

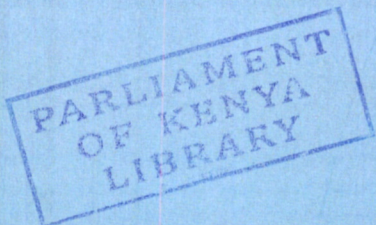


REPUBLIC OF KENYA



Paper laid
By the LOM, Hon Adu
Dale, MP on Wednes
27/9/2017
27 SEP 2017
[Signature]

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COOPERATIVE UNIVERSITY
COLLEGE OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2016**





THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2016

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



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THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

The Co-operative University College of Kenya (CUCK) was established under legal notice No. 161 of 4th November 2011 as a Constituent University College of Jomo Kenyatta University of Agriculture and Technology Act (Cap 210E). It replaced the Co-operative College of Kenya which was established through the Cooperative College of Kenya Act Cap 490A of 1996. Since inception in 1952 to date, the College has been a leading institution for co-operative education, training and research at both national and international level. The CUCK has grown to student population of 4,218 and a staff population of 292.

(b) Principal Activities.

The principal activity/mission of CUCK is to provide innovative education, training, research, and consultancy services for sustainable community empowerment.

(c) Key Management.

CUCK's day-to-day management is under the Principal who is supported by the University College Management Board (UCMB)

(d) Fiduciary Management.

The key management personnel who held office during the Financial Year ended 30th June 2016 and who had direct fiduciary responsibility were:

Prof. Eng. Douglas Shitanda	-	Principal
Prof. Kamau Ngamau	-	Deputy Principal (Academic affairs)
Prof. Esther N. Magiri	-	Deputy Principal (Finance, Planning and Administration)
Mr. David Otiende	-	Ag. Registrar (Academic affairs)
Mr. Kenneth Waruingi	-	Ag. Registrar (Finance, Planning and Administration)
Mr. Chris Kathoka	-	Principal Human Resource Manager
CPA. Maxwel Nyaga	-	Finance officer



THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

(e) Entity Headquarters

The Co-operative University College of Kenya
L. R. NO. 23134/1, Karen
23134/2, Karen
Ushirika Road
P. O. Box 24814 00502
KAREN NAIROBI

(f) Entity Contacts

P. O. Box 24814 – 00502
KAREN NAIROBI
Tel. 020 8891401/3/4
Wireless: 0202430127
0202679456
Mobile. 0724311606
Fax: 0208891410
E-mail: principal@cuck.ac.ke
Website: www.cuck.ac.ke

(g) Entity Bankers

1. Standard Chartered Bank
Karen Branch
P.O. Box 24601- 00502
KAREN, NAIROBI.
2. Co-operative Bank
Karen Branch
P O Box 60800- 00200
NAIROBI.

(h) Independent Auditors

Auditor General
Anniversary Towers, University Way
P.O. Box 30084- 00100
NAIROBI



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(i) Principal Legal Adviser

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 City Square 00200
Nairobi, Kenya
2. G.N. Mugo & Company Advocates
P.O. Box 16538-00100
Nairobi, Kenya
3. Waweru Gatonye and Advocates
P.O. Box 5527-00200
Nairobi, Kenya
info@wawerugatonye.com
+254202428452/3/4
4. J.N. Namasake and Company Advocates
P.O. Box 9479-00100
G.P.O Nairobi, Kenya
jnnamasake@yahoo.com
+254202210297
+254722802222
+254735092256



THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

II. THE UNIVERSITY COLLEGE COUNCIL

Name	Profile & Work Experience
 <p>Dr. Gladys Mwiti DOB; 25/09/1950</p>	<ul style="list-style-type: none"> • Chairperson – The Co-operative University College of Kenya Council. • Chief Executive Officer – Oasis Africa. • Chairperson – The Kenya Psychological Association. • Trustee – The Kenya Methodist University. • Member – The University of Nairobi Ethics and Research Committee. • Member – The Kenyatta National Hospital Ethics and Research Committee. • Doctor of Philosophy Degree in Clinical Psychology – Fuller Theological Seminary, Pasadena, CA. • Master Degree – Christian Leadership, Fuller Theological Seminary, Pasadena, CA. • Master Degree – Counselling Psychology, United States International University, Kenya. • Advanced Diploma – Science Education, Kenyatta University.
 <p>Eng. Runji Ngware DOB; 1951</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University College of Kenya. • Managing Director – M/S Runji & Partners, Consulting Engineers Limited. • Master of Science, Civil Engineering – The University of Nairobi. • Bachelor of Science, Civil Engineering – The University of Nairobi. • Member – The Institute of Engineers in Kenya.
 <p>Mr. Macloud Malonza DOB; 12/12/1969</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University College of Kenya. • Chairman – Harambee Sacco Society Limited. • Board Member – The Co-operative Bank of Kenya. • Master Degree in Business Administration – Moi University. • Bachelor of Arts – Egerton University. • Postgraduate Diploma in Information Technology and Management Services – Manchester University, UK. • Postgraduate Certificate in Strategic Management and Management Planning – Rhodes University, South Africa.



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 <p>Ms. Salome Mbeyu Mwendar DOB;13/11/1956</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University College of Kenya. • Master of Arts – The University of Nairobi. • Bachelor of Arts – The University Of Nairobi. • Post Graduate Diploma, Town and Regional Planning – Technical University of Szczecin, Poland. • Certificate in Monitoring and Evaluation – University of London, Wye College UK.
 <p>Ms Florence Muthoni Gichohi – Hegarty DOB; 15/05/1962</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University College of Kenya. • Master Degree, Rural Development – The University of Ireland, Galway. • Postgraduate Diploma, Peace and Conflict Studies – Africa Nazarene University. • National Diploma, Development Skills – Kimmage Manor, Dublin. • Diploma, Business Management and Administration – Cambridge Tutorial College, England.
 <p>Mr. George Ototo DOB; 1972</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University College of Kenya. • Managing Director – Kenya Union of Savings & Credit Co-operatives Ltd. • Master Degree in Business Administration, Finance – The University of Nairobi. • Bachelor of Arts, Mathematics and Economics – The University of Nairobi. • Certified Public Accountant CPA (K).
<p>Ms Nancy N. Wachira DOB; 16/03/1971 Representing the Principal Secretary – State Department for University Education.</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University College of Kenya. • Masters degree, Education.



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 <p>CPA Patrick Abachi DOB; 29/04/1965 Representing the Principal Secretary – The National Treasury.</p>	<ul style="list-style-type: none">• Council Member – The Co-operative University College of Kenya.• Chief Accountant – The National Treasury.• Acting Head of Public Sector Accounting Standards Board Secretariat – The National Treasury.• Masters Student, Finance – Kenyatta University.• Bachelor of Commerce – The Masinde Muliro University Science and Technology.• Certified Public Accountant CPA (K).
 <p>Mr. Philip Gichuki DOB; 21/07/1958 Representing the Principal Secretary – State Department of Co-operative Development, Ministry of Industry, Trade and Co-operatives.</p>	<ul style="list-style-type: none">• Council Member – The Co-operative University College of Kenya.• Director – The Co-operative Alliance of Kenya Ltd.• Deputy Commissioner for Cooperative Development & Marketing – State Department of Co-operative Development, Ministry of Industry, Trade and Co-operatives.
 <p>Prof. (Eng.) Douglas Shitanda DOB; 29/06/1966</p>	<ul style="list-style-type: none">• Secretary – The Co-operative University College of Kenya Council.• Principal – The Co-operative University College of Kenya.• Associate Professor, Processing Engineering – Jomo Kenyatta University of Agriculture and Technology.• Doctor of Philosophy (PhD) in Agricultural Engineering – Iwate University, Japan.• Masters Degree, Agricultural Engineering – The University of Nairobi.• Bachelor of Science, Agricultural Engineering – The University of Nairobi.



