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**THE AUDITOR-GENERAL**


**ON**

**CO-OPERATIVE UNIVERSITY OF KENYA**

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





 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
<b>DATE:</b> 02 MAR 2021	<b>DAY.</b>
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# **THE CO-OPERATIVE UNIVERSITY OF KENYA**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2019**

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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 OF KENYA

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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background Information

The Co-operative University of Kenya (CUK) is a chartered public university established by the Kenyan Government under the Universities Act No. 42 of 2012 and the Co-operative University of Kenya Charter of 7<sup>th</sup> October 2016. It replaced the former Co-operative University College of Kenya earlier established under legal notice No. 161 of 4<sup>th</sup> November 2011 as a Constituent University College of Jomo Kenyatta University of Agriculture and Technology Act (Cap 210E). Since award of charter the University has been a leading institution for co-operative education, training and research at both national and international level.

During the financial year ending 30 June 2019, CUK had a student population of 8084 students comprising of: 6155 – Main Campus; 1295 – Nairobi CBD Campus; 329 – Meru Campus; 298 – Mombasa Campus, and 7 – Distance and E-Learning. The University has staff population of 291 composed of 232 Permanent and Pensionable and 59 on contract. This comprises 60 Academic members of staff and 231 Non-teaching members of staff.

### (b) Principal Activities.

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

### (c) Key Management.

CUK's day-to-day management is under the Vice-Chancellor who is supported by the University Management Board (UMB)

### (d) Fiduciary Management.

The key management personnel who held office during the year ended 30 June, 2018 and who had direct fiduciary responsibility were:

Prof. Kamau Ngamau	-	Vice Chancellor
Prof. Emily Achieng' Akuno	-	Deputy Vice Chancellor, Academic Affairs
Prof. Esther N. Gicheru (Mrs) OGW	-	Deputy Vice Chancellor, Finance, Planning and Administration
Prof. Isaac K. Nyamongo	-	Deputy Vice Chancellor, Co-operative Development, Research and Innovation
CPA Maxwel Nyaga	-	Finance officer
Mr David Otiende	-	Registrar, Academic Affairs
Mr Chris Kathoka	-	Registrar, Finance, Planning and Administration
CHRP Anne Jemimma Mmata	-	Ag. Principal Human Resource Manager
Dr. Lucinda Mugaa	-	Ag. Dean of Students
Dr. Lydia Mutua	-	Ag. Deputy Registrar, Co-operative Development, Research and Innovation



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### (e) Fiduciary Oversight Arrangements

The University's key fiduciary oversight arrangements have been carried out by the following University Council Committees:

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

### (f) Entity Headquarters

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

### (g) Entity Contacts

P. O. Box 24814 – 00502  
KAREN NAIROBI  
Tel. 020 8891401/3/4  
Wireless: 020 2430127  
020 2679456  
Mobile. 0724311606  
Fax: 020 8891410  
E-mail: [vc@cuk.ac.ke](mailto:vc@cuk.ac.ke)  
Website: [www.cuk.ac.ke](http://www.cuk.ac.ke)

### (h) 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.



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3. Equity Bank (Kenya) Limited  
Karen Supreme Branch  
P O Box 75104 - 00200  
NAIROBI.

**(i) Independent Auditors**

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

**(j) Principal Legal Advisers**

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](mailto: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](mailto:jnnamasake@yahoo.com)  
+254202210297  
+254722802222  
+254735092256



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## II. THE UNIVERSITY COUNCIL

Name	Profile & Work Experience
 <p data-bbox="150 1041 383 1108">Dr. Ibrahim M. Ali DOB; 1959</p>	<ul style="list-style-type: none"> <li>• Chairperson – The Co-operative University of Kenya Council.</li> <li>• National Coordinator &amp; CEO – Wildlife Clubs of Kenya.</li> <li>• Trustee – Kenya Conservation Trust (KCT).</li> <li>• National Programme Manager – FAO’s Food Security Assessment Unit.</li> <li>• Director – African Conservation Centre (ACC).</li> <li>• Director – Centre for Tourism Training &amp; Research.</li> <li>• Doctor of Philosophy – University of East Anglia, Norwich, U.K.</li> <li>• Master Degree – University of East Anglia, Norwich, U.K.</li> <li>• Bachelors, Education (Chemistry) – University of Exeter, Exeter, U.K.</li> <li>• S1 (Phy/Chem) – Kenya Science Teachers College.</li> </ul>
 <p data-bbox="153 1695 406 1762">Ms. Anne Chepkorir DOB; 1966</p>	<ul style="list-style-type: none"> <li>• Council Member – The Co-operative University of Kenya.</li> <li>• Founder and Director – Suluhisho Afrika Trust.</li> <li>• Board member – Kipkeino Foundation.</li> <li>• Treasurer – LCC Ladies Group</li> <li>• Head of Business Support and Corporate Recoveries – Barclays Bank of Kenya.</li> <li>• MBA, Strategic Management – The University of Nairobi.</li> <li>• Bachelor of Commerce, Business Administration– The University of Nairobi.</li> <li>• Advanced Commercial Lending – IFS School of Finance</li> <li>• Associate of Chartered Institute of Bankers (ACIB) – Institute of Financial Services (UK).</li> </ul>



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Mr. Anthony Milimu Lubulellah  
DOB; 1957

- Council Member – The Co-operative University of Kenya.
- Managing Partner – Lubulellah & Associates Advocates.
- Commissioner of Oaths & Notary Public.
- Member – The Law Society of Kenya and East African Law Society.
- Member – The Institute of Certified Public Secretaries of Kenya.
- Member and Fellow – The Chartered Institute of Arbitrators, Kenya.
- Master of Laws (LLM), International Trade and Investments Law – The University of Nairobi.
- Postgraduate Diploma – Kenya School of Law.
- Bachelor of Laws (LLB) – The University of Nairobi.



Mr. Peter Kariuki Gathirwa  
DOB; 1967

- Council Member – The Co-operative University of Kenya.
- Chief Executive Officer (C.E.O) – Maika Investment.
- Chairman – Presbyterian Church of East Africa (P.C.E.A) Soy church, Soy Parish, Eldoret presbytery.
- Chairman Board of management – Sugoi Secondary School.
- Board member – Soy Township Academy.
- Chairman – P.C.E.A Parish Development Committee.
- Treasurer – Soy Developers Company.
- MBA, Strategic Management – Mount Kenya University.
- Bachelors of Commerce, Business Administration – The University Of Nairobi.
- Certificate in Government Financial Management and Cycle – Kenya Institute of Administration.



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## THE CO-OPERATIVE UNIVERSITY OF KENYA



Mr. Patrick L.M. Musyimi, HSC  
DOB; 1955

- Council Member – The Co-operative University of Kenya.
- Commissioner for Cooperative Development (Retired) – Ministry of Cooperative Development & Marketing
- Board Member – Kyevaluki Secondary School.
- Master Degree, Entrepreneurship – The Jomo Kenyatta University of Agriculture and Technology.
- Bachelor of Science, Agriculture – The University of Nairobi.



Ms. Elizabeth Layla Kimkung  
DOB; 1968

- Council Member – The Co-operative University of Kenya.
- General Manager (Administration, Legal and Corporate Affairs) – Freight Forwarders Kenya Limited.
- Board Member – Kenya Institute of the Blind.
- Chair-person – Governor's Christmas Tree Fund Nairobi County.
- Executive Chairperson (Founder) – Langata Kibera Foundation.
- Vice Chair-person – Nairobi County Liquor Licensing Board.
- Transport Committee member – Kenya Private Sector Alliance.
- Member – Kenya Girl Guides (Fundraising Committee).
- Member – Kenya Ladies Golf Union.
- Member – Rotary Club of Nairobi.
- Masters of Law (LLM) – University of Nairobi.
- Master of Business Administration – United States International University.
- Bachelors of Law (LLB) – University of Nairobi.
- Bachelor of Arts in International Business Administration – United States International University.



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Mr. John Ololtuaa  
 DOB; 1967  
 Representing the Principal Secretary – State  
 Department for University Education.

- Council Member – The Co-operative University of Kenya.
- Regional Coordinator of Education, Nairobi– Ministry of Education.
- Formerly, Regional Coordinator of Education, Eastern Region; County Transition Coordinator, Narok County; County director of education Bomet and Kajiado Counties; District Education Officer Suba, Mbita and Bomet Districts.
- Masters, Education administration– Kenyatta University
- Bachelor of Arts, Education – Kenyatta University.



CPA. Patrick Abachi  
 DOB; 1965  
 Representing the Principal Secretary – The  
 National Treasury.

- Council Member – The Co-operative University 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, Commerce – The Masinde Muliro University Science and Technology.
- Certified Public Accountant CPA (K).



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## THE CO-OPERATIVE UNIVERSITY OF KENYA



Mr. David K. Obonyo  
 DOB; 1966  
 Representing the Principal Secretary – State  
 Department of Co-operatives, Ministry of  
 Industry, Trade and Co-operatives.

- Council Member- The Co-operative University of Kenya.
- Deputy Commissioner for Co-operative Development – Ministry of Industry, Trade and Co-operatives.
- Ag. Secretary, Ethics Commission for Co-operative Societies – Ministry of Industry, Trade and Cooperatives.
- Masters of Arts, Rural Economics and Co-operation – Bundelkhand University, India.
- Bachelor of Arts, Economics, Sociology and Political Science – Agra University, India.



Prof. Kamau Ngamau  
 DOB; 1966  
 • Vice Chancellor.


