risk and Compliance Committee and Human Resource Committee. However, examination of the Council documents shows that, the Audit Risk and Compliance Committee met only once on 21 December, 2022 and the Human Resource Committee met twice (2) on 29 November, 2022 and 14 July, 2022 during the financial year under review. This was contrary to the requirements of Circular Ref. No. OP/CAB.9/1A of 11 March, 2020, which requires that the Board and its Committees should hold meetings for a minimum of four (4) and maximum of six (6) times in a financial year.

In the circumstances, the Council may therefore have been unable to optimally perform its governance and oversight roles.

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 processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the University Council

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

In preparing the financial statements, Management is responsible for assessing the University'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 an intention to terminate the University 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 complies 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 University's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to 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 University 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 University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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




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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE 18 MONTHS ENDING 30TH JUNE 2023

Particulars	Notes	Cumulative 2022-2023 Kshs	Cumulative 2022-2023 Kshs
Revenue from Non-Exchange Transactions			
GoK Recurrent Capitation Grant	6	106,000,000	-
Partner Recurrent Grants-MOD Grants	7	244,083,509	-
Total Revenue from Non-Exchange Transactions		350,083,509	-
Revenue from Exchange Transactions			
Revenue-Tuition and Related Fees	8	205,259,820	-
Revenue-Other Services Rendered -CSSS	9	6,918,286	-
Total Revenue from Exchange Transactions		212,178,106	-
Total Revenue		562,261,615	-
Expenditure			
Staff Costs	10	258,174,628	-
Council Expenses	11	1,602,241	-
Administrative and Central Services	12	59,239,596	-
Repairs and Maintenance Expenses	13	14,651,413	-
Academic Department Expenses	14	6,790,288	-
Expenses - CSSS Inputs	15	3,827,508	-
Revenue Refund to TNT	16	14,892,516	-
Depreciation Expenses	19	964,056	-
		360,142,246	-
Other Gains/(Losses)			
Gain(Loss) on CSSS Operations			
(Decrease)/Increase in Provision for Bad Debts	18b	198,588,450	-
		198,588,450	-
Surplus for the Period		3,530,919	-
Attributed to:			
Owners of the controlling entity	21	3,530,919	-
The notes set out on pages 6-29 from an integral part of these financial statements. The financial statements set out on pages 1-5 were signed on behalf of the Council by:			
 Maj Gen S M Farah Vice-Chancellor	 CPA Miriam N. Nginga Director Finance & Accounts ICPAK Member No. 7505	 Gen F O Ogolla Chairperson of the Council	
Date: 25/09/2023	Date: 25.09.2023	Date: 25.9.23	

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

Particulars	Notes	Cumulative 2022-2023 Kshs	Cumulative 2021-2022 Kshs
ASSETS			
Current Assets:			
Cash in Bank and in Hand	17	22,783,893	-
Receivables from Exchange Transactions	18 b	6,698,450	-
		29,482,343	-
Non-Current Assets			
Property, Plant & Equipment	19	2,416,884	-
		2,416,884	-
Total Assets		31,899,227	-
LIABILITIES			
Current Liabilities			
Trade and Other Payables	20a	11,868,820	-
Provisions and Accruals	20b	12,769,677	-
Deferred Income	20c	3,729,810	-
		28,368,307	-
Non-Current Liabilities			
Bank Loans		-	-
Total Liabilities		28,368,307	-
Net Assets		3,530,920	-
General Fund		-	-
Accumulated Surplus	21	3,530,919	-
Total Capital and Liabilities		3,530,919	-

The notes set out on pages 6-29 form an integral part of these financial statements. The financial statements set out on pages 1-5 were signed on behalf of the Council by:


Maj Gen S M Farah
Vice-Chancellor


CPA Miriam N Nginga
Director Finance & Accounts
ICPAK Member No.7505


Gen F O Ogolla
Chairperson of the Council

Date: 25/09/2023

Date: 25.09.2023

Date: 25.9.25

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE 18 MONTHS ENDING 30TH JUNE 2023