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III. THE UNIVERSITY COLLEGE MANAGEMENT BOARD


Staff Profile	Responsibilities
 <p>Prof. (Eng.) Douglas Shitanda DOB; 29/06/1966</p> <ul style="list-style-type: none"> • Secretary – The Co-operative University College of Kenya Council. • Principal – The Co-operative University College of Kenya. • Associate Professor, Processing Engineering – The Jomo Kenyatta University of Agriculture and Technology. • Doctor of Philosophy (PhD) in Agricultural Engineering – Iwate University, Japan. • Masters Degree, Agricultural Engineering – The University of Nairobi. • Bachelor of Science, Agricultural Engineering – The University of Nairobi. 	<ul style="list-style-type: none"> • Accounting Officer of the University College. • Member of all committees appointed by Council. • The Secretary to the Council and an ex officio member of the Council. • Responsible for Policy matters, Planning, Coordination, Public Relations, Security, Audit, Fundraising and General Development of the University College Policy Matters. • Chairperson of the University College Management Board. • Chairperson of the University College Student Welfare Authority.
 <p>Prof. Kamau Ngamau DOB; 1966</p> <ul style="list-style-type: none"> • Deputy Principal Academic Affairs. • Full Professor, Horticulture – The Jomo Kenyatta University of Agriculture and Technology. • Doctor of Philosophy, Horticultural Sciences – The University of Hanover, Germany. 	<ul style="list-style-type: none"> • Head of the Academic Division of the University College. • Provide the secretariat to the Academic Board and all the Committees of Academic Board. • The returning officer for the election of Deans of Faculties. • Responsible for the allocation of academic facilities such as buildings, lecture rooms and offices and as well as formulation of rules governing the allocation and utilization. • Chairperson of the University College Training Committee.



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<ul style="list-style-type: none"> • Master of Science, Horticulture – The University of Nairobi. • Masters degree, Organizational Development – United States International University, Kenya • Bachelor of Science, Agriculture – The University of Nairobi. 	
 <p>Prof. Esther N. Magiri DOB; 1970</p> <ul style="list-style-type: none"> • Deputy Principal Finance, Planning and Administration. • Associate Professor, Biochemistry – The Jomo Kenyatta University of Agriculture & Technology. • Post-Doctoral Fellow – Tel Aviv University, Israel. • Doctor of Philosophy, Applied Molecular Biology in Plant Pathology – Zhejiang University, China. • Master of Science, Biochemistry – The University of Nairobi. • Bachelor of Science, Biochemistry and Zoology – The University of Nairobi. 	<ul style="list-style-type: none"> • Head of Finance, Planning and Administration Division and is responsible for management of human, physical, financial resources; administrative, infrastructural and development matters. • Provides the secretariat for the Council and the following Committees: <ul style="list-style-type: none"> - Terms of Service Committee; - Staff Appointments Committee; - Housing (policy and allocations) Committee; - Ceremonial Committee; - Health, Recreation, Environment and Safety Committee; - Staff Appraisal and Promotion Committee; - Staff Welfare; - Finance and General Purposes Committee; - Building and Development; - Sealing Committee; - Council Planning and Development Committee; - Planning, Establishment and Development Committee; - Disciplinary Committee; - Tender Committee;



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CPA Maxwel Nyaga

DOB; 1974

- Finance Officer.
- PhD student Business Administration (Finance) – The Jomo Kenyatta University of Agriculture and Technology.
- Master Degree, Business Administration – The Jomo Kenyatta University of Agriculture and Technology.
- Master of Science, Procurement and Logistics – The Jomo Kenyatta University of Agriculture and Technology.
- Bachelor of Science, Applied Accountancy – Oxford Brooks University, UK
- Certified Public Accountant CPA (K).

- Responsible for the supervision and management of all administrative and operational functions of the office of the Finance Officer.
- Develops the finance policies and procedure Manual.
- Formulates the revenue generation and resource Mobilisation strategies for the universality.
- Is responsible for financial forecasting and planning.
- Is responsible for Budget execution and control of Budgets.
- Prepares regular, quarterly and annual financial reports.
- Facilitates liaison with the National Treasury, Ministry of Education and the Auditor General on the Funding of the university.
- Is responsible for daily approval of expenditure in the consultations with the Deputy Principal FPA and the Principal.



Mr. David Otiende

DOB; 1963

- Ag. Registrar Academic Affairs.
- PhD Student – The Catholic University of Eastern Africa.
- Master of Education, Administration – Kenyatta University.
- Bachelor of Education, Arts – Kenyatta University.


- Responsible for the supervision and management of all administrative and operational functions of the office of the Registrar AA.
- Serves as the secretary to the Academic Board, its committees stipulated appropriately in the statutes and issues notices convening meetings of the Academic Board.
- Responsible for formulation and implementation of divisional strategic plan.
- Formulates and provides policy guidelines on planning, development and management of academic programmes.
- Interprets and enforces policies and regulations of the University College touching on academic matters.



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<p>Mr. Kenneth G. Waruingi DOB;</p> <ul style="list-style-type: none"> • Ag. Registrar Finance, Planning and Administration. • Masters student – The University of Nairobi. • Bachelors – The University of Nairobi 	<ul style="list-style-type: none"> • Responsible for the supervision and management of all administrative and operational functions of the office of the Registrar FPA. • The secretary to the University College Management Board. • Responsible for effective administrative systems in line with University College policies and procedures in line with the best practices. • Provide strategic planning and guidance in the development, coordination and implementation of physical infrastructure and modernization projects in the University College. • Compile and analyze statistical data for use in general planning, strategic planning, and budgeting and sundry management requirements. • Service matters such as appointments, promotions, retirement, disciplinary action, sanction of leave, incentive pertaining to teaching and non - teaching staff. • Interpret and enforce policies and regulations of the University College touching on Finance, Human Resource, Planning and Development
 <p>Mr. Chris Kathoka DOB; 1981</p> <ul style="list-style-type: none"> • Principal Human Resource Manager • PhD student HRM – The Jomo Kenyatta University of Agriculture and Technology. • Masters, Human Resource Management – The Jomo Kenyatta University of Agriculture and Technology. • Bachelor of Science, Information Technology – The Jomo Kenyatta University of Agriculture and Technology. 	<ul style="list-style-type: none"> • Responsible for the supervision and management of all administrative and operational functions of the office of the PHRM. • Identifies hiring need, develops the position description, Recruitment Plan, organizational chart and other recruitment related documents. • Ensures understanding of collective bargaining agreements' specific provisions with respect to the University College Employees. • Prepares job descriptions and ensures proper procedures for review and approval are met. • Reviews recruitments and provides oversight of the recruitment process.



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Mr. Stanley M. Miringu

DOB;

- Ag. Dean of Students
- Masters, (Entrepreneurship) Student – The University of Nairobi.
- Bachelor of Science, Agricultural Business Management – Penn State University, USA.
- Diploma, Co-operative Management – The Co-operative College of Kenya.

- Serves as a primary administrative contact and advocate for students.
- Provides general assistance to students who have concerns and/or questions.
- Acts as a point of contact for students who want to talk about issues of harassment, discrimination, and sexual misconduct.
- Is responsible for formulation and review of policies directly related to students.



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IV. CHAIRPERSON'S STATEMENT

Introduction

I am pleased to present the Annual Report and Financial Statements for The Co-operative University College of Kenya for the year ended 30th June 2016. The pages that follow this introduction provide an analysis of attainments which reflect not only talent and commitment, but also a determination to focus our resources on our core mandate.