- Secretary – The Co-operative University of Kenya Council.
- Vice Chancellor – The Co-operative University of Kenya.
- Full Professor, Horticulture – The Jomo Kenyatta University of Agriculture and Technology.
- Doctor of Philosophy, Horticultural Sciences – The University of Hanover, Germany.
- 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.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## III. THE UNIVERSITY MANAGEMENT BOARD

Staff Profile	Responsibilities
 <p>Prof. Kamau Ngamau DOB; 1966</p> <ul style="list-style-type: none"> <li>• Vice Chancellor.</li> <li>• Full Professor, Horticulture – The Jomo Kenyatta University of Agriculture and Technology.</li> <li>• Doctor of Philosophy, Horticultural Sciences – The University of Hanover, Germany.</li> <li>• Master of Science, Horticulture – The University of Nairobi.</li> <li>• Masters degree, Organizational Development – United States International University, Kenya</li> <li>• Bachelor of Science, Agriculture – The University of Nairobi.</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Executive Officer; Academic and Administrative Head of the University.</li> <li>• Member of all committees appointed by Council or Senate.</li> <li>• The Secretary to the Council and an ex officio member of the Council.</li> <li>• Responsible for Policy matters, Planning, Coordination, Public Relations, Security, Audit, Fundraising and General Development of the University Policy Matters.</li> <li>• Chairperson of Senate.</li> <li>• Chairperson of Associate Professorial appointments.</li> <li>• Chairperson of the University Management Board.</li> <li>• Chairperson of the University Student Welfare Authority.</li> </ul>



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Prof. Emily Achieng' Akuno  
DOB; 1962

- Deputy Vice Chancellor, Academic Affairs.
  - Full Professor, Music – The Technical University of Kenya.
  - Doctor of Philosophy, Music – Kingston University, Surrey, UK.
  - Master of Music - North Western State University, Louisiana, USA.
  - Bachelor of Education (Arts) – Kenyatta University, Kenya.
- Head of the Academic Division of the University.
  - Provide the secretariat to the Senate and the following Committees of the Senate:
    - Board of Postgraduate Studies;
    - Deans Committee;
    - Students Welfare Committee;
    - Students Disciplinary Committee;
    - Library Advisory Committee;
  - The returning officer for the election of Deans of Faculties.
  - Provide the secretariat for the Honorary Degrees Committee of Council.
  - 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 Training Committee.



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## THE CO-OPERATIVE UNIVERSITY OF KENYA



Prof. Esther N. Gicheru (Mrs) OGW  
DOB; 1952

- Deputy Vice Chancellor Finance, Planning and Administration.
  - Associate Professor in Cooperative Management and Organization Development – The Co-operative University of Kenya.
  - Doctor of Philosophy, Organization Development and Transformation – Cebu Doctors' University, the Philippines.
  - Masters Degree, Co-operative Management and Organization Development – Leicester University, United Kingdom.
  - Bachelor of Science, Agriculture – The University of Nairobi.
  - Diploma in Counselling Psychology – Tangaza University College.
- Head of Finance, Planning and Administration Division and is responsible for management of human, physical, financial resources; administrative, infrastructural and development matters which has the following responsibilities:
    - Staff Recruitment;
    - Training of Administrative Staff;
    - Promotions and Discipline;
    - Personnel Administration;
    - Financial Administration;
    - Coordination of All Income Generating Units;
    - Procurement Services;
    - Health Services;
    - Registry Administration;
    - Legal Matters;
    - Transport;
    - ICT and Central Services.
  - Provides the secretariat for the Council and the following Committees:
    - 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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## THE CO-OPERATIVE UNIVERSITY OF KENYA



Prof. Isaac K. Nyamongo  
DOB; 1963



- Deputy Vice Chancellor (Cooperative Development, Research and Innovation).
- Full Professor, Anthropology – The University of Nairobi.
- Doctor of Philosophy, Anthropology – University of Florida, USA.
- Master of Science, Anthropology – Punjab University, India.
- Bachelor of Science, Anthropology – Punjab University, India.

- Head of the Co-operative Development, Research, and Innovation Division which has the following responsibilities:
  - Integrating Co-operative models in rural development and transformation;
  - Coordination of Co-operative Development activities;
  - Coordination of research and extension services;
  - Coordination of workshops and seminars;
  - Coordination of short tailor-made training programmes and consultancy services for the Co-operative sector;
  - Coordination of national and international linkages with the Co-operative sector;
  - Soliciting of funds for Co-operative development, research and production;
- Provides the secretariat for the following Committees:
  - Research, innovation and incubation;
  - Linkages and partnership;
  - Community services;
  - Funding-raising;
  - Printing and publications;
  - Short courses.



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 <p>CPA Maxwel Nyaga DOB; 1974</p> <ul style="list-style-type: none"> <li>• Finance Officer.</li> <li>• PhD student Business Administration (Finance) – The Jomo Kenyatta University of Agriculture and Technology.</li> <li>• Master Degree, Business Administration – The Jomo Kenyatta University of Agriculture and Technology.</li> <li>• Master of Science, Procurement and Logistics – The Jomo Kenyatta University of Agriculture and Technology.</li> <li>• Bachelor of Science, Applied Accountancy – Oxford Brooks University, UK</li> <li>• Certified Public Accountant CPA (K).</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for the supervision and management of all administrative and operational functions of the office of the Finance Officer.</li> <li>• Develops the finance policies and procedure Manual.</li> <li>• Formulates the revenue generation and resource Mobilisation strategies for the university.</li> <li>• Is responsible for financial forecasting and planning.</li> <li>• Is responsible for Budget execution and control of Budgets.</li> <li>• Prepares regular, quarterly and annual financial reports.</li> <li>• Facilitates liaison with the National Treasury, Ministry of Education and the Auditor General on the Funding of the university.</li> <li>• Is responsible for daily approval of expenditure in the consultations with the Deputy Vice Chancellor FPA and the Vice Chancellor.</li> </ul>
 <p>Mr David Otiende DOB; 1963</p> <ul style="list-style-type: none"> <li>• Registrar Academic Affairs.</li> <li>• PhD Student – The Catholic University of Eastern Africa.</li> <li>• Master of Education, Administration – Kenyatta University.</li> <li>• Bachelor of Education, Arts – Kenyatta University.</li> </ul>	<ul style="list-style-type: none"> <li>• Serves as the secretary to the Senate, senate committees and custodian of Senate minutes;</li> <li>• Management of all academic records;</li> <li>• Academic planning including time tabling, use of classrooms and other academic facilities;</li> <li>• Supervises the process of graduation ceremony;</li> <li>• Interprets and enforces policies and regulations of the University touching on academic matters.</li> </ul>



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## THE CO-OPERATIVE UNIVERSITY OF KENYA

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



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Dr. Lucinda Mugaa

DOB; 1955

- Ag. Dean of Students
- PhD Human Resource Management – The Jomo Kenyatta University of Agriculture and Technology.
- Masters, (Sociology) Labour Management – The University of Nairobi.
- Bachelor of Science, Business Administration – United States International University, Kenya.
- Diploma, Social Work – The University of Nairobi.

- Co-ordinates student activities and welfare;
- Co-ordinates the work of hostel wardens and counsellors, sports and games, entertainment services, catering and accommodation services;
- Chairperson of the Wardens Committee;
- Acts as Returning Officer of the Students' Organisation elections;
- Provides administrative support to students' professional clubs and societies.



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Dr. Lydia N. Mutua  
DOB; 1974

- Ag. Deputy Registrar, Co-operative Development, Research and Innovation
  - Doctor of Philosophy, Disaster Management and Sustainable Development – Masinde Muliro University of Science and Technology
  - Masters in Project Planning and Management – The University of Nairobi
  - Post Graduate Diploma, Planning and Management of Development projects – The Catholic University of Eastern Africa
  - Bachelor of Arts (Economics and Sociology) – The University of Nairobi
- Is responsible to the Deputy Vice-Chancellor Co-operative Development Research and Innovation
  - Coordinates implementation policies on research, innovation and partnerships.
  - Coordinates implementation of all agreements and collaborations of the University.
  - Coordinates linkages and partnerships.
  - Coordinates dissemination of research findings and publications.
  - Is the Custodian of Research, partnerships and innovation records and policies.
  - Coordinates community development services.
  - Coordinates implementation of research ethics policies.
  - Coordinates implementation of partnerships in the university.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## IV. CHAIRPERSON'S STATEMENT

### Introduction

I am pleased to present the Annual Report and Financial Statements for The Co-operative University of Kenya for the year ended 30 June 2019. 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 reported a Gross income of **KSh 817,963,730** compared to **KSh 889,713,427** for the 2017/2018 financial year. This represents a decrease of 8% from the previous year. Tuition fees grew by KSh 92,131,027 representing 22% growth. The Council was pleased to see real successes in the recruitment of students in most of the approved programs. However, the achievements and sense of purpose which are such a source of pride must not be a source of complacency. Decreasing and stagnant Government funding in real terms cannot be without consequences. A persistent reduction in the resources available to CUK 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.

### 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, 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 Management, staff and students for dedication and commitment towards the growth of the University.

  
**Dr. Ibrahim M. Ali**

CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY OF KENYA COUNCIL



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## V. VICE CHANCELLOR'S REPORT

### Introduction and Background

It is my great pleasure to present the Annual Report and Financial Statements for the Co-operative University of Kenya (CUK) for the year ended 30th June 2019. The Co-operative University of Kenya (CUK) is a Chartered Public University in the Republic of Kenya. The institution was established by the Government of Kenya under the Universities Act 2012 and Chartered on the 7th October, 2016 by H.E. President of the Republic of Kenya and Commander of the Kenya Defense Forces, Uhuru Kenyatta. The University is a leading Centre for Quality Co-operative Education, Training, Research and Consultancy in Kenya.

The predecessor Co-operative College of Kenya was established as a body corporate through the Co-operative College of Kenya Act, Chapter 490 (A), and Revised in 1996 becoming effective on July 1st 1998. In November 2011, the College was elevated to a Constituent College of Jomo Kenyatta University of Agriculture and Technology (JKUAT) through Legal Notice No 161 of 4th November 2011. The registered offices are located at Karen, Ushirika Road, P. O. Box 24814 – 00502 Karen, Nairobi, Kenya which is the Seat of the university.

Having been awarded a university charter in the 2016/2017 financial year, the University's mandate has broadened as stated in the charter documents and university statutes. It is important to acknowledge that despite a continued national reduction in Government funding for Universities, research and teaching, 2019/2020 has been a year of strong performance for The Co-operative University of Kenya.