Particulars	Capital Reserves	Revenue Reserves	Cumulative 2023-2024 Total Kshs
At July 1, 2021	-	-	-
Capital Grants	-	-	-
Surplus from Operations	-	-	-
At June 30, 2022	-	-	-
At July 1, 2022			
Capital Grants	-	-	-
Surplus from Operations	-	3,530,919	3,530,919
At June 30, 2023		3,530,919	3,530,919

17. STATEMENT OF CASH FLOWS FOR THE 18 MONTHS ENDING 30TH JUNE 2023

Particulars	Notes	Cumulative 2022-2023 Kshs	Cumulative 2021-2022 Kshs
Operating Activities			
Surplus for the year		3,530,919	-
Adjustments for			
Provision for Depreciation	19	964,056	-
Provision for Bad Debts	18 b	198,588,450	-
Movement in Provisions for Accrued Expenses for the Year	20b	12,769,677	-
Movement in Deferred Income for the Year	20c	3,729,810	-
		219,582,913	-
Changes in Working Capital			
(Increase) Decrease in Receivables	18 a	(205,286,900)	-
Increase (Decrease) in Payables	20a	11,868,820	-
		(193,418,080)	-
Cash Generated from Operations		26,164,833	-
Investing Activities			
Purchase of Property, Plant and Equipment	19	(3,380,940)	-
Net Cash from Investing Activities		(3,380,940)	-
Financing Activities			
GoK Capital Grants		-	-
Net Cash from Financing Activities		-	-
Net Increase (Decrease) in Cash and Cash Equivalents		22,783,893	-
Cash and Cash Equivalents at the start of the period		-	-
Cash and Cash Equivalents at the close of the period	17	22,783,893	-

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE 18 MONTHS ENDING 30TH JUNE

2023

Particulars	Notes	Original Budget 2022/2023 Kshs	Adjustment 2022/2023 Kshs	Final Budget 2022-2023 Kshs	Actual on Comparable Basis 2022/2023 Kshs	Performance Difference 2022/2023 Kshs	% of Utilization
Revenue from Non-Exchange Transactions							
GoK Recurrent Capitation Grant	6	106,000,000	-	106,000,000	106,000,000	-	100 %
Total Revenue from Non-exchange Transaction		106,000,000	-	106,000,000	106,000,000	-	
Revenue from Exchange Transactions							
Revenue-Tuition and Related Fees		194,999,480	(194,999,480)	-	-	-	-
MOD Grant – KDF Salaries	7	-	208,711,228	208,711,228	208,711,228	-	100 %
MOD Grant – NDU-K Salaries	7	-	19,101,482	19,101,482	19,101,482	-	100 %
MOD Grant – KDF Mess Annexes	7	-	17,230,800	17,230,800	16,270,800	960,000	94 %
Total Revenue from Exchange Transactions		194,999,480	59,044,030	244,043,510	244,043,510	960,000	
Total Revenue		300,999,480	59,044,030	351,043,510	350,083,510	960,000	94 %
Expenditure							
Staff Costs	10	146,564,717	127,982,548	274,507,265	258,174,638	16,332,637	94 %
Council Expenses	11	5,000,000	(3,277,760)	1,722,240	1,602,241	119,999	93 %
Administrative and Central Expenses	12	112,046,893	(64,665,217)	47,381,676	59,239,596	(11,857,920)	125 %
Repairs and maintenance Expenses	13	20,387,870	(3,938,825)	16,449,045	14,651,413	1,797,632	50 %
Academic Expenses	14	17,000,000	(10,216,715)	6,783,285	6,790,288	(7,003)	89 %
Depreciation expenses		-	300,000	300,000	-	-	-
CSSS Expenses	15	-	3,900,000	3,900,000	3,827,508	72,492	98 %
Total Expenditure		300,999,480	50,044,031	351,043,511	344,285,634	6,457,837	98 %
Surplus (Deficit) from Recurrent Budget		-	(1)	(1)	5,797,836	(5,797,836)	-
Bank loan		-	-	-	-	-	-
GoK Development Grant		-	-	-	-	-	-
Capital Expenditure		-	-	-	-	-	-
Surplus (Deficit) for the Period		-	(1)	(1)	5,797,836	(5,797,836)	-

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Defence University-Kenya is established by and derives its authority and accountability from Section 24 of the Universities Act No 42 of 2012 (Revised 2020) and was chartered on 27th May 2021. The University is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with accrual basis of International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted will be consistently applied to all the consequent years.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. New and amended standards and interpretations in issue effective in the 18 months ending 30 June 2023.