Financial Performance

In the year under review, the University College reported a gross income of **Kshs 584,036,274** compared to **Kshs 546,104,203** for the 2014/2015 financial year. This represents an increase of 7% from the previous year. Tuition fees grew by Kshs 26,192,833 representing 11% growth. The council was pleased to see real successes in the recruitment of students in most of the approved programs. The Co-operative Retreat and Conference Centre (CRCC) registered a growth of Ksh 4,481,012.00 representing a 13% growth in revenue. However, the achievements and sense of purpose which are such a source of pride must not be a source of complacency. Flat or decreasing Government funding in real terms cannot be without consequences. A persistent reduction in the resources available to CUCK combined with increasing competition from many institutions of higher learning pose a great risk to achievement of the core mandate of the university as a global leader in co-operative training research and innovation for co-operative development.

Achievements and Challenges

In addition to increased student's enrolment, CUCK registered strong performance in research field. The Institute of Co-operative Development (ICD) has come of age and managed to attract research funds to the tune of Kshs 10,778,214.00 in comparison to the previous financial year Kshs 1,127,717.00. We have seen the growth of collaborative research with various county Governments such as Meru County. ICD continued to engage county Governments in a bid to establish progressive collaborative linkages. This success in research is admirable as it has been achieved despite the reduced government funding making this success increasingly challenging.

Over the last three years, the University College has been increasing enrolment of students gradually. However, the increase in the number of students is not commensurate with government funding. The achievements and sense of purpose which are such a source of pride must not be a source of complacency.

As we face these challenges, we know that we are most at risk if we ignore realities and fail to innovate. For this reason, our willingness to work closely together, to partner with others and to benchmark is an expression of firmly held values that are crucial to our future.

Appreciation

On behalf of the council, I wish to thank all the stakeholders for the confidence placed on the council during the entire period and look forward to serving even better. In a special way, I thank the Ministry of Education Science and Technology, and all other organizations that have stood with us during the entire Financial Year. Your continued support is highly appreciated. Further, I thank the University College Management, staff and students for dedication and commitment towards the growth of the University College.

Gladys K. Mwiti, PhD

Dr. Gladys K. Mwiti, PhD

CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA COUNCIL



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V. PRINCIPAL'S REPORT

It is my great pleasure to present the Annual Report and Financial Statements for the Cooperative University College of Kenya (CUCK) for the year ended 30th June 2016. Despite a continuing national reduction in Government funding for University research and teaching, 2015/2016 has been a year of strong performance for the Co-operative University College of Kenya.

Financially, the university's position remains sound, with no external borrowing. Despite registered deficit, the university management has been keen to ensure that CUCK operates within its means. Student recruitment was up with an increase in both diploma and undergraduate admissions. CUCK remained determined to give education access to people of talent from all backgrounds. Further, this has been made possible through the various marketing activities undertaken within the year including live broadcasts in local media.

As an institution of higher learning, innovative research is a vital component of our activities. Through Memorandum of Understanding initiatives (MOU'S) signed in the 2015/2016, the University is making the change required to ensure that research can make the significant developments needed to address some specific concerns in the co-operative movement. I am proud to report that the Institute of Co-operative Research and Development has made strides in making fundable proposals and various collaborations with county governments. The future of research is promising. Going forward, not only will CUCK spearhead research and teaching for national and international benefit, but, vitally, as a key element in Cooperative development and future community empowerment. I am delighted that the period covered by this Annual Report marked an increasingly close working relationship between the University and the devolved county governments.

CUCK received a number of important accolades during the year. Of particular note, CUCK was ranked 5th best University by the National Cohesion and Integration Commission for meeting the required ethnic balance in recruitment of staff. In addition the university Web metric ranking improved to position 19 in comparison to position 25 in the previous financial year.

Finally, I take this opportunity to thank the Government of Kenya, our collaborators, and other institutions that have rendered their support during the entire financial year. Further, I would like to appreciate the support accorded to me by staff and students in ensuring smooth running of the CUCK.

Last but not least, I acknowledge the guidance of the Governing Council in ensuring that the management is kept on the move towards attainment of the set targets.



Prof. Kamau Ngamau

PRINCIPAL, THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA



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THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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VI. CORPORATE GOVERNANCE STATEMENT

During the year under review, the governing council comprised of six members, all appointed by the Cabinet Secretary in the Ministry of Education Science and Technology. All other members are ex-official members. The Governing Council is responsible for ensuring that the University College Council complies with the law and best practices in corporate governance.

Functions of the Council

The functions and powers of the Council are as stipulated in Legal Order No.161 of November 2011 as indicated below:

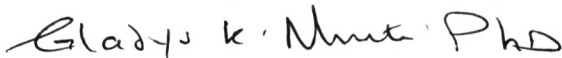
- To administer the property and funds of the University College in a manner and for the purpose which promotes the interest of the University College.
- To receive, and on behalf of the University college, donations, endowment, gifts, grants or other moneys and make disbursement there from to the University College or other bodies or persons.
- To approve appointment criteria and the terms and conditions of service of staff.
- To provide for the welfare of the staff of the University College.
- To enter into association with other Universities, University Colleges or other Institutions of learning.
- To make regulations governing the conduct and discipline of the students of the University College.
- To ensure that a proper management structure is in place and that the structure function to maintain corporate integrity, reputation and responsibility.
- To monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University College.
- To constantly review the viability and financial sustainability of the University College
- To ensure that the University College complies with all the relevant laws, regulations, governance practice, accounting and auditing standards.

Committees of the Council

During the 2015/2016 financial year, the following were the Council Committees in place

- i) Executive Committee
- ii) Finance, Planning and Development Committee
- iii) Human Resource Management Committee
- iv) Audit and Risk Committee
- v) Sealing Committee

The Council appoints a Chairperson of each Committee. The University College Council Chairperson is not a member of any other Committees apart from the Executive Committee.



Dr. Gladys K. Mwiti, PhD
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA COUNCIL



Prof. Kamau Ngamau
PRINCIPAL, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA

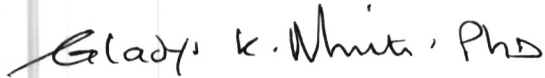


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VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University College Council acknowledges its role in the welfare of the community by participating in matters that promote the wellbeing of the Society. During the year under review, the University College participated in Ushirika Day celebrations and planting of more than ten thousand trees in order to keep the environment green. The University College also participated in the Mater Hospital Heart Run, Beyond Zero Campaign and organized a free medical camp for the local community.



Dr. Gladys K. Mwiti, PhD
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA COUNCIL



Prof. Kamau Ngamau
PRINCIPAL, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA



THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

VIII. REPORT OF THE UNIVERSITY COLLEGE COUNCIL

The University College Council submits their report together with the financial statements for the year ended June 30, 2016 which show the state of the Co-operative University College of Kenya's affairs.

Principal activities

The principal activity/mission of CUCK is to provide innovative education, training, research, and consultancy services for sustainable community empowerment.

Results

The results of the entity for the year ended June 30, 2016 are set out on page 14 of the Annual Report and Financial Statements for the period ended June 30, 2016.

The results indicate that CUCK registered a total of Kshs. **584,036,274** in gross revenue against a target of Kshs. **682,091,253**. This represents 85% of the target revenue. In comparison to the previous financial year, CUCK recorded a 7% increase in revenue. At the same time, CUCK registered total expenditure of Kshs. **632,468,087** against previous years Kshs. **561,925,846** representing 13% growth in expenditure.

Despite tight budgetary controls, CUCK registered a financial deficit due to inadequate financing. Over the last three (3) years, recurrent grants from the G.O.K have been almost constant despite the growth in personnel costs and increase in student population especially the government sponsored students. Since 2013, CUCK has been receiving over a thousand G.O.K students annually with no commensurate increase in government funding. This has greatly affected the expected growth.