### Overview of the Financial Performance

Financially, the University's position remains sound, with no external borrowing; the University reported a Gross income of KSh 817,963,730 compared to KSh 889,713,427 for the 2017/2018 financial year. This represents a decrease of 8% from the previous year. Tuition fees grew by KSh 92,131,027 representing 22% growth. The University management board was upbeat to ensure success in the recruitment of students in most of the approved programs.

In the year under review, however, the achievements and sense of purpose which are such a source of pride must not be a source of complacency. Decreasing Government funding in real terms cannot be without consequences. A persistent reduction in the resources available to CUK 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.

### Compliance with Statutory Guidelines

In the year under review, CUK diligently fulfilled its entire statutory obligations and guidelines set by government agencies and commissions. The university signed a performance contract with the Ministry of Education and the same was cascaded to relevant officers and staff of the university with continuous monitoring and evaluation.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## Challenges

Over the last three years, the University has been increasing enrolment of students gradually. However, the increase in the number of students is not commensurate with Government funding. Further, implementation of the differentiated unit cost is expected to reduce the recurrent grants by KSh. 39 million as CUK moves into the new financial year. This poses a great challenge to finance the growth of the young university.

As we face these challenges, we know that we are most at risk if we ignore realities and fail to innovate. For this reason, the university is open for collaborations with key partners and stakeholders. Further the university commits to benchmark with the best in the market to learn some of the best practices not yet here.

## Appreciation

I note with appreciation that the Government of Kenya, our collaborators, and other institutions that have rendered their support during the entire financial year under review. Further, I would like to appreciate the support accorded to me by staff and students in ensuring smooth running of the CUK.

The university acknowledges the guidance of the Governing Council in ensuring the Management is kept on the move towards attainment of the set targets.



**Prof. Kamau Ngamau**

**VICE CHANCELLOR, THE CO-OPERATIVE UNIVERSITY OF KENYA**



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## 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. All other members are ex-officio members. The Governing Council is responsible for ensuring that the University 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 the University Charter of 7<sup>th</sup> October 2016 as indicated below:

- To administer the property and funds of the University in a manner and for the purpose which promotes the interest of the University.
- To receive, and on behalf of the University, donations, endowment, gifts, grants or other moneys and make disbursement there from to the University 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.
- 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.
- 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.
- To constantly review the viability and financial sustainability of the University.
- To ensure that the University complies with all the relevant laws, regulations, governance practice, accounting and auditing standards.


### Committees of the Council

During the 2018/2019 financial year, the following were the Council Committees in place

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

The Council appoints a Chairperson of each Committee. The University Council Chairperson is not a member of any other Committee.

  
**Dr. Ibrahim M. Ali**  
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY  
OF KENYA COUNCIL

  
**Prof. Kamau Ngamau**  
VICE CHANCELLOR, THE CO-OPERATIVE  
UNIVERSITY OF KENYA



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University Council acknowledges its role in the welfare of the community by participating in matters that promote the wellbeing of society. During the year under review, the University participated in the Karen Heart Run, Beyond Zero First Lady Half Marathon. The University also organized an AIDS Awareness Charity Walk that was aimed at sensitizing and creating awareness to the communities around the University on the importance of reducing the stigma associated with HIV/AIDS.



**Dr. Ibrahim M. Ali**  
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY  
OF KENYA COUNCIL



**Prof. Kamau Ngamau**  
VICE CHANCELLOR, THE CO-OPERATIVE  
UNIVERSITY OF KENYA



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## VIII. MANAGEMENT DISCUSSION AND ANALYSIS

### SECTION A

#### OPERATIONAL AND FINANCIAL PERFORMANCE

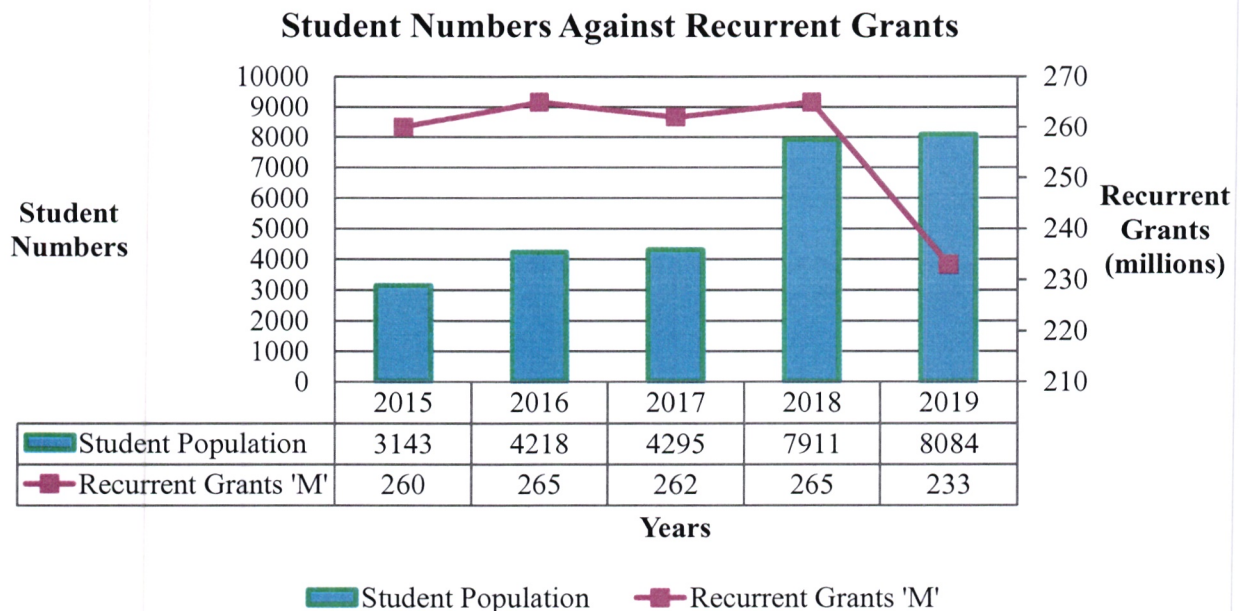
##### A) INCOME ANALYSIS:

The University registered a total of KSh 817,963,730 in gross revenue against a target of KSh 859,709,219. This represents 95% of the target revenue. In comparison to the same period in the previous financial year, CUK recorded a decrease in revenue of KSh 71,749,697 which represents a decline of 8% in gross revenue. This decrease in gross revenue is mainly due to reduction in government recurrent grants by 27 million, reduction of CRCC income by 94 million (occasioned by declining number of international conferences/events in the 2018/2019 financial year), and the CBA grants that were received from the government in the 2017/2018 financial year amounting to KSh. 66 million.

The major driver of performance was the increase in income generated from Students' fees by 92 Million as compared to a similar period in the last financial year. This has helped to offset the decreased income from government recurrent grants and CRCC

CUK registered a Surplus of KSh 2,035,855 against 2017/2018 surplus of KSh 25,563,863. This shows a decline of KSh. 23,528,008 in comparison to the same period last financial year.

Over the last 4 years, the University has managed to increase its student population, especially the government sponsored students, significantly from 3143 in 2015, to 8084 in the current period. This has led to an increase in personnel and operational costs of the University. However, despite this, government recurrent grants have remained almost constant for the same period. In the current financial year, GoK has reduced the recurrent grants by KSh. 27 million subjecting the University to further budgetary constraints as illustrated in the graphs below.



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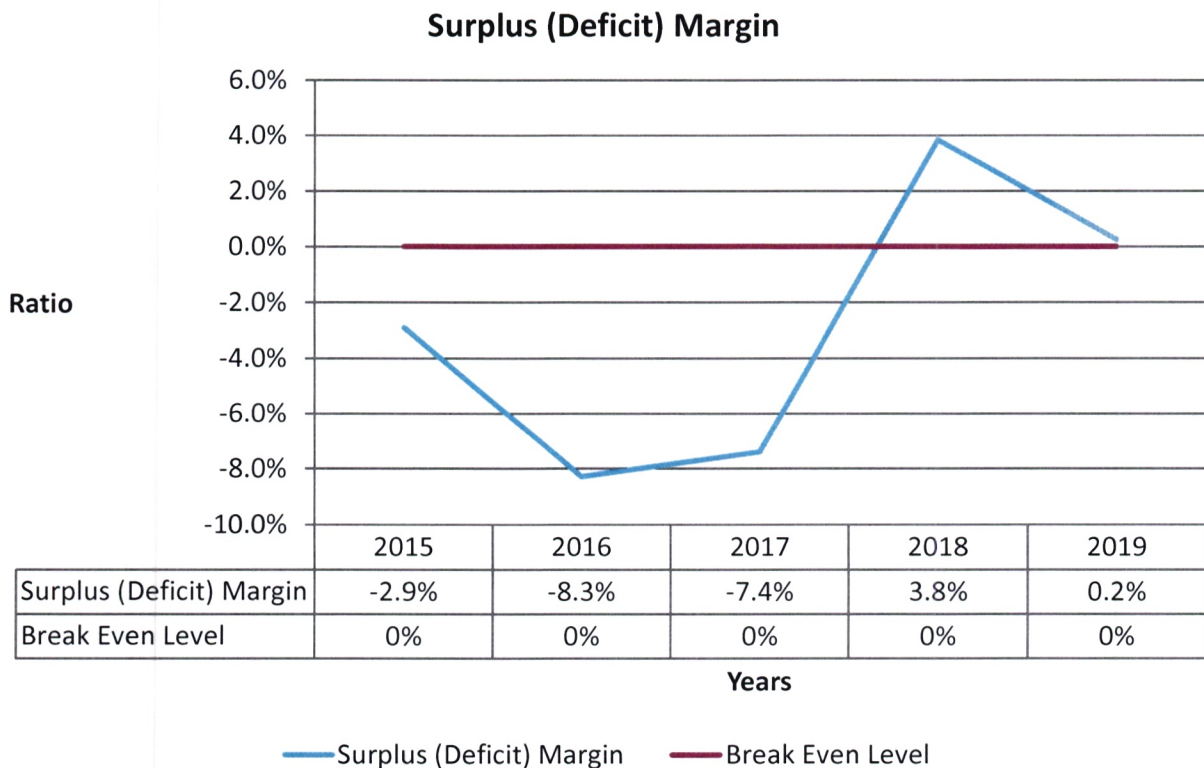
# THE CO-OPERATIVE UNIVERSITY OF KENYA

## B) EXPENDITURE ANALYSIS.

As at 30<sup>th</sup> June 2019, CUK registered total expenditure of KSh 815,927,875 against previous year's expenditure of KSh 864,244,087, a decrease by KSh 48,477,683 representing 5.6% decline in expenditure. This is mainly attributable to the high expenditure in the 2017/2018 financial year brought about by payment of the CBA arrears and outsourced accommodation services rendered while hosting the Kenya Police at the CRCC.