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

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The University did not early-adopt any new or amended standards in the 18 months ending 30th June 2023 as they were not relevant to the institution.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

i) Revenue from Non-Exchange Transactions

To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue. Other non-exchange revenues will be recognised when it will be probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of an asset can be measured reliably.

Transfers from other Government Entities

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

ii) Revenue from Exchange Transactions

Where the contract outcome cannot be measured reliably, revenue to the University will recognise the income only to the extent that the expenses incurred are recoverable.

Sale of Goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue accruing can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the University.

Rendering of Services and Fees

The University recognises revenues from fees when the event occurs and the asset recognition criteria are met.

The University recognises revenue arising from services rendered by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Budget Information

The University's original budget was approved by the National Treasury on 7th June 2023. Any other expenditure in kind in books has been noted and approved by the University Council despite not having an impact to the originally approved budget.

The Entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

(c) Taxes

The University is not rendering any taxable services. However, the University is an appointed withholding tax agent.

(d) Property, Plants and Equipment

All property, plants and equipment will be stated at cost less accumulated depreciation and impairment losses. Cost will include expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plants and equipment are required to be replaced at intervals, the University will recognise such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost will be recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Land is not depreciated as it is deemed to have an infinite life. Depreciation on other property is charged so as to write off the assets during their estimated useful life, using the straight-line method. Assets acquired during the year attract full depreciation charge.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual rates used are:

Buildings	-	2.5%
Machinery & equipment	-	20%
Furniture & fittings	-	12.5%
Equipment/plant/tractors	-	10%
Motor vehicles	-	25%
Library books	-	20%
Computers and appliances	-	33.3%

(e) Intangible Assets

Intangible assets will be acquired separately and initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following the initial recognition, intangible assets will be carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, will not be capitalized and expenditure on them will be reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of intangible assets will be assessed as either finite or indefinite.

(f) Research and Development Costs

Development costs on an individual project will be recognised as intangible assets when the University can demonstrate:

- (1) The technical feasibility of completing the asset so that the asset will be available for use or sale;
- (2) Its intention to complete and its ability to use or sell the asset;
- (3) How the asset will generate future economic benefits or service potential;
- (4) The availability of resources to complete the asset; and
- (5) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset will be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use and amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognised immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments

a) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement will be classified as financial assets at fair value through surplus or deficit,

loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The University will determine the classification of its financial assets at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets will be subsequently measured at amortized cost using the effective interest method, less impairment.

Amortized cost will be calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment will be recognised in the surplus or deficit.

Held-to-Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities will be classified as held to maturity when the University has the positive intention and ability to hold assets to maturity. After initial measurement, held-to-maturity investments will be measured at amortized cost using the effective interest method, less impairment. Amortized cost will be calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment will be recognised in surplus or deficit.

Impairment of Financial Assets

The University will assess, at each reporting date, whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the University of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- (1) The debtor or debtors are experiencing significant financial difficulty;
- (2) Default or delinquency in interest or principal payments;

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (3) The probability that debtors will enter bankruptcy or other financial re-organisation; and
- (4) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with default).

b) Financial Liabilities

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

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

(h) Inventories

Inventory will be measured at cost upon initial recognition. To the extent that the inventory will be received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions will be accounted for, as follows:

- (1) Raw materials: purchase cost using the weighted average cost method; and
- (2) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory will be measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory will be measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories will be recognised as an expense when deployed for utilisation or consumption in the ordinary course of operations of the University.

(i) Provisions

Provisions are recognised when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when there is reimbursement

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

(j) Contingent Liabilities

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

(k) Contingent Assets

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

(l) Nature and Purpose of Reserves

The University will have a capital reserve which will represent Government interest in the net assets/equity of the University and is a combination of contributed capital by Government and the aggregate of the University's accumulated surpluses or deficits and reserves that reflect the net assets/equity attributable to the University's operations.