Despite the above challenges, CUCK Council has remained focused on its strategic direction of acquiring a Charter. Throughout the 2015/2016 financial year, efforts have been made to meet the Commission for University Education requirements for award of charter. This has seen tremendous growth in personnel costs in a bid to fill some key staff requirements before award of charter.

The future for CUCK is bright. The current position does not in any way indicate lack of strategy. It only presents that the institution is on a transition and at a foundation stage. Award of the charter will open doors for increase of students in postgraduate and additional undergraduate programs. This will see an increase in gross revenue.

Directors

The members of the University College Council who served are;

- | | |
|----------------------------|--------------|
| 1. Dr. Gladys Mwiti | Chairperson. |
| 2. Eng. Runji Ngware | Member. |
| 3. Mr. Macloud Malonza. | Member. |
| 4. Ms. Nancy N. Wachira. | Member. |
| 5. Ms. Salome Mwendar. | Member. |
| 6. Mr. Patrick Abachi. | Member. |
| 7. Mr. Philip Gichuki. | Member. |
| 8. Mr. George Ototo. | Member. |
| 9. Ms. Florence Gichohi | Member. |
| 10. Prof. Douglas Shitanda | Secretary. |



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Auditors

The Auditor General is responsible for the statutory audit of the CUCK in accordance with the provisions of the Public Audit Act, 2003.

By order of the University College Council.



Prof. Kamau Ngamau
PRINCIPAL, THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA



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THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

IX. STATEMENT OF UNIVERSITY COLLEGE COUNCIL'S RESPONSIBILITIES

The Public Finance Management Act (PFM), 2012 and the State Corporations Act, require the council to prepare Financial Statements which give a true and fair view of the state of affairs of the University College at the end of the Financial Year and the operating results for that year. The council is also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institution. The council is also responsible for safeguarding the assets of the Co-operative University College of Kenya (CUCK).

The council is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the University College as at the end of the Financial Year ended on June 30, 2016. These responsibilities include: (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 institution; (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 Co-operative University College of Kenya; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The council accepts responsibility for the 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 Standard (IPSAS), and in the manner required by the PFM Act, the State Corporations Act and Public Sector Accounting Standard Board. The Council is of the opinion that CUCK's financial statements give a true and fair view of the state of the institution's transactions during the financial year ended June 30, 2016, and the financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University College, which have been relied upon in the preparation of the 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 CUCK 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 Co-operative University College of Kenya's financial statements were approved by the Council and signed on its behalf by:

Dr. Gladys K. Mwiti, PhD
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA COUNCIL


Prof. Kamau Ngamau
PRINCIPAL, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA



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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE COOPERATIVE UNIVERSITY COLLEGE OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Cooperative University College of Kenya set out on pages 21 to 41, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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.

Management's Responsibility for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement

Report of the Auditor-General on the Financial Statements of Cooperative University College of Kenya for the year ended 30 June 2016

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the University College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Receivables from Exchange Transactions

The receivables from exchange transactions balance of Kshs.84,634,401 as at 30 June 2016 includes seminar debtors of Kshs.18,845,081 under seminars facility income out of which an amount of Kshs.1,328,707 has been outstanding for between three (3) and seven(7) years. Although a provision of Kshs.687,953 has been made in the financial statements, the provision appears inadequate.

In the circumstances, the accuracy, validity and full recoverability of receivables from exchange transactions balance of Kshs.84,634,401 as at 30 June 2016 cannot be confirmed.

2. Work in Progress

2.1 Management Information System

As disclosed at Note 19 to the financial statements, work-in-progress balance of Kshs.269,522,321 as at 30 June 2016 includes Kshs.10,149,798 in respect of a management information system project which has been outstanding since 2009. Available information indicates that the contractor abandoned the project in 2009 having invoiced the University College a total of Kshs.10,149,798. Although the matter was taken to Court and ruled in favour of the University College, the project has not been completed as at the date of this report. In the circumstances, it has not been possible to confirm if and when the project will be completed and whether the College will get value-for-money from the project.

2.2 Set-up of (ICT) Infrastructure

On 18 September 2014, the University College entered into a contract with a technology Company for supply of a management information system at a contract sum of Kshs.18,450,070 to be executed in 180 days with effect from the date of signing of the contract. The vendor was to supply the following systems:

- Financial management system
- Uniplus academic management information system
- Uniplus personnel management information system

However, perusal of contract documents revealed that the contract further provided for software assurance and a service level agreement costing Kshs.2,737,474. A review of the project status in December 2016 revealed that the system was yet to be commissioned nine (9) months after the expiry of the contract period. It is not clear and management has not explained when the project will be completed.

In the circumstances, it has not been possible to confirm if and when the project will be commissioned and when the University College will realize value-for-money on the project.

2.3 Lecture Theatre

On 15 March 2013, the University College entered into a contract No.NBI/D22/94/2012-2013 with a contractor for building and completion of lecture theatres at a contract price of Kshs.283,191,791. According to available information, the works were to commence on 8 April 2013 for a period of 78 weeks with expected completion date of 3 October 2014. However, as at 30 June 2016, the works completed were approximately 85% of the project scope against elapsed contract period of 143% an indication that the project was way behind schedule.

The delay in completion of the works could lead to cost escalation and unrealized value-for-money from the project.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Cooperative University College of Kenya as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, No. 42 of 2012 of the Laws of Kenya.

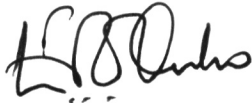
Emphasis of Matter

Financial Performance

As disclosed at Note 28 to the financial statements, the University College registered a loss of Kshs.48,431,813 (2014/2015-deficit of Kshs.15,821,643) thereby resulting into an accumulated deficit of Kshs.137,002,313 as at 30 June 2016. Management has attributed the poor performance to a strategic decision made a few years ago to increase operating and employee costs as the University College puts in place

structures that would qualify it for award of its anticipated University Charter. However, if the measures established to address the rising deficit trend do not yield positive results, the University College may face severe financial challenges in the near future.

My opinion is not qualified in respect of these matter.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

10 July 2017

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions			
Unconditional Grants	3	261,542,861	265,362,500
Conditional Grants	3	10,778,214	1,127,717
		272,321,075	266,490,217
Revenue from exchange transactions			
Tuition fees & Other Levies	4	258,018,244	231,825,411
Income from Co-operative Retreat & Conference Centre	5	38,675,875	34,194,863
Rental revenue from facilities and equipment	6	2,127,600	2,206,277
Other income	7	12,893,480	11,387,435
		311,715,199	279,613,986
Total revenue		584,036,274	546,104,203
Expenses			
Employee Cost	8	364,290,943	316,564,482
Board expenses	9	7,494,685	8,041,379
Depreciation and amortization expense	10	28,398,838	28,418,061
Repairs and Maintenance	11	30,262,881	28,458,293
General Expenses	12	201,409,427	178,323,632
Provision for Audit Fee	20	580,000	500,000
Total expenses		632,436,774	560,305,847
Other Gains/(Losses)			
Increase in Provision	14	-	(1,620,000)
Loss on Disposal of Assets	18	(31,313)	
Deficit for the period		(48,431,813)	(15,821,643)

The notes set out on pages 26 to 40 form an integral part of the Financial Statements.