Employee Costs took 62% of the total income; Remuneration of Council members 1%, Depreciation and amortisation expense 3.9%, Repairs and Maintenance 2.6% and General expenses 30.1% of the total income. The employee costs took a high percentage of the total income due to an increase in the part time teaching costs by 21million and gratuity by 8 million compared to a similar period in the last financial year.

In summary, the University has managed to register a surplus of KSh 2,035,855 by implementing strict budgetary and expenditure control. Prudent financial control over the years has led to improved financial performance as shown below.



This is a measure of operational efficiency. As seen above, the University's surplus margin has dipped in the current financial year but it's still an improvement over the long run.

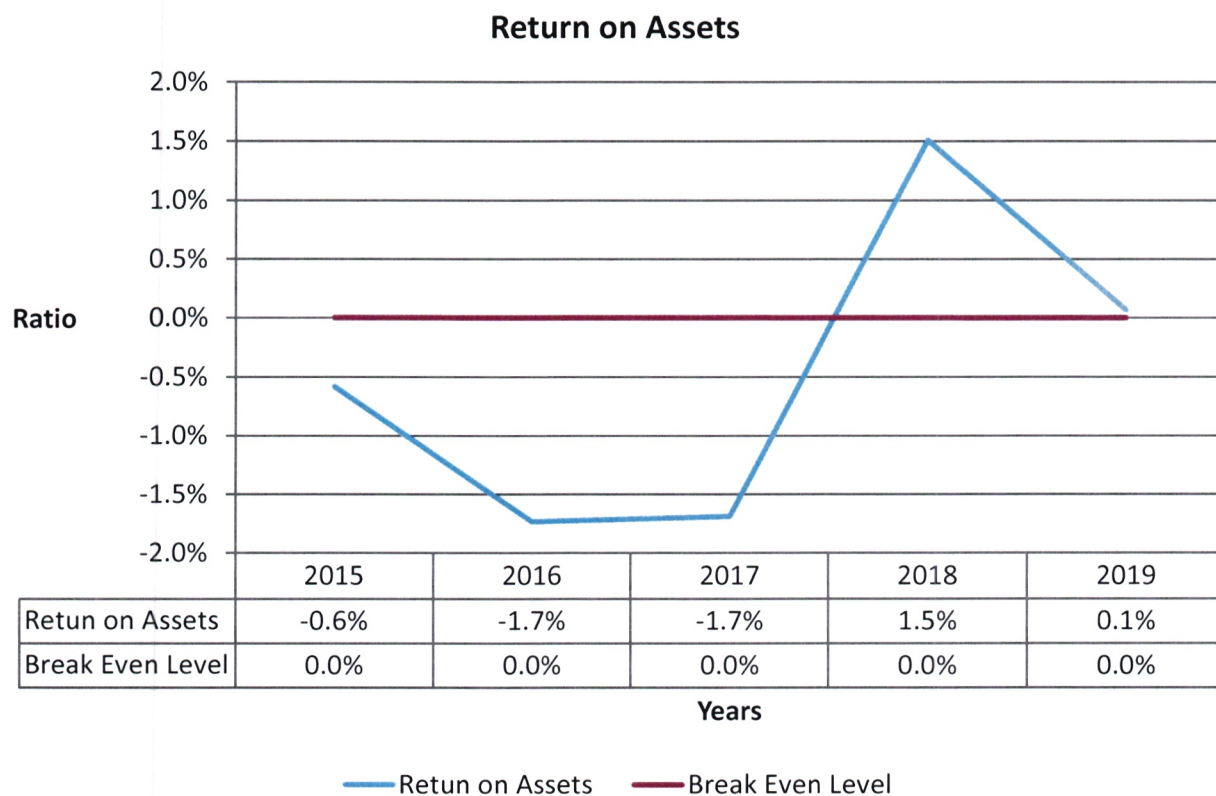


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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## C) STATEMENT OF THE FINANCIAL POSITION.

The statement of financial position indicates that the university closed the year with Total assets of KSh. 3,119,526,026. This is against KSh 2,881,481,815 registered in the financial year 2017/2018. This reflects an increase in total assets of KSh. 238,048,212. This is majorly attributed to increase in Current Assets by KSh 91,922,400 and Non Current Assets by KSh 146,125,812.



This is a measure of how profitable the University's assets are by comparing net income to the Net Assets. As can be seen above, the University's Return on Assets has improved over the past two years.



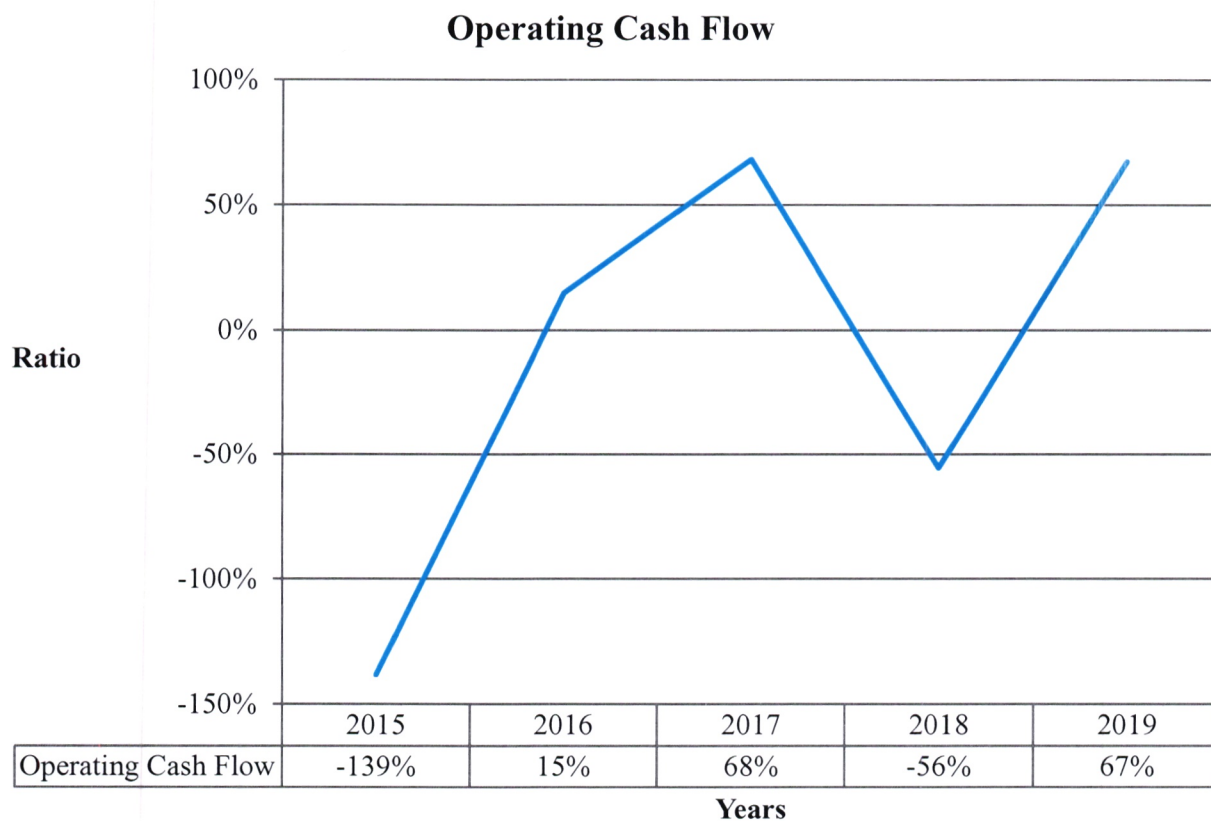
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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## D) STATEMENT OF CASHFLOWS AS AT 30 JUNE 2019.

As at 30 June 2019, the University had net cash generated from operating activities of KSh 66,470,245. This is the net amount utilized by the University to facilitate operations.

The net change in cash and cash equivalents was KSh 69,930,083 closing the year with KSh 146,898,598.



Operating cash flow ratio is cash from operating activities as a percentage of current liabilities in a given period. It is a measure of the University's liquidity.

As can be seen above, the operating cash flow is less than an ideal 100%; this means that the University has generated less cash in the period than it needs to pay off its short-term liabilities. This signals a need for more capital.