(m) Changes in Accounting Policies and Estimates

The University recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy will be applied prospectively if retrospective application is impractical. The University had no such changes in accounting policies and estimates in the year.

(n) Foreign Currency Transactions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employment benefits

Retirement benefit plans

The University provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

(p) Related Parties

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management staff are regarded as related parties and comprise the Council members and Senior Managers.

(q) Service Concession Arrangements

The University analysis is all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement.

Any assets so recognised will be measured at their fair value. To the extent that an asset has been recognised, the University will also recognise a corresponding liability, adjusted by a cash consideration paid or received.

(r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(s) Comparative Figures

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

(t) Subsequent Events

There have been no events subsequent to the financial year with a significant impact on the financial statements for the period with a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and Assumptions

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

Useful Lives and Residual Values

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

- (a) The condition of the asset based on the assessment of experts employed by the University;
- (b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- (c) The nature of the processes in which the asset is deployed;
- (d) Availability of funding to replace the asset; and
- (e) Changes in the market in relation to the asset.

Provisions

Provisions will be raised and management will determine an estimate based on the information available. Additional disclosure of these estimates of provisions will be included. Provisions will be measured at the Management's best estimate of the expenditure required to settle the obligation at the reporting date, and will be discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 : - Income - GoK Recurrent Capitation Grants		
	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Particulars		
<u>GoK Capitation Grants</u>		
September	26,500,000	-
December	26,500,000	-
March	26,500,000	-
June	26,500,000	-
Total GoK Recurrent Grants	106,000,000	-
7 : - Other Non-Exchange Income		
	Cumulative 2022-2023 Kshs.	Cumulative 2020-2022 Kshs.
Particulars		
Partner Recurrent Grants -MOD Grants-Others	19,101,481	-
Partner Recurrent Grants -MOD Grants-Salaries	208,711,228	-
Partner Recurrent Grants -MOD Grants-Mess Annex Rent	16,270,800	-
	244,083,509	-

The MOD Grants for salaries and Mess Annexes rent are received by the University in kind.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 : - Revenue-Tuition and Related Fees		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Application Fees	1,498,000	-
Tuition Fees	142,642,080	-
Registration Fees	2,772,000	-
Orientation Fees	654,000	-
ICT Charges	6,734,000	-
Library Fees	4,810,000	-
Student I/D	1,962,000	-
Activity Fees	962,000	-
Examination Fees	4,329,000	-
Material Development	15,735,000	-
Online Subscription Fees	10,456,940	-
Thesis Examination	2,400,000	-
Research Project Examination	2,280,000	-
Project Processing	454,000	-
Convocation Fees	640,000	-
Hire of Academic Dress	1,640,000	-
Thesis Processing	1,249,000	-
KMA Laboratory	1,770,000	-
Insurance	68,000	-
Field Trips	1,358,800	-
Field Attachment	845,000	-
	205,259,820	-
9 : - Revenue-Other Services Rendered		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
CSSS-KMPDC	6,918,286	-
CSSS-MOH	-	-
	6,918,286	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 : - Staff Costs		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Basic	230,434,161	-
other salaries	6,975,048	-
House allow	6,712,667	-
Commuter	1,115,017	-
Airtime	1,432,000	-
Entertainment	1,419,221	-
Extraneous	1,161,000	-
Responsi	1,801,667	-
Reseach	2,016,081	-
Mgt support	1,129,113	-
Non use of car	1,725,081	-
Pension	1,647,344	-
NSSF Employer	136,728	-
NITA	4,500	-
Leave allow	465,000	-
Total Staff Costs	258,174,628	-

11 : - Council Expenses		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Sitting Allowances	1,501,825	-
Mileage/Travel	66,816	-
Accommodation	33,600	-
	1,602,241	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 : - Administration and Central Services Expenses		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Mess Annexes Rent	16,270,800	-
Office Stationery	3,651,697	-
Postage	10,010	-
Telephone	1,240,000	-
Electricity	1,853,825	-
Water	649,233	-
Cleaning Materials /Laundry	1,370,471	-
Training / Honararia-Capacity Building	820,249	-
Hospitality	5,122,157	-
News papers, Journals & Videos, DSTV	2,162,532	-
Computer Accessories	6,520,927	-
Bank Charges, Interest & Commission	33,546	-
Strategic Initiative	507,792	-
Fuel & Gas	403,311	-
Medical Expense and emergency drugs	4,080,307	-
Travelling and Subsistence	12,384,593	-
Printing and Publishing	2,158,147	-
	59,239,596	-