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THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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XI. STATEMENT OF FINANCIAL POSITION**As at 30 June 2016**

	Note	2015-2016 Kshs	2014-2015 Kshs
Assets			
Current assets			
Cash and cash equivalents	13	33,103,213	26,092,863
Receivables from exchange transactions	14	84,634,401	67,950,065
Receivables from non-exchange transactions	15	2,067,326	230,260
Inventories	16	2,154,788	2,546,905
		121,959,728	96,820,093
Non-current assets			
Property, plant and equipment	18	2,397,255,129	2,406,471,306
Investments	17	2,825,530	2,825,530
Work In Progress	19	269,522,321	200,771,623
		2,669,602,980	2,610,068,459
Total assets		2,791,562,708	2,706,888,552
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	70,412,234	43,771,960
Trade and other payables from non-exchange transactions	21	24,527,918	19,048,373
Total liabilities		94,940,152	62,820,333
Net Assets			
Capital fund	22	940,121,582	839,585,432
Revaluation Reserve	23	1,893,503,287	1,906,852,529
Accumulated Deficit	24	(137,002,313)	(102,369,742)
Total net assets		2,696,622,556	2,644,068,219
Total net assets and liabilities		2,791,562,708	2,706,888,552

The Financial Statements set out on pages 21 to 25 were signed on behalf of the University College Council by:

Dr. Gladys K. Mwiti, PhD
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA COUNCIL


Prof. Kamau Ngamau
PRINCIPAL, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA



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XII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

	Accumulated Deficit Kshs	Capital Fund Kshs	Revaluation Reserve Kshs	Total Kshs
Balance as at 30 JUNE 2014	(86,548,099)	692,698,765	1,906,852,529	2,513,003,195
Additions in the year	-	146,886,667	-	146,886,667
Surplus(Deficit) for the period	(15,821,643)	-	-	(15,821,643)
Balance as at 30 JUNE 2015	(102,369,742)	839,585,432	1,906,852,529	2,644,068,219
Surplus for the period	(48,431,813)	-	-	(48,431,813)
Excess Depreciation on revaluation	13,799,242	-	(13,799,242)	-
Additions in the year	-	100,536,150	450,000	100,986,150
Balance as at 30 JUNE 2016	(137,002,313)	940,121,582	1,893,503,287	2,696,622,556



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XIII. STATEMENT OF CASHFLOWS
For the year ended 30 June 2016

		2015-2016	2014-2015
		Kshs	Kshs
Deficit for the period		(48,431,813)	(15,821,643)
Adjustment for:			
Loss on disposal of assets	18(b)	31,313	
Depreciation	18	28,398,838	28,418,060
		(20,001,662)	12,596,417
Change in Working Capital			
Decrease in inventories	16	392,117	1,148,776
Increase in receivable from exchange transactions	14	(16,684,336)	(2,136,428)
Increase in receivable from non-exchange transactions	15	(1,837,066)	-
Increase in payables	20	26,640,274	(12,566,051)
Increase in development payables	21	5,479,545	(73,465,895)
Net cash generated from operating activities		13,990,534	(87,019,598)
Cash flows from investing activities			
Buildings	18	(1,607,200)	(6,687,222)
Purchase of Plant & Equipment	18	(2,573,346)	(235,100)
Purchase of motor vehicle	18	-	(6,101,600)
Purchase of computers	18	(5,681,323)	(7,056,767)
Purchase of furniture	18	(7,436,460)	(11,141,450)
Office Equipment	18	(715,850)	(24,000)
Telecommunication Equipment	18	(320,628)	(439,990)
Kitchen Equipment & Cutlery	18	(534,200)	(1,233,905)
Proceeds from Disposal of Assets	18(b)	105,033	-
Work in progress Lecture Theatre	19	(68,750,698)	(26,749,714)
Net cash flows used in investing activities		(87,514,672)	(59,669,748)
Cash flows from financing activities			
Capital fund	22	100,536,150	146,886,667
Net change in cash and cash equivalents		7,010,350	12,793,738
Opening cash and cash equivalent		26,092,863	13,299,125
Closing cash and cash equivalent		33,103,213	26,092,863



XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2016 Kshs	Adjustments 2016 Kshs	Final budget 2016 Kshs	Actual on comparable basis 2016 Kshs	Performance difference 2016 Kshs
Revenue					
Unconditional Grants	265,362,500	-	265,362,500	261,542,861	3,819,639
Conditional Grants	10,000,000	(5,000,000)	5,000,000	10,778,214	(5,778,214)
Tuition fees & Other Levies	365,728,753	(30,000,000)	335,728,753	258,018,244	77,710,509
Rental revenue from facilities and equipment	3,000,000	-	3,000,000	2,127,600	872,400
Income from Co-operative Retreat & Conference Centre	60,000,000	(10,000,000)	50,000,000	38,675,875	11,324,125
Other income	39,000,000	(16,000,000)	23,000,000	12,893,480	10,106,520
Total income	743,091,253	(61,000,000)	682,091,253	584,036,274	98,054,979
Expenses					
Employee Cost	375,800,000	1,200,000	377,000,000	364,290,943	12,709,057
Board Expenses	8,000,000	-	8,000,000	7,494,685	505,315
Depreciation and amortization expense	29,500,000	-	29,500,000	28,398,838	1,101,162
Repairs and Maintenance	36,500,000	(6,120,000)	30,380,000	30,262,881	117,119
General Expenses	288,700,000	(56,080,000)	232,620,000	202,020,740	30,599,260
Total expenditure	738,500,000	(61,000,000)	677,500,000	632,468,087	45,031,913
Surplus (Deficit) for the period	4,591,253	-	4,591,253	(48,431,813)	53,023,066

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1. Statement of Compliance and Basis of Preparation

The Co-operative University College of Kenya's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the accepted functional and reporting currency and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

Adoption of International Public Sector Accounting Standards

The Co-operative University College of Kenya adopted the International Public Sector Accounting Standard for the first time in 2014.

Basis of preparation

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The Financial Statements are prepared on accrual basis.

2. Summary of Significant Accounting Policies

a) Revenue Recognition

i) Revenue from non-exchange transactions

• Unconditional Grants

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property).

This recognition is only if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Co-operative University College of Kenya and can be measured reliably.

• Conditional Grants

Conditional grants are treated as a liability and credited to the income and expenditure statement when the activities for which they were provided for have been undertaken.

ii) Revenue from Exchange Transactions

• Tuition Fees

Revenue from tuition fees is recognized at the beginning of the semester when the student has met all the admission and registration requirements for that particular semester. Tuition fees are accounted for on accrual basis over the period of instruction to which they relate. Fees paid in advance are carried forward as liabilities at the end of each reporting period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

• **Rendering of Services**

The Co-operative University College of Kenya recognizes revenue from rendering of services 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 number of days to the service has been rendered as a percentage of the total period of service.

• **Rental Income**

Rental income arising from provision of housing is recognized as the income earned in accordance with the terms of the tenancy agreement.

b) Budget Information

The annual budget is prepared on the cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Co-operative University College of Kenya.

c) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if there cognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

Investment properties are derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, Plant and Equipment

All properties, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Co-operative University College of Kenya recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a reducing balance method for all other categories of assets except for land which is not depreciated. The applied depreciation rates are as shown below:

• Land	Nil
• Building	2.5%
• Plant and Machinery	10%
• Furniture and Fitting	12.5%
• Motor Vehicles	25%
• Office Equipment	12.5%
• Computer and Accessories	30%
• Telecommunication Equipment	20%
• Kitchen Equipment and Cutlery	10%

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

- Tools 10%

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was 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.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, if that class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is 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 are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Co-operative University College of Kenya.

f) Provisions

Provisions are recognized when the Co-operative University College of Kenya 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.

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

- **Contingent liabilities**

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

g) Nature and Purpose of Reserves

The Co-operative University College of Kenya creates and maintains reserves in terms of specific requirements.

- **Capital Fund**

This fund is composed of development grants sourced from the Government and Development Partners, which are used in capital projects by the Co-operative University College of Kenya. The Co-operative University College of Kenya recognizes any expenditure incurred of a capital nature and those funds are transferred to the capital fund upon incurring such expenditure.

- **Accumulated Funds**

These are the funds that are retained by the Co-operative University College of Kenya. These funds are cumulative and are increased by the surplus or decreased by the deficit in a particular accounting period.