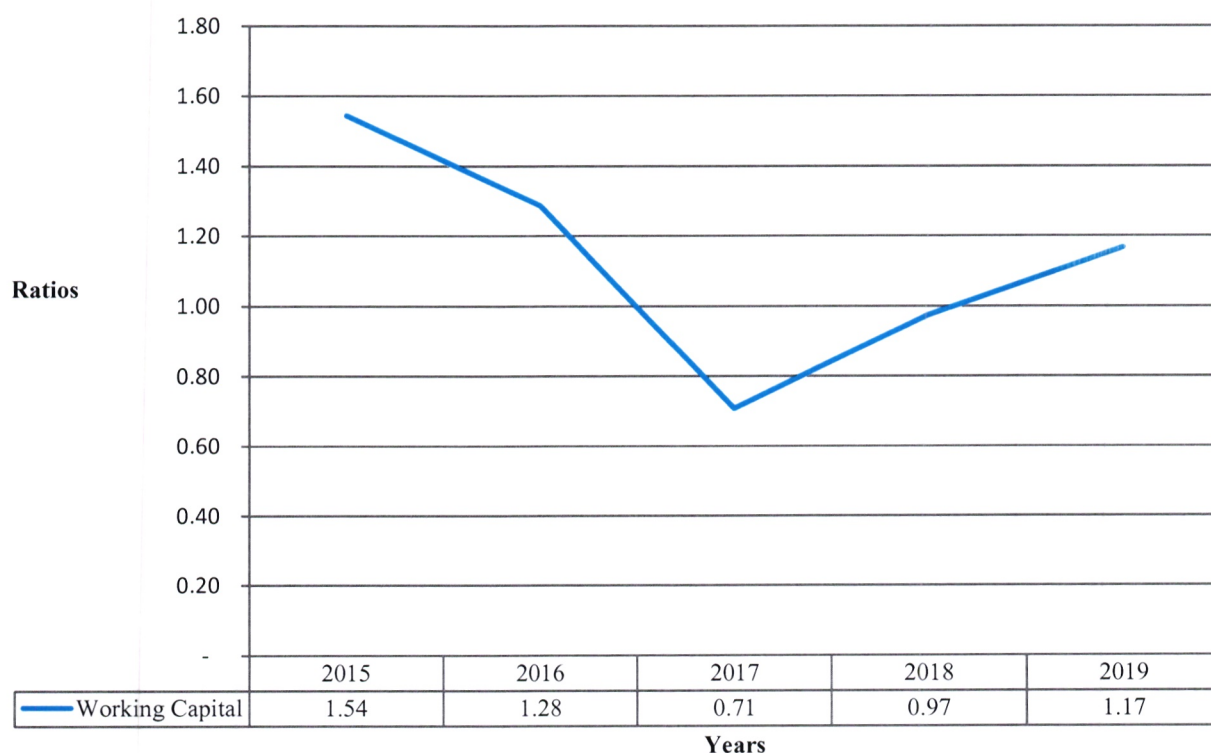
However, the low operating cash flow ratios for this period is not necessarily a bad thing since the University is investing heavily in development of academic programs, it's expected that the investment in new programs will pay off in the end and generate more cash.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## Working Capital



Working capital is a measure of both the University's operational efficiency and its short-term financial health. The working capital ratio (current assets/current liabilities), or current ratio, indicates whether the University has enough short-term assets to cover its short-term debt. A good working capital ratio is considered anything between 1.2 and 2.0.

The University has improved its working capital position over the past two years.

### E) STATEMENT OF COMPARISON OF BUDGET VERSUS ACTUAL AMOUNTS

CUK did not attain the revenue target projections by KSh 41,745,944 representing a variance of 5% of the expected revenue by 30 June, 2019.

In expenditure projections, the university was below target by 38,637,985. This is a variance of 5% of the target expenditure.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## SECTION B

### Compliance with statutory requirements

CUK Complied with all the statutory obligations within the financial year except for the 2013-2017 CBA Arrears, Employer's pension, amounting to KSh 11,326,740. The Government disbursed KSh 81,452,817.50 to cater for basic pay & house allowance arrears component of the 2013-2017 CBA arrears.

During the 2018/2019 financial year supplementary budget the University received KSh 34,143,356 which it used to offset the employer pension component of the 2013-2017 CBA arrears amounting to KSh 11,326,740 in July 2019. The same was paid to the University pension scheme.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## SECTION C

### Key projects and investment decisions planned and implemented

Within the 2018/2019 financial year, the University has been implementing the following projects in order of priority.

S/No	Project	% of Completion (financial)	Financing of the project	Remarks
1	Completion of the lecture theatre	100%	G.O.K	Building construction complete and in use. Award of tender for lecture theatre chairs done, awaiting delivery
2	Consultancy for construction of the Ultra-Modern Library & Learning resource Centre	34%	G.O.K	The design works and the tendering of construction works of the Library (phase 1A of LRC) were finalized.
3	Construction of the Ultra-Modern Library & Learning resource Centre	28%	G.O.K	Tender awarded to Parklane construction limited for Builders works and electrical works at a contract sum of KSh 373,091,295 and mechanical works awarded to Atlas Plumbers Kenya ltd at KSh 24,121,765. Casting of the third floor slab is on-going.
4	Upgrade of Sewer System	2%	The Co-operative Bank of Kenya	-Tendering was done awaiting award. -MOU with Co-operative Bank signed and letter of commitment from Co-operative Bank received.
5	Construction of Classrooms	0%	CUK	The documents to tender for consultancy for construction of the classrooms have been prepared. The tender is to be floated during the first quarter of 2019/2020 financial year.



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## SECTION D

TYPE OF RISK	RISK DESCRIPTION	IMPLEMENTATION STATUS.	PENDING ISSUES
Operational risks	Classroom space Crises in September 2019.	- Inadequate Classroom space after extension of diploma programs by one additional semester.	- Immediate construction of classrooms based on savings from the lecture theatre project.
Government policy risks	Loss of revenue as a result of lack of funding for Diploma Programs	- Declining student enrolment due to competition from TVET institutions that are funded.	- Lobby using the recently established directorate of TVET for funding - Meeting PS state department of TVET - Other Lobby strategies to be developed
Government policy risks	Decline/Stagnation of Growth in Recurrent Grants based on DUC model of Funding	- In the 2018/2019 financial year, there was decline in recurrent grants by 61 M. This was based on DUC. In the 2019/2020 financial year using the same Model, CUK is not likely to increase recurrent grants by a big margin due low enrolment of undergraduate students and few undergraduate programs. - Under the 2019/2020 Placement = 856 students less Exiting students = 457. Additional students for the purposes of DUC = $856 - 457 = 399$ students x KSh 120,000. Maximum expected increase in capitation is KSh 47.88M. -	- Strategize to admit students in the five (5) new programs submitted to CUE in the month of March 2019. - Develop additional Market driven programs to compensate for those declining in enrolment



## THE CO-OPERATIVE UNIVERSITY OF KENYA

		<ul style="list-style-type: none"> <li>- The university is likely to remain dwarfed among its peers due to this state of affairs.</li> </ul>	
Market Risks	Loss of Brand/ image/ Mandate in Co-operative Training	<ul style="list-style-type: none"> <li>- The school of Co-operative development is the oldest as per Mandate; however, the school has been overtaken in the following areas.</li> <li>- Number of Diploma Programs</li> <li>- Number of degree programs</li> <li>- Enrolment as per KUCCPS admission is wanting</li> <li>- Loss of Market for Co-operative degree programs</li> <li>- Programs and Population Ratios</li> </ul>	<ul style="list-style-type: none"> <li>- Increase Number of Diploma Programs</li> <li>- This will form the market for the degree programs.</li> <li>- Increase the variety of market driven programs</li> </ul>
Market Risks	Poor enrolment of Post Graduate Programs in CUK	<ul style="list-style-type: none"> <li>- Poor Completion rate for Master of Cooperative Management.</li> <li>- Poor/ No Marketing strategy for Postgraduate programs.</li> <li>- Board of Postgraduate studies not Vibrant.</li> <li>- Development of PHD programs not yet complete.</li> </ul>	<ul style="list-style-type: none"> <li>- Development of a strategy paper on postgraduate programs for approval by UMB</li> </ul>



# THE CO-OPERATIVE UNIVERSITY OF KENYA

## SECTION E

### **Material arrears in statutory/financial obligations**

As at June 30 2019, CUK had not paid the 2013-2017 CBA Employer's pension amounting to KSh 11,326,740. The same has been paid in July of 2019.

## SECTION F

### **Financial probity and serious governance issues**

- i) CUK does not have any financial improbity as reported by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight.
- ii) There are no governance issues among the Board or members of the Board and top management including conflict of interest.



# THE CO-OPERATIVE UNIVERSITY OF KENYA

## IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits their report together with the financial statements for the year ended June 30, 2019 which show the state of the Co-operative University of Kenya's affairs.

### Principal activities

The principal activity/mission of CUK 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, 2019 are set out on page 38 of the Annual Report and Financial Statements for the period ended June 30, 2019.

The results indicate that CUK registered a total of KSh. **817,963,730** in gross revenue against a target of KSh. 859,709,219. This represents 95% of the target revenue. In comparison to the previous financial year, CUK recorded a 8% decrease in revenue. At the same time, CUK registered total expenditure of KSh **815,927,875** against previous years KSh. 864,244,087 representing 5.4% decline in expenditure.

Due to tight budgetary controls, CUK registered a financial surplus despite the inadequate financing. Over the last four (4) years, recurrent grants from the G.O.K have remained almost constant despite the growth in personnel costs and increase in student population especially the Government Sponsored Students. Since 2013, CUK 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.

The Council is pleased to report that the Charter was granted on 7<sup>th</sup> October 2016 by His Excellency the President of the Republic of Kenya, Hon. Uhuru Kenyatta. Strategies implemented on award of the Charter have borne fruit with an increase in the number of students in postgraduate and undergraduate programs. This will see an increase in gross revenue.

Additionally, the establishment of the Co-operative Development, Research and Innovation division has led to the increase in projects and research grants. This has led to increase in gross revenue.

### Directors

The members of the University Council who served are;

- |                           |              |
|---------------------------|--------------|
| 1. Dr. Ibrahim M. Ali     | Chairperson. |
| 2. Ms Anne Chepkorir      | Member.      |
| 3. Mr. Anthony Lubulellah | Member.      |
| 4. Mr Peter Gathirwa      | Member.      |
| 5. Mr Patrick Musyimi     | Member       |
| 6. Ms Elizabeth Kimkung   | Member.      |
| 7. Mr John Ololtuaa       | Member.      |
| 8. Mr Patrick Abachi      | Member.      |
| 9. Mr David K. Obonyo     | Member.      |
| 10. Prof. Kamau Ngamau    | Secretary.   |



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## Auditors

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

By Order of the University Council.



**Prof. Kamau Ngamau**  
**VICE CHANCELLOR, THE CO-OPERATIVE UNIVERSITY OF KENYA**



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

## X. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 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 at the end of the Financial Year and the operating results for that year. The Council is also required to ensure that the University 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 of Kenya (CUK).