13: - Repair and Maintenance Expenses		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Motor Vehicle Repairs	6,319,417	-
Buildings Repairs	658,875	-
Motor Vehicles - Fuel and Oils	7,673,122	-
	14,651,413	-

14 : - Academic Departments Expenses		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Teaching Expenses	6,790,288	-
	6,790,288	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 : - CSSS Expenses		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
KPDMC Training	3,827,508	-
	3,827,508	-

16 : - Revenue Refunded to The National Treasury		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Revenue refund to MOD-Tuition and related Collected Fees-IPSTC (Pa	7,974,230	
Revenue refund to MOD-CSSS training and Collected Fees	6,918,286	
	14,892,516	-

17: - Cash in Hand and in Bank		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Bank balances		
Main - Bank Balances	22,783,893	-
Total Bank Balances	22,783,893	-
Petty Cash		
Main - Cash in Hand	-	-
Total Cash in Hand	-	-
Total Cash in Bank and in Hand	22,783,893	-
Total Cash and Cash Equivalentents	22,783,893	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 a : - Receivables from Exchange Transaction		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Outstanding Imprest	56,000	-
Student Debtors	205,230,900	-
	205,286,900	-
18 b : - Provision for bad debts		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Provision for bad debts	198,588,450	-
Student Debtors	-	-
	198,588,450	-
Net Receivables from Exchange Transactions	6,698,450	-

MOD officers are the main students of NDU-K. These students were charged tuition and related fees based on a Council approved fee structure and a signed contract of service between MoD and NDU-K and the same billed and recorded in the books . The council during the year revised the decision and recommended fully funding the University without charging tuition and related fees to its students. Consequently, the student debtors in books worth Ksh198, 588,450 was recommended by management and council for write-off hence 100% provision for bad debts of an equal amount has been made.

19 : Non Current Assets-Property, Plant & Equipment

Particulars	Equipment (20%) Kshs.	Furniture (12.5%) Kshs.	Computer and Appliances (33.3%) Kshs.	Totals Kshs.
Additions during the period ended 30/06/2023	34,200	756,000	2,590,740	3,380,940
Total at 30/06/2023	34,200	756,000	2,590,740	3,380,940
Depreciation				
Charge for the period ended 30/06/2023	6,840	94,500	862,716.42	964,056
Total at 30/06/2023	6,840	94,500	862,716	964,056
NBV-30th June 2023	27,360	661,500	1,728,024	2,416,884
NBV-30th June 2022	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 a :- Trade and Other Payables		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Caution Money Charges	75,000	-
CUE Charges	367,000	-
NCK Indexing	470,000	-
NCK Training Materials	413,600	-
NCK Indexing Licencing Exam	152,000	-
Clinical Placement	4,840,000	-
Clinical Laboratory Placement Fee	-	-
Uniform	1,770,210	-
Student Prepayments	3,781,010	-
	11,868,820	-

20 b :- Accruals and Provisions		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Accruals Main Campus	12,769,677	-
	12,769,677	-

20 c :- Deffered Income		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
Deffered Income - Main	3,729,810	-
	-	-
	3,729,810	-

21 :- Revenue Reserves		
Particulars	Cumulative 2022-2023 Kshs.	Cumulative 2021-2022 Kshs.
General fund-Revenue Reserves-Accumulated Operating Surplus	3,530,919	-
General fund-Other Reserves-Revaluation Reserve-Main	-	-
General fund-Revenue Reserves-Capital Reserves	-	-
	3,530,919	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT

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

i) Credit risk

The University has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Receivables from exchange transactions	205,286,900	6,698,450	198,588,450	-
Bank balances	22,783,893	-	-	-
Total	228,070,793	6,698,450	198,588,450	-
As at 30 June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the University has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The University has significant concentration of credit risk on amounts due from its customers. The Council sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Trade payables	11,868,820	-	-	11,868,820
Current portion of borrowings	-	-	-	-
Provisions for bad debts and accruals	12,769,677	-	198,588,450	211,358,127
Deferred income	-	-	3,729,810	3,729,810
Total	24,638,497	-	202,318,260	226,956,757
As at 30th June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Market risk