- **Revaluation Reserve**

Beginning in 2014, the revaluation surplus reserves include the results of a revaluation (from historic cost to fair value) of the assets owned by the institution. The fair value has been determined by an independent valuation.

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

h) Changes in Accounting Policies and Estimates

The Co-operative University College of Kenya recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, 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 various commercial banks at the end of the financial year

j) Comparative Figures

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

k) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Co-operative University College of Kenya's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Estimates include, but are not limited to: accrued charges and the degree of impairment of fixed assets. Changes in estimates are reflected in the period in which they become known.

l) Subsequent Events

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

m) Financial Instruments

i. Financial assets

• Initial recognition and measurement

Financial assets are 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 Co-operative University College of Kenya determines the classification of its financial assets at initial recognition.

• Receivables

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 are subsequently measured at amortized cost.

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

ii. Financial liabilities

• Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Co-operative University College of Kenya determines the classification of its financial liabilities at initial recognition.

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

n) Related Parties

The Co-operative University College of Kenya 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 College, or vice versa. These related parties include: The Government of Kenya and Members of key management comprising the University College Council and the University Management Board.

o) Principal Activities

The principal activity of CUCK continues to be the provision of Co-operative Education, Business, and Information Technology and related Disciplines for various stakeholders including the Co-operative movement and the Government. CUCK serves as a Centre of academic excellence in the Co-operative Movement in Kenya, together with other mandates as stipulated in Legal Notice No. 161 of 4th November 2011.

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

3.Grants	2015-2016	2014-2015
	Shs	Shs
Unconditional grants		
Government of Kenya	261,542,861	265,362,500
	<u>261,542,861</u>	<u>265,362,500</u>
Conditional grants		
Other organizational grants	10,778,214	1,127,717
	<u>10,778,214</u>	<u>1,127,717</u>
Total government grants and subsidies	<u>272,321,075</u>	<u>266,490,217</u>

The decrease in government grant from Ksh. 265,362,500 to Ksh. 261,542,861 is due to the Ministry of Education reducing the recurrent grant for the months of May and June 2016

4.Tuition Fees	2015-2016	2014-2015
	Shs	Shs
Main Campus	192,825,430	164,130,621
Nairobi Town Campus	46,109,519	49,178,728
Meru Campus	16,554,556	17,727,594
Mombasa Campus	7,549,081	1,901,061
Students Fees Refund	(5,020,342)	(1,112,593)
Total revenue from Tuition fees	<u>258,018,244</u>	<u>231,825,411</u>

5. Co-operative Retreat & Conference Centre

	2015-2016	2014-2015
	Shs	Shs
Sales from CR&CC	38,675,875	34,194,863
Total from CR&CC	<u>38,675,875</u>	<u>34,194,863</u>

6.Rental revenue from facilities

	2015-2016	2014-2015
	Shs	Shs
Rent Income	2,127,600	2,206,277
Total rentals	<u>2,127,600</u>	<u>2,206,277</u>

The decrease in rental income was due to the conversion of staff houses to offices.

7.Other income

	2015-2016	2014-2015
	Shs	Shs
Catering	7,701,096	7,657,005
Dispensary	70,558	,871
Dividends	-	300,000
Water and Electricity	478,696	396,034
Decrease in Provision for Bad debts	1,620,000	-
Staff Laptop/Tablet Revolving Fund	47,250	2,940,525
Donations	574,550	-
Sale of Farm Produce	114,080	-
Miscellaneous Income	2,287,250	-
Total other income	<u>12,893,480</u>	<u>11,387,435</u>

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

8.Employee costs	2015-2016	2014-2015
	Shs	Shs
Basic Salaries	136,647,999	111,856,065
Casual workers	6,356,716	9,205,192
Part time teaching	34,831,567	35,667,762
Gratuity	8,497,678	8,452,511
Pension	18,850,385	11,725,209
House to Office allowance	29,312,775	26,288,280
Other personnel allowances	44,395,168	36,618,227
Group life insurance	-	1,479,953
Leave allowance	2,059,720	1,678,295
New recruits, passage & Baggage	53,570	389,076
House allowances	83,285,365	73,203,912
Employee costs	364,290,943	316,564,482

9.Board Expenses	2015-2016	2014-2015
	Shs	Shs
Sitting Allowance	4,164,200	4,993,528
Travelling Allowance	582,135	1,026,867
Night outs	1,643,350	1,000,984
Chairperson's Honoraria	1,105,000	1,020,000
Total Board Expenses	7,494,685	8,041,379

10.Depreciation and amortization expense	2015-2016	2014-2015
	Shs	Shs
Property, plant and equipment	28,398,838	28,418,061
Total depreciation and amortization	28,398,838	28,418,061

11.Repairs and maintenance	2015-2016	2014-2015
	Shs	Shs
Motor Vehicle repairs	2,811,307	8,044,697
Maintenance of Sewerage and water	757,314	1,460,288
Maintenance of Buildings and station	18,975,261	16,964,961
Maintenance of roads/grounds	703,676	20,000
Maintenance of computers/printer	3,701,883	1,060,629
Maintenance of plant & equipment	3,313,440	907,718
Total repairs and maintenance	30,262,881	28,458,293

12. The following are included in general expenses:

	2015-2016	2014-2015
	Shs	Shs
Central Services		
Electricity expenses	9,452,749	12,273,088
Water expenses	2,013,628	1,117,186
Vehicle licenses & insurance	2,103,262	1,168,873
Vehicle fuel and oil	4,979,841	3,214,555

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Publishing & Printing	1,403,543	604,306
Advertising and Publicity	8,662,188	18,517,326
Telephone expenses	835,490	853,396
Postal & Courier services	245,588	239,367
Purchase of uniforms	44,005	745,212
Conferences/workshops and seminars	3,082,085	2,039,751
Purchase of Drugs	2,865,994	1,662,438
Medical scheme	19,065,598	8,944,383
Student group personal accident	2,163,720	-
Staff group personal accident	-	1,843,908
Contracted professional services	6,221,253	3,889,793
Catering cost	36,794,383	34,374,499
Cleaning materials	4,182,286	3,791,315
Set up of ICT infrastructure	4,542,381	-
External travelling	2,513,810	2,351,615
Gas and fuel	6,033,423	5,245,133
Training expenses/Staff training	1,318,598	2,870,179
Subscription to professional bodies	715,859	409,000
Utensils & crockery	621,228	32,845
Performance Contract	1,646,310	883,490
Booked meals for staff	64,420	1,579,250
Newspapers	740,380	581,550
Internet services	5,374,683	2,483,964
Stationery & stores	3,137,723	6,346,733
ISO certification & maintenance	106,500	1,901,400
Staff welfare	3,426,000	3,074,260
Fumigation services	180,380	77,000
Corporate social responsibility	734,347	369,400
Generator expenses	729,290	1,110,786
Purchase of production materials	1,547,497	1,280,448
Rent & rates	20,553,009	15,993,718
Staff Laptop/Tablet Revolving Fund	-	3,437,407
Students Welfare		-
Inter university games	2,570,650	1,821,487
Students work-study programme	62,000	37,400
Sports equipment	776,890	803,326
Academic Costs		-
Study tours	1,807,470	3,633,155
Library books/e-library/journals	3,001,638	1,347,811
Research, production & extension	5,336,265	3,144,371
Curriculum Development	781,006	150,000
Alumni association	-	-
Examination expenses	1,250,309	,171,316
Graduation expenses	5,119,989	2,928,897
Charter Award Ceremony	556,440	1,770,504
Administrative Costs		-
Bank charges/interest	1,526,858	1,310,045
Travelling and accommodation	9,457,952	6,793,682
Official Entertainment	244,840	298,472