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 as at the end of the Financial Year ended on June 30, 2019. This responsibilities 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 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 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 CUK's financial statements give a true and fair view of the state of the institution's transactions during the financial year ended June 30, 2019, and the financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, 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 CUK 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 of Kenya's financial statements were approved by the Council on the 14<sup>th</sup> of August 2019, and signed on its behalf by:

  
**Dr. Ibrahim M. Ali**  
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY  
OF KENYA COUNCIL

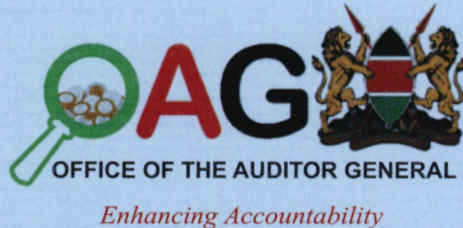
  
**Prof. Kamau Ngamau**  
VICE CHANCELLOR, THE CO-OPERATIVE  
UNIVERSITY OF KENYA



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# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON CO-OPERATIVE UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Opinion**

I have audited the accompanying financial statements of Co-operative University of Kenya set out on pages 38 to 64, which comprise the statement of financial position as at 30 June, 2018, and 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Co-operative University of Kenya as at 30 June, 2019 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 Public Finance Management Act, 2012 and 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 Co-operative University of 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.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The University Revenue had a total revenue budget of Kshs.859,709,219 for 2018/2019 financial year against an actual amount earned of Kshs.817,963,730 resulting in an under

collection by Kshs.41,745,489 or 5%, Similarly, during the year under audit, the University had expenditure budget of Kshs.854,565,860 against actual expenditure of Kshs.815,927,875 resulting in net under-expenditure of Kshs.38,637,985 or 5%.

The under collection of revenue and under expenditure of Kshs.41,745,489 may have a negative impact on implementation of planned activities and service delivery to stakeholders. It is, however, noted that the performance rate has improved from the previous year's rate of 9% to the current 5%.

### **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 communicate in my report.

### **Other Matter**

#### **1. Non-Compliance with University Charter**

Section 13(1) of the University Charter on appointment of the Chancellor indicates that the University shall have a Chancellor appointed by the President who shall confer degrees and grant diplomas, certificates and other awards of the University. However, information availed indicates that the University has not had a Chancellor for a long period of time. The Management explained that the first Chancellor of the Co-operative University of Kenya resigned in mid-2017. The university therefore embarked on the process of appointing a new chancellor as per the requirements of the University's Act, 2012. In January 2019, the University submitted the shortlisted candidates for appointment to the Ministry of Education who would then recommend to the appointing authority. The University is waiting for a response.

In the circumstances, the failure to appoint a Chancellor hinders the smooth operations of the University.

#### **2. Prior Year Audit Matters**

In the audit report of the previous year, paragraphs on work in progress and budget control and performance were raised under the Report on Financial Statements. However, although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the National Assembly has not met to deliberate on the same.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the 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 aware of the intentions to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
Nancy Gathungu

**AUDITOR-GENERAL**

**Nairobi**

**29 January, 2021**

## THE CO-OPERATIVE UNIVERSITY OF KENYA

### XII. STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2019

	Note	2018-2019 KSh	2017-2018 Restated KSh
<b>Revenue from non-exchange transactions</b>			
Unconditional Grants	4	233,678,535	260,969,557
Conditional Grants	4	19,427,981	92,175,618
		<b>253,106,516</b>	<b>353,145,175</b>
<b>Revenue from exchange transactions</b>			
Tuition fees & Other Levies	5	510,481,643	418,350,616
Income from Co-operative Retreat & Conference Centre	6	29,044,874	103,296,967
Rental revenue from facilities and equipment	7	3,332,230	2,353,076
Other income	8	21,998,467	12,567,593
		<b>564,857,214</b>	<b>536,568,252</b>
<b>Total revenue</b>		<b>817,963,730</b>	<b>889,713,427</b>
<b>Expenses</b>			
Employee Cost	9	508,731,440	533,621,057
Board expenses	10	8,133,243	7,552,417
Depreciation and amortization expense	11	32,048,564	33,113,930
Repairs and Maintenance	12	21,306,685	21,680,702
General Expenses	13	244,676,472	267,637,981
Audit Fee	22	870,000	638,000
<b>Total expenses</b>		<b>815,766,404</b>	<b>864,244,087</b>
<b>Other Gains/(Losses)</b>			
Foreign Exchange Gain		23,271	-
Gain / (Loss) in Disposal of Assets	19(b)	(260,542)	2,279,233
(Increase) / Decrease in Provision	15(b)	75,800	(2,184,710)
<b>Surplus/(Deficit) for the period</b>		<b>2,035,855</b>	<b>25,563,863</b>

The notes set out on pages 43 to 63 form an integral part of the Financial Statements



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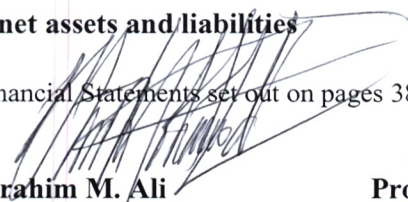
# THE CO-OPERATIVE UNIVERSITY OF KENYA


## XIII. STATEMENT OF FINANCIAL POSITION


As At 30 June 2019

	Note	2018-2019	2017-2018
Assets		KSh	Restated KSh
<b>Current assets</b>			
Cash and cash equivalents	14	146,898,595	76,968,515
Receivables from exchange transactions	15	42,640,544	56,402,103
Receivables from non-exchange transactions	16	35,268,510	1,425,440
Inventories	17	3,882,197	1,971,390
		<b>228,689,846</b>	<b>136,767,448</b>
<b>Non-current assets</b>			
Property, plant and equipment	19	2,379,922,237	2,395,657,006
Investments	18	2,825,530	2,825,530
Intangible Assets	20	27,535,514	2,818,800
Work In Progress	21	480,552,896	343,409,030
		<b>2,890,836,177</b>	<b>2,744,710,366</b>
<b>Total assets</b>		<b>3,119,526,023</b>	<b>2,881,477,814</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	22	98,723,212	94,365,707
Trade and other payables from non-exchange transactions	23	97,401,336	13,296,281
		<b>196,124,548</b>	<b>107,661,988</b>
<b>Long term liabilities</b>			
Long term liabilities	24	11,227,198	28,629,431
		<b>11,227,198</b>	<b>28,629,431</b>
<b>Total liabilities</b>		<b>207,351,746</b>	<b>136,291,419</b>
<b>Net Assets</b>			
Capital fund	25	1,189,915,073	1,024,954,082
Revaluation Reserves	26	1,836,080,920	1,856,906,702
Accumulated Deficit	27	(113,821,716)	(136,674,389)
<b>Total net assets</b>		<b>2,912,174,277</b>	<b>2,745,186,395</b>
<b>Total net assets and liabilities</b>		<b>3,119,526,023</b>	<b>2,881,477,814</b>

The Financial Statements set out on pages 38 to 42 were signed on behalf of the University Council by:

  
**Dr. Ibrahim M. Ali**  
 CHAIRPERSON, THE CO-OPERATIVE  
 UNIVERSITY OF KENYA COUNCIL

  
**Prof. Kamau Ngamau**  
 VICE CHANCELLOR, THE CO-OPERATIVE  
 UNIVERSITY OF KENYA

  
**CPA. Maxwell Nyaga**  
 ICPAK No. 11419  
 FINANCE OFFICER,  
 THE CO-OPERATIVE  
 UNIVERSITY OF KENYA

  
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## THE CO-OPERATIVE UNIVERSITY OF KENYA

### XIV. STATEMENT OF CHANGES IN NET ASSETS For the year ended 30 June 2019

	Accumulated Deficit KSh	Capital Reserve Fund KSh	Revaluation Reserve KSh	Total KSh
<b>Balance as at 30 JUNE 2017</b>	(180,973,642)	1,003,121,582	1,877,890,493	2,700,038,433
Surplus/(deficit) for the period	25,563,863	-	-	25,563,863
Excess Depreciation on revaluation	20,983,791	-	(20,983,791)	-
Additions in the year	(2,248,401)	21,832,500	-	19,584,099
<b>Balance as at 30 JUNE 2018</b>	<b>(136,674,389)</b>	<b>1,024,954,082</b>	<b>1,856,906,702</b>	<b>2,745,186,395</b>
Surplus for the period	2,035,855	-	-	2,035,855
Excess Depreciation on revaluation	20,825,782	-	(20,825,782)	-
Additions in the year	(8,964)	164,960,991	-	164,952,027
<b>Balance as at 30 JUNE 2019</b>	<b>(113,821,716)</b>	<b>1,189,915,073</b>	<b>1,836,080,920</b>	<b>2,912,174,277</b>



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## THE CO-OPERATIVE UNIVERSITY OF KENYA

### XV. STATEMENT OF CASHFLOWS

For the year ended 30 June 2019

		2018-2019	2017-2018
	Notes	KSh	Restated KSh
<b>Surplus for the period</b>		2,035,855	25,563,863
Adjustment for:			
Profit on Disposal of Assets	19(b)	260,542	(2,279,231)
Depreciation	11	32,048,564	33,113,930
		<b>34,344,961</b>	<b>56,398,562</b>
<b>Change in Working Capital</b>			
(Increase)/Decrease in inventories	17	(1,910,807)	(461,957)
(Increase)/Decrease in receivables from Exchange transactions	15	13,761,559	16,330,025
(Increase)/Decrease in receivables from Non-Exchange transactions	16	(33,843,070)	529,596
Increase/(Decrease) in payables from Exchange transactions	22	4,357,505	(34,256,732)
Increase/(Decrease) in payables from Non-Exchange transactions	23	84,105,055	(98,306,776)
<b>Net cash generated from operating activities</b>		<b>66,470,242</b>	<b>(116,165,845)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant & Equipment	19	(16,655,037)	(40,790,460)
Intangible Assets	20	(24,716,714)	(2,818,800)
Proceeds from Disposal of Assets	19(b)	80,700	4,831,914
Work in progress	21	(137,143,866)	53,380,673
<b>Net cash flows used in investing activities</b>		<b>(178,434,917)</b>	<b>14,603,327</b>
<b>Cash flows from financing activities</b>			
Capital Reserve fund	25	164,960,991	21,832,500
Accumulated Deficit	27	(8,964)	(2,248,401)
Increase in Long-term Liabilities	24	(17,402,233)	6,254,080
		<b>147,549,794</b>	<b>25,838,179</b>
<b>Net change in cash and cash equivalents</b>	14	69,930,080	(19,325,777)
<b>Opening cash and cash equivalent</b>	14	<b>76,968,515</b>	<b>96,294,292</b>
Closing cash and cash equivalent		146,898,595	76,968,515