The University has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the University's exposure to market risks or the way it manages and measures the risk.

iv) Capital Risk Management

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

Description	Cumulative	Cumulative
	2022-2023	2021-2022
	Kshs.	Kshs.
Revaluation Reserve	-	-
Retained Earnings	3,530,919	-
Capital Reserve	-	-
Total Funds	3,530,919	-
Total Borrowings	-	-
Less: Cash and Bank Balances	22,783,893	-
Net Debt/(Excess Cash And Cash Equivalentents)	- 22,783,893	-
Gearing	15%	0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RELATED PARTY BALANCES

Nature of Related Party Relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the University, holding 100% of the University's equity interest. The Government of Kenya did not provided guarantees to long-term lenders because there were none.

Other related parties include:

- i. The Ministry of Defence;
- ii. The University Council; and
- iii. University key management personnel.

24. CONTINGENT ASSETS AND LIABILITIES

The University had no contingent liabilities as at 31st March 2023.

25. EVENTS AFTER THE REPORTING PERIOD

The University had no material adjusting and non-adjusting events, in the reporting period.

26. ULTIMATE AND HOLDING ENTITY

The University is a Semi-Autonomous Government Agency under the Ministry of Defence of the Government of Kenya.

27. CAPITAL COMMITMENTS

The University had no capital commitments in the reporting period.

28. CURRENCY

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

20. APPENDICES

Appendix I: Implementation Status of Auditor-General's Recommendations

There were no issues raised by the external auditor during the reporting period as this was the first year in operation.



Major General S M Farah
Vice-Chancellor

Appendix II: Projects implemented by National Defence University-Kenya

Project Title	Project Number	Donor	Period/ Duration	Donor / GoK Commitment	Separate Donor Reporting Required as per the Donor Agreement (Yes/No)	Consolidated in these Financial Statements (Yes/ No)
Furniture	1	GoK	FY 2022/23	756,000	No	Yes
Computers / Printers	2	GoK	FY 2022/23	2,590,740	No	Yes
Equipments	3	GoK	FY 2022/23	34,200	No	Yes

Appendix III: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Defence	28.9.2022	Recurrent	53,000,000	53,000,000	-	-	-	-	53,000,000
Ministry of Defence	18.03.2023	Recurrent	53,000,000	53,000,000	-	-	-	-	53,000,000
Total			106,000,000	106,000,000	-	-	-	-	106,000,000

Appendix IV- Inter-Entity Confirmation Letter

Telephone: 051- 851141
Fax: 051-851046
Email: vc-ndu-kenya@mod.go.ke
When Replying Please Quote:



National Defence University-Kenya
P O Box 370
Nakuru

Ref: NDU-K/A&F/17

8 August 2023

Head of Accounts DHQ


NDU-K INTER-ENTITY TRANSFERS CONFIRMATION LETTER - FY2022/23

- Reference is made to the National Treasury year end closing procedures for the financial year 2022/2023.
- NDU-K wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by NDU-K as at 30th June 2023							
Amounts Disbursed by NDU-K as at 30th June 2023					Total (D)=(A+B+C)	Amount Received by NDU-K (Kshs) as at 30th June 2023 (E)	Differences (Kshs) (F)=(D-E)
Reference Number	Date Disbursed	Recurent (A)	Development (B)	Inter-Ministerial (C)			
1	25.9.2022	53,000,000	.	.	53,000,000		.
2	16.03.2023	53,000,000	.	.	53,000,000		.
Total		106,000,000	.	.	106,000,000		.

In confirmation that the amounts shown above are correct as of the date indicated.

Head of Accounts department of beneficiary entity

Name A.K. CAMORI Sign  Date 10.08.2023

**HEAD OF ACCOUNTING UNIT
MINISTRY OF DEFENCE**

Yours sincerely,


P A AMOGOLA
Maj Gen (Rtd)
Deputy Vice-Chancellor (Administration and Finance)

Copy to

Director General Accounting Services and Quality Assurance, National Treasury