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Task Force/Facilitation Allowances	5,018,155	5,517,365
Firefighting equipment	168,548	-
Sports facilities	504,850	66,750
General insurance	230,007	9,000
Debts written off	1,620,000	481,703
Shows & Exhibitions	1,815,832	779,870
CR&CC Rebates	730,317	358,153
Accreditation Fees	-	159,005
Leadership for change	171,000	433,747
Students Fee Waivers	425,600	-
Street lighting	131,360	-
Total general expenses	201,409,427	178,323,632

13. Cash and cash equivalents

	2015-2016	2014-2015
	Shs	Shs
Standard Chartered bank	2,250,676	16,396,154
Co-operative bank Current A/c	12,279,167	1,226,670
Co-operative bank Fees deposit A/c	7,115,843	2,124,555
Co-operative bank Collateral A/c	4,507,360	4,507,360
Co-operative bank Leadership for change project A/c	6,365,507	1,457,538
Collections account	264,203	-
Cash-on-hand	320,457	380,587
Total cash and cash equivalents	33,103,213	26,092,863

14.Receivables from exchange transactions

	2015-2016	2014-2015
	Shs	Shs
Current receivables		
(a) Student debtors	48,720,566	44,035,597
Seminar debtors	18,845,081	10,342,862
Imprest outstanding	-	163,500
Tablet/Laptop Debts Outstanding	373,475	1,161,510
Deposits with suppliers	5,013,272	5,013,272
Advance rent	1,049,680	2,669,680
Rent & water bills outstanding	1,613,629	1,611,500
ICD Debtors	4,581,304	-
Unreconciled Receipts & Payments	5,125,347	5,125,347
(b) Less: Provision for Bad Debts	(687,953)	(2,173,202)
Total receivables	84,634,401	67,950,066

a) Fees outstanding are balances for students of Main Campus, Town Campus, Meru Campus and Mombasa Campus.

b) Movement in provisions for bad debts relate to Cooperative Retreat & Conference Centre Debtors and provision for Advance Rent paid for Meru Campus.

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

b) Movement in provisions for Bad Debts	2015-2016	2014-2015
	Shs	Shs
Balance at the beginning of the year	2,173,202	553,202
Provision for the year	134,751	1,620,000
Written off in the year	(1,620,000)	-
Balance as at 30 June	687,953	2,173,202

15. Receivables from Non-exchange Transactions	2015-2016	2014-2015
	Shs	Shs
Current receivables		
Salary advances outstanding	2,067,326	230,260
Total current receivables	2,067,326	230,260

16. Inventories	2015-2016	2014-2015
	Shs	Shs
Dry & perishable foods	294,392	232,773
Production materials	580,001	-
General stationery	286,980	1,375,380
Cleaning materials	607,423	380,040
Electrical & hardware	200,347	-
Drugs	-	558,712
Water chemicals	185,645	-
Total inventories	2,154,788	2,546,905

17. Investments	2015-2016	2014-2015
	Shs	Shs
Agri. And Co-operative Training and Consultancy Services	2,825,530	2,825,530
Total investments	2,825,530	2,825,530

The investment in ATC which is a Company owned by the Co-operative University College of Kenya and registered under Certificate No. 142828 was as at 30th June 2007 worth Kshs. 2,825,530, which was capital injected by Donor Partners through the University College, and in these financial statements has been treated as balance carried down.

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

18. Property, Plant & Equipment

	<u>LAND</u>	<u>BUILDING</u>	<u>PLANT & EQUIPMENT</u>	<u>FURNITURE & FITTING</u>	<u>COMPUTER & ACCESSORIES</u>	<u>MOTOR VEHICLES</u>	<u>TOOLS</u>	<u>OFFICE EQU</u>	<u>TEL. EQU</u>	<u>KITCHEN</u>	<u>TOTAL</u>
	99 YRS	2.5%	10.0%	12.5%	30%	25%	10%	12.5%	20%	10%	
VALUATION AS AT 01/07/2015	1,766,664,000	596,298,380	800,100	28,433,150	10,833,767	21,301,600	13,299,964	2,904,000	1,198,190	3,081,905	2,444,815,056
ADDITIONS IN THE PERIOD	-	1,607,200	2,573,346	7,436,460	5,681,323	450,000	186,500	529,350	320,628	534,200	19,319,007
DISPOSALS	-	-	(10,000)	(31,000)	(35,000)	-	(79,420)	(37,000)	(500)	(30,000)	(222,920)
AS AT 30/6/2016	<u>1,766,664,000</u>	<u>597,905,580</u>	<u>3,363,446</u>	<u>35,838,610</u>	<u>16,480,090</u>	<u>21,751,600</u>	<u>13,407,044</u>	<u>3,396,350</u>	<u>1,518,318</u>	<u>3,586,105</u>	<u>2,463,911,143</u>
DEPRECIATION											
AS AT 30/6/2015	-	18,435,223	92,723	4,026,964	3,448,423	6,037,900	5,241,032	441,750	269,966	349,771	38,343,750
CHARGE FOR THE PERIOD	-	14,486,759	327,195	3,977,046	3,913,201	3,928,425	822,487	370,030	249,694	324,001	28,398,838
DEPRECIATION ON DISPOSAL	-	-	(1,225)	(4,723)	(12,338)	-	(58,857)	(5,637)	(120)	(3,675)	(86,574)
AS AT 30/6/2016	=	<u>32,921,982</u>	<u>418,692</u>	<u>7,999,287</u>	<u>7,349,287</u>	<u>9,966,325</u>	<u>6,004,662</u>	<u>806,143</u>	<u>519,540</u>	<u>670,096</u>	<u>66,656,014</u>
Net Book Value AS AT 30- 6- 2016	<u>1,766,664,000</u>	<u>564,983,598</u>	<u>2,944,754</u>	<u>27,839,323</u>	<u>9,130,803</u>	<u>11,785,275</u>	<u>7,402,382</u>	<u>2,590,207</u>	<u>998,778</u>	<u>2,916,009</u>	<u>2,397,255,129</u>
Net Book Value AS AT 30- 6- 2015	<u>1,766,664,000</u>	<u>577,863,157</u>	<u>707,378</u>	<u>24,406,186</u>	<u>7,385,344</u>	<u>15,263,700</u>	<u>8,058,932</u>	<u>2,462,250</u>	<u>928,224</u>	<u>2,732,135</u>	<u>2,406,471,306</u>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

2015

	<u>LAND</u>	<u>BUILDING</u>	<u>PLANT & EQUIPMENT</u>	<u>FURNITURE & FITTING</u>	<u>COMPUTER & ACCESSORIES</u>	<u>MOTOR VEHICLES</u>	<u>TOOLS</u>	<u>OFFICE EQU</u>	<u>TEL. EQU</u>	<u>KITCHEN</u>	<u>TOTAL</u>
	99 YRS	2.5%	10.0%	12.5%	30%	25%	10%	12.5%	20%	10%	
VALUATION AS AT 01/07/2014	1,766,664,000	578,915,000	565,000	17,291,700	3,777,000	15,200,000	13,299,964	2,880,000	758,200	1,848,000	2,401,198,864
ADDITIONS IN THE PERIOD	-	6,687,222	235,100	11,141,450	7,056,767	6,101,600	-	24,000	439,990	1,233,905	32,920,034
TRANSFERS	-	10,696,158	-	-	-	-	-	-	-	-	10,696,158
AS AT 30/6/2015	<u>1,766,664,000</u>	<u>596,298,380</u>	<u>800,100</u>	<u>28,433,150</u>	<u>10,833,767</u>	<u>21,301,600</u>	<u>13,299,964</u>	<u>2,904,000</u>	<u>1,198,190</u>	<u>3,081,905</u>	<u>2,444,815,056</u>
DEPRECIATION											
AS AT 30/6/2014	-	3,618,219	14,125	540,366	283,275	950,000	4,345,595	90,000	37,910	46,200	9,925,689
CHARGE FOR THE PERIOD	-	14,817,004	78,598	3,486,598	3,165,148	5,087,900	895,437	351,750	232,056	303,571	28,418,061
AS AT 30/6/2015	=	<u>18,435,223</u>	<u>92,723</u>	<u>4,026,964</u>	<u>3,448,423</u>	<u>6,037,900</u>	<u>5,241,032</u>	<u>441,750</u>	<u>269,966</u>	<u>349,771</u>	<u>38,343,750</u>
Net Book Value AS AT 30- 6-2015	<u>1,766,664,000</u>	<u>577,863,157</u>	<u>707,378</u>	<u>24,406,186</u>	<u>7,385,344</u>	<u>15,263,700</u>	<u>8,058,932</u>	<u>2,462,250</u>	<u>928,224</u>	<u>2,732,135</u>	<u>2,406,471,306</u>
Net Book Value AS AT 30- 6-2014	<u>1,766,664,000</u>	<u>575,296,781</u>	<u>550,875</u>	<u>16,751,334</u>	<u>3,493,725</u>	<u>14,250,000</u>	<u>8,954,369</u>	<u>2,790,000</u>	<u>720,290</u>	<u>1,801,800</u>	<u>2,391,273,175</u>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