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## THE CO-OPERATIVE UNIVERSITY OF KENYA

### XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2019	Adjustments 2019	Final budget 2019	Actual on comparable basis 2019	Performance difference 2019	Variance
	KSh	KSh	KSh	KSh	KSh	%
<b>Revenue</b>						
Unconditional Grants	203,607,322	30,071,213	233,678,535	233,678,535	-	0%
Conditional Grants	50,770,000	(30,500,000)	20,270,000	19,427,981	(842,019)	-4%
Tuition fees & Other Levies	502,172,540	49,827,460	552,000,000	510,481,643	(41,518,357)	-8%
Rental revenue from facilities and equipment	6,860,684	(3,800,000)	3,060,684	3,332,230	271,546	9%
Income from Co-operative Retreat & Conference Centre	130,000,000	(100,000,000)	30,000,000	29,044,874	(955,126)	-3%
Other income	21,000,000	(300,000)	20,700,000	21,998,467	1,298,467	6%
<b>Total income</b>	<b>914,410,546</b>	<b>(54,701,327)</b>	<b>859,709,219</b>	<b>817,963,730</b>	<b>(41,745,489)</b>	<b>-5%</b>
<b>Expenses</b>						
Employee Cost	547,023,664	(16,578,700)	530,444,964	508,731,440	21,713,524	4%
Board Expenses	8,500,000	-	8,500,000	8,133,243	366,757	4%
Depreciation and amortization expense	25,000,000	5,000,000	30,000,000	32,048,564	(2,048,564)	-7%
Repairs and Maintenance	23,100,000	(775,850)	22,324,150	21,306,685	1,017,465	5%
a) General Expenses	248,667,466	14,629,280	263,296,746	245,707,943	17,588,803	7%
<b>Total expenditure</b>	<b>852,291,130</b>	<b>2,274,730</b>	<b>854,565,860</b>	<b>815,927,875</b>	<b>38,637,985</b>	<b>5%</b>
<b>Surplus for the period</b>	<b>62,119,416</b>		<b>5,143,359</b>	<b>2,035,855</b>		

**a) General Expenses.** The amount of General expenses for the year is inclusive of all the amounts from Other Gains / Losses on the statement of financial performance. These are Foreign exchange gain KSh. 23,271, Loss in disposal of assets KSh. (260,542), and decrease in provision for bad and doubtful debts KSh. 75,800.



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

### 1. GENERAL INFORMATION

#### i. Entity Information

The Co-operative University of Kenya (CUK) is a chartered public university that is established and derives its authority and accountability from the Universities Act No. 42 of 2012 and the Co-operative University of Kenya Charter of 7<sup>th</sup> October 2016. It replaced the former Co-operative University College of Kenya earlier established under legal notice No. 161 of 4<sup>th</sup> November 2011 as a Constituent University College of Jomo Kenyatta University of Agriculture and Technology Act (Cap 210E). The University is wholly owned by Government of Kenya and is domiciled in Kenya.

The principal activity of CUK 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. CUK serves as a Centre of academic excellence in the Co-operative Movement in Kenya, together with other mandates as stipulated under the Universities Act No. 42 of 2012, and the Co-operative University of Kenya Charter of 7<sup>th</sup> October 2016

#### ii. Statement of Compliance and Basis of Preparation

The Co-operative University of Kenya's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), the State Corporations Act and the PFM Act. The preparation of financial statements in conformity with 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 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.

#### 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.

#### iii. Adoption of New and Revised Standards

##### a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

##### • Public Sector Combinations – IPSAS 40

The objective to issue IPSAS is to cover public sector combinations arising from exchange transactions and treating the same similarly to IFRS 3.

This standard has no effect on the University.

##### b) Early adoption of Standards

The University did not early-adopt any new or amended standards in year 2019.



## **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 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.

- **Rendering of Services**

The Co-operative University 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 University'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.



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

## 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 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%
• 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 of Kenya.



**f) Provisions**

Provisions are recognized when the Co-operative University 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 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 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 of Kenya. The Co-operative University of Kenya recognizes any expenditure incurred of a capital nature and those funds are transferred to the capital fund upon incurring such expenditure.

- **Accumulated Fund**

These are the funds that are retained by the Co-operative University 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.

**h) Changes in Accounting Policies and Estimates**

The Co-operative University 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) Intangible Assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

**k) Foreign Currency Transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are 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, are recognized as income or expenses in the period in which they arise.

**l) 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 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.

**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 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.

**m) Related Parties**

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



**n) Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**o) Employee Benefits.**

**Retirement Benefit Plans**

The University provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the University pays fixed contributions into a separate entity (The Co-operative University of Kenya Staff Provident 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 period in which they become payable.

The University does not have any defined benefit plans.

**p) Comparative Figures**

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

This includes restatement of tuition income under note 5 of the notes to the financial statements, by Ksh. 9,037,950 which are payable to the students. This has been debited to the payables under exchange transactions under note 22 of the notes to the financial statements..

Additionally, comparative figures for tablet/laptop debtors under note 15 of the notes to the financial statements, have been re-presented from receivables to payables under exchange transactions under note 22 of the notes to the financial statements.

**q) Subsequent Events**

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

**3) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Co-operative University 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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University. Changes in estimates are reflected in the period in which they become known.



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

4. Grants	2018-2019	2017-2018
	KSh	Restated KSh
<b>Unconditional grants</b>		
Government of Kenya	233,678,535	260,969,557
	<b>233,678,535</b>	<b>260,969,557</b>
<b>Conditional grants</b>		
2013-2017 CBA Arrears	-	66,985,176
Projects (LFC)	8,109,200	2,420,000
Research Grants	9,349,564	22,770,442
Special Grants (International Conference)	1,969,217	-
	<b>19,427,981</b>	<b>92,175,618</b>
<b>Total government grants and subsidies</b>	<b>253,106,516</b>	<b>353,145,175</b>

5. Tuition Fees	2018-2019	2017-2018
	KSh	Restated KSh
Main Campus	464,299,149	363,548,196
Nairobi CBD Campus	38,188,390	33,746,339
Meru Campus	6,434,983	14,007,496
Mombasa Campus	10,826,546	11,959,985
Students Fees Refund	(9,267,425)	(4,911,400)
<b>Total revenue from Tuition fees</b>	<b>510,481,643</b>	<b>418,350,616</b>

The increase in Tuition fee income is attributed to increased enrolment of students in the third semester of the year at the Karen campus of the university.

The comparative figures of tuition fees have been restated to cater for caution money amount of Ksh. 3,973,000, and student union money of Ksh. 5,064,950 totaling to Ksh. 9,037,950, which are payable to the students. The amounts have been restated and reflected in note 22 under payables from exchange transactions.

6. Co-operative Retreat & Conference Centre	2018-2019	2017-2018
	KSh	KSh
Sales from CR&CC	29,044,874	103,296,967
<b>Total from CR&amp;CC</b>	<b>29,044,874</b>	<b>103,296,967</b>

The decrease in CR&CC income is attributed to Low business due to declining number of international conferences/events in the 2018/2019 financial year.

7. Rental revenue from facilities	2018-2019	2017-2018
	KSh	KSh
Rent Income	3,332,230	2,353,076
<b>Total rentals</b>	<b>3,332,230</b>	<b>2,353,076</b>



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

8. Other income	2018-2019 KSh	2017-2018 KSh
Catering	12,111,229	8,418,194
Dispensary	103,700	46,719
Contributions from ATC	1,200,000	1,200,000
Water and Electricity	448,158	166,900
Sale of Farm Produce	29,850	194,253
Miscellaneous Income	8,105,530	2,541,527
<b>Total other income</b>	<b>21,998,467</b>	<b>12,567,593</b>

The increase in other income is due to the disposal of unserviceable stores, insurance compensation and increased income from the students' cafeteria due to increased population.

9. Employee costs	2018-2019 KSh	2017-2018 KSh
Basic Salaries	202,291,189	240,004,048
Casual workers	2,271,975	5,869,276
Part time teaching	62,624,880	39,287,624
Gratuity	10,677,741	2,674,819
Pension	31,139,373	40,140,779
House to Office allowance	32,833,674	33,855,784
Other personnel allowances	58,306,270	58,886,044
Group life insurance	3,413,647	3,740,830
Leave allowance	3,384,253	2,817,838
New recruits, passage & Baggage	1,744,689	1,008,000
House allowances	100,043,749	105,336,015
<b>Employee costs</b>	<b>508,731,440</b>	<b>533,621,057</b>

The decrease in Employee Costs is attributed to the payment of the 2013 - 2017 Collective Bargain Agreement arrears in the 2017-2018 Financial year.

10. Board Expenses	2018-2019 KSh	2017-2018 KSh
Sitting Allowance	5,274,000	4,400,000
Travelling Allowance	680,688	631,909
Subsistence Allowance	869,000	1,214,624
Medical Scheme	169,555	358,883
Co-opted Members Allowance	96,000	-
Chairperson's Honoraria	1,044,000	947,000
<b>Total Board Expenses</b>	<b>8,133,243</b>	<b>7,552,416</b>

11. Depreciation and amortization expense	2018-2019 KSh	2017-2018 KSh
Property, plant and equipment	32,048,564	33,113,930
<b>Total depreciation and amortization</b>	<b>32,048,564</b>	<b>33,113,930</b>



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

12. Repairs and maintenance	2018-2019 KSh	2017-2018 KSh
Motor Vehicle repairs	2,541,772	2,098,621
Maintenance of Sewerage and water	520,560	2,246,177
Maintenance of Buildings and station	11,443,242	9,384,021
Maintenance of roads/grounds	20,000	14,300
Maintenance of computers/printer	4,234,692	4,894,350
Maintenance of plant & equipment	2,546,419	3,043,233
<b>Total repairs and maintenance</b>	<b>21,306,685</b>	<b>21,680,702</b>

### 13. The following are included in general expenses:

Central Services	2018-2019 KSh	2017-2018 KSh
Sports facilities	29,350	215,000
Electricity expenses	10,816,275	9,224,677
Water expenses	1,064,960	1,020,903
Vehicle licenses & insurance	713,365	413,890
Vehicle fuel and oil	3,079,240	6,893,312
Publishing & Printing	252,820	536,927
Advertising and Publicity	5,562,306	6,153,831
Telephone expenses	475,259	484,596
Postal & Courier services	140,329	244,010
Conferences/workshops and seminars	5,434,980	4,950,786
Contracted professional services	7,217,645	6,380,864
a) Catering cost	22,834,658	31,862,128
Cleaning materials	3,200,606	3,168,079
Outsourced Cleaning Services	9,365,936	8,772,844
External travelling	4,144,936	1,908,790
Gas and fuel	7,169,150	4,044,291
Training expenses/Staff training	2,172,574	3,191,442
Subscription to professional bodies	1,005,269	1,013,781
Utensils & Crockery	579,532	474,338
Performance Contract	2,545,161	2,884,254
Booked meals for staff	4,454,135	3,621,227
Newspapers	462,040	741,640
Internet services	10,629,133	12,650,961
ISO certification & maintenance	174,000	813,000
Staff welfare	1,968,000	1,462,451
Fumigation services	-	253,600
Generator expenses	762,450	1,188,266
Rent & rates	25,605,877	27,704,595
Purchase of uniforms	1,418,289	1,528,685
Purchase of Drugs	272,066	1,457,879
Medical scheme	26,311,863	13,592,426
Stationery & stores	4,285,805	4,041,820
Purchase of production materials	2,835,733	2,120,666
General insurance	149,584	391,200
Staff group personal accident	658,524	416,388
Set up of ICT infrastructure	5,347,594	4,590,659



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# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

## General expenses (cont.):

	2018-2019	2017-2018
	KSh	KSh
<b>Students Welfare</b>		
Inter university games	3,015,620	2,158,960
Students work-study programme	78,000	-
Sports equipment	557,899	8,700
Students Fee Waivers	3,111,926	312,800
<b>Academic Costs</b>		
Research, production & extension	16,060,451	6,312,841
Corporate social responsibility	421,650	402,850
Shows & Exhibitions	855,900	1,001,030
Library books/e-library/journals	831,770	2,117,246
Curriculum Development	1,074,650	3,717,365
Alumni association	673,000	45,000
Examination expenses	1,081,121	695,471
Graduation expenses	3,385,938	4,672,152
Leadership for change	8,741,422	1,459,641
HIV/AIDS Control Unit	127,100	179,500
KUCCPS/CUE Accreditation	12,387,000	217,486
<b>Administrative Costs</b>		
Legal and Audit Expenses	1,766,700	3,500,000
Travelling and accommodation	8,658,525	7,260,956
Bank charges/interest	1,736,106	1,766,156
Task Force/Facilitation Allowances	2,162,135	3,276,193
Official Entertainment	44,470	68,250
VAT Expense	443,025	1,312,232
CR&CC Rebates	1,049,820	1,389,761
Ajira Training Project	-	4,065,606
a) Outsourced Accommodation	3,082,400	48,860,200
a) Hire of Machinery & Equipment	190,400	2,423,380
<b>Total general expenses</b>	<b>244,676,472</b>	<b>267,637,982</b>

a) Catering cost, Outsourced Accommodation and Hire of Machinery & Equipment. The expenditure for 2018/2019 includes costs incurred as a result of business from the Kenya Police Service.

b) There has been an increase in total general expenses when the Outsourced Accommodation, Catering cost and Hire of Machinery & Equipment costs are excluded. This is due to increased student numbers in the financial year 2018/2019.



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

14. Cash and cash equivalents	2018-2019 KSh	2017-2018 KSh
Current Accounts	75,463,994	39,609,866
On-Call Deposits	66,849,671	32,452,142
Fixed Deposits Accounts	4,507,360	4,507,360
Others	77,570	399,147
<b>Total cash and cash equivalents</b>	<b>146,898,595</b>	<b>76,968,515</b>
<b>a) Current account</b>		
Standard Chartered Bank (Account No. 01020448587500)	31,587,199	23,391,030
Co-operative Bank Business Account (Account No. 01136062663600)	4,337,042	6,583,316
Co-operative Bank WE-Effect Project Account (Account No. 01136082663601)	1,288,211	-
Co-operative Bank Research Grants Account (USD) (Account No.02120062663600)	1,007,408	-
Co-operative Bank Research & Projects Account (Account No. 01120125033500)	37,244,134	9,635,520
<b>Sub- total</b>	<b>75,463,994</b>	<b>39,609,866</b>
<b>b) On- Call deposits</b>		
Co-operative Bank Fees Collection Account (Account No. 01129062663600)	54,559,082	32,208,725
Co-operative Bank HELB Collection Account (Account No. 01129062663601)	4,740,941	204,747
Co-operative Bank Agency Account (Account No. 01199062663600)	38,670	38,670
Equity Bank Fees Collection Account (Account No. 1250277107862)	7,510,978	-
<b>Sub- total</b>	<b>66,849,671</b>	<b>32,452,142</b>
<b>c) Fixed deposits account</b>		
Co-operative Bank Collateral Account (Account No. 01246062663600)	4,507,360	4,507,360
<b>Sub- total</b>	<b>4,507,360</b>	<b>4,507,360</b>
<b>d) Others</b>		
Cash in hand	77,570	399,147
<b>Sub- total</b>	<b>77,570</b>	<b>399,147</b>
<b>Grand total</b>	<b>146,898,595</b>	<b>76,968,515</b>



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

<b>15. Receivables from exchange transactions</b>	<b>2018-2019</b>	<b>2017-2018</b>
<b>Current receivables</b>	<b>KSh</b>	<b>KSh</b>
(a) Student debtors	29,885,257	34,353,092
Seminar debtors	5,337,819	15,059,694
Rent & water bills outstanding	2,521,829	1,631,829
Imprest outstanding	520,699	2,132,612
Rent, Electricity & Telephone Deposits	5,013,272	5,013,272
Advance rent	1,524,255	1,049,680
Institute of Co-operative Development Debtors	1,275,030	675,341
(b) Less: Provision for Bad Debts	(3,437,617)	(3,513,417)
<b>Total receivables</b>	<b>42,640,544</b>	<b>56,402,103</b>

a) Student debtors is the figure of all student fee balances, overpayments and receivables, for students of Main campus, Nairobi CBD campus, Meru and Mombasa Campuses as at 30 June 2019..

b) The Provision for bad debts relate to specific long outstanding Seminar Debtors.

c) The comparative figures of Tablet/Laptop Over deductions have been restated to cater for Kshs 30,514 which is payable to staff. The amounts have been restated and reflected in note 22 under payables from exchange transactions.

<b>b) Movement in provisions for Bad Debts</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
Balance at the beginning of the year	3,513,417	1,328,707
Provision for the year	98,800	2,184,710
Paid off in the year	(174,600)	-
<b>Balance as at 30 June 2019</b>	<b>3,437,617</b>	<b>3,513,417</b>

## 16. Receivables from Non-exchange Transactions

<b>Current receivables</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
Salary advances outstanding	1,125,154	1,425,443
a) Recurrent Grants	34,143,356	(3)
<b>Total current receivables</b>	<b>35,268,510</b>	<b>1,425,440</b>

Recurrent Grants receivable are government grants received in July 2019 for the financial year 2018/2019.

## 17. Inventories

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
Dry & perishable foods	591,156	500,113
Production materials	245,050	255,624
General stationery	367,430	514,616
Cleaning materials	527,686	422,863
Electrical and hardware	173,824	275,369
Drugs	1,977,051	-
Water chemicals	-	2,805
<b>Total inventories</b>	<b>3,882,197</b>	<b>1,971,390</b>



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**THE CO-OPERATIVE UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**18. Investments**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
Agri. And Co-operative Training and Consultancy Services	2,825,530	2,825,530
<b>Total investments</b>	<b>2,825,530</b>	<b>2,825,530</b>

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



**THE CO-OPERATIVE UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<b>19. Property, Plant &amp; Equipment</b>	<b>LAND</b>	<b>BUILDING</b>	<b>PLANT &amp; EQUIPMENT</b>	<b>FURNITURE &amp; FITTING</b>	<b>COMPUTER &amp; ACCESSORIES</b>	<b>MOTOR VEHICLES</b>	<b>TOOLS</b>	<b>OFFICE EQU</b>	<b>TEL. EQU</b>	<b>KITCHEN</b>	<b>TOTAL</b>
<b>2019</b>	99 YRS	2.5%	10.0%	12.5%	30%	25%	10%	12.5%	20%	10%	
VALUATION AS AT 01/07/2018	1,766,664,000	604,708,483	11,491,885	43,509,000	30,109,418	29,712,800	13,826,244	3,750,665	13,162,859	3,640,855	2,520,576,209
ADDITIONS IN THE PERIOD	-	-	166,499	5,066,345	5,592,000	-	-	444,693	5,312,700	72,800	16,655,037
DISPOSAL	-	-	(127,600)	(160,400)	(55,900)	-	-	(57,000)	(243,000)	(4,000)	(647,900)
AS AT 30/06/2019	<u>1,766,664,000</u>	<u>604,708,483</u>	<u>11,530,784</u>	<u>48,414,945</u>	<u>35,645,518</u>	<u>29,712,800</u>	<u>13,826,244</u>	<u>4,138,358</u>	<u>18,232,559</u>	<u>3,709,655</u>	<u>2,536,583,346</u>
<b>DEPRECIATION