18 (b). Disposal of Property, Plant & Equipment

	2015-2016 Shs	2014-2015 Shs
Cost as at 1st July 2015	222,920	-
Accumulated depreciation as at 1st July 2015	(86,574)	-
Net book value of disposals	136,346	-
Disposal Proceeds	(105,033)	-
Loss on disposal	31,313	-

Revaluation of Property Plant and Equipment

On April^{1st}2014, the University College's Property, Plant and Equipment were revalued (from historic cost to fair value). This has resulted in a revaluation surplus in some classes of Property, Plant and Equipment, leading to a revaluation Surplus Reserve. Other classes of Property, Plant and Equipment have had a Revaluation Loss which has been reflected in the statement of financial performance. The fair value has been determined by an independent valuation by Kenval Realtors (EA) Limited. The basis of revaluation was the Open Market Value.

19. Work In Progress	BAL B/F	<u>ADDITIONS</u>	<u>TRANSFERS</u>	TOTAL
a) MIS	10,149,798	-	-	10,149,798
b) Set up of ICT				
Infrastructure	20,253,629	2,818,800	-	23,072,429
Borehole	-	156,600	-	156,600
Lecture Theatre	170,368,196	65,775,298	-	236,143,494
Balance carried down	200,771,623	68,750,698	-	269,522,321

The MIS of Ksh. 10,149,798 is for acquisition of Integrated Management Information System (MIS) software and licenses which has not been depreciated as the project is not complete.

- a) The Set up of ICT Infrastructure is for the laying of fibre cable backbone, structured network system and acquisition of Enterprise Resource Planning (ERP) software. The project has not been depreciated as the project is not complete.

20. Trade and other payables from exchange transactions

	2015-2016 Shs	2014-2015 Shs
Trade payables	47,553,981	35,314,538
Unidentified Bankings	10,543,957	7,957,422
Unallocated Bursaries	1,319,497	-
Payroll Liabilities	10,414,799	-
Audit Fees	580,000	500,000
Total trade and other payables	70,412,234	43,771,960

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

21. Trade and other payables from non-exchange transactions

	2015-2016	2014-2015
	Shs	Shs
Construction of Lecture Theatres 3	24,527,918	19,048,373
Total development payables	24,527,918	19,048,373

Payables from Non-Exchange Transactions relate to capital project which has been contracted, approved, certificate issued, but not yet settled.

22. Capital Fund

	2015-2016	2014-2015
	Shs	Shs
At start of Year	839,585,432	692,698,765
Development Funds Received	100,536,150	146,886,667
Surplus/(Deficit) for the Year	-	-
At end of the Year	940,121,582	839,585,432

This fund is composed of development grants sourced from the Government and Development Partners, which are used in capital projects by the Co-operative University College of Kenya. The Co-operative University College of Kenya recognizes any expenditure incurred of a capital nature and those funds are transferred to the capital fund upon incurring such expenditure.

23. Revaluation Reserve

	2015-2016	2014-2015
	Shs	Shs
At start of Year	1,906,852,529	1,906,852,529
a) Additions in the Year	450,000	-
b) Excess Depreciation on Revaluation	(13,799,242)	-
At end of the Year	1,893,503,287	1,906,852,529

a) Additions in the Year. This refers to a motor vehicle which was revalued together with the other assets in the class, but whose revaluation surplus had not been captured in the revaluation reserve

b) Excess depreciation on Revaluation: This refers to the excess depreciation raised as a result of revaluation of the assets.

24. Accumulated Deficits

	2015-2016	2014-2015
	Shs	Shs
At start of Year	(102,369,742)	(86,548,099)
Excess Depreciation on Revaluation	13,799,242	-
Surplus/(Deficit) for the Year	(48,431,813)	(15,821,643)
At end of the Year	(137,002,313)	(102,369,742)

Excess depreciation on Revaluation: This refers to the excess depreciation raised as a result of revaluation of the assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

25. Financial Risk Management Disclosure.

The institution is exposed to certain liquidity and credit risks. The institution does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations.

The institution's accounts receivable is almost exclusively from its operations with its students and therefore risks related to credit are considered minor. A provision has been made against asset value of accounts receivables relating to Cooperative Retreat and Conference Centre to reflect receivables for which payment is not anticipated in the short-term.

26. Contingent Liability Disclosure.

The contractor to the management information system project which has been under arbitration was awarded Ksh. 45,124,339 as damages by the Arbitrator. The University College Management appealed to the High Court of Kenya and the decision of the High Court was in favour to the University College. The contractor has indicated that he intends to go to the Court of Appeal.

27. Employees.

The University College has 292 members of staff composed of two hundred and thirty two (232) Permanent and Pensionable, twenty eight (28) on Contract, and thirty two (32) Casuals. The University College transferred its unfunded pensionable from the Government of Kenya and now has its own defined contribution scheme.

28. Financial Performance.

The University College registered a deficit of Kshs.48,431,813 for the financial year 2015/2016, leading to an accumulated deficit of Kshs. 137,002,313. This was primarily due to a strategic decision to increase operating and employee costs as the University College put in structures towards the award of the university charter. The University College Council has put in strategies and performance targets to reverse the trend in the 2016/2017 financial year. These include the launch of new programs, reduction of part-time teaching costs, and development of funding proposals, activation of the research division and generation of new revenue streams.

29. Reporting Currency.

The University College's Principal activities are carried out in the Republic of Kenya and the Accounts are reported in Kenya Shillings.

30. Events after the Reporting Period.

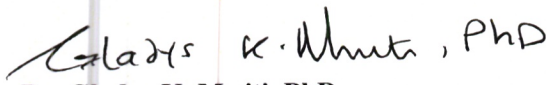
There are no material non adjusting events after the reporting date.

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XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR 2014/2015 FINANCIAL YEAR

The following is the summary of issues raised by the External Auditor, and Management comments that were provided to the Auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status:	Timeframe:
Receivables from Exchange Transactions of Ksh. 1,620,000	This amount has been written off in the financial year 2015-2016.	PRINCIPAL	Resolved.	2015-2016 Financial Year
Work in Progress of Ksh. 10,149,798 for a Management Information Systems (MIS) project.	This has been as a result of an MIS project which was abandoned by the contractor. The issue has been under arbitration and CUCK won the case at the High Court.	PRINCIPAL	To be resolved in the 2016-2017 Financial Year by writing off the Work in Progress	2016 – 2017 Financial Year.


Dr. Gladys K. Mwiti, PhD
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA COUNCIL


Prof. Kamau Ngamau
PRINCIPAL, THE CO-OPERATIVE UNIVERSITY
COLLEGE OF KENYA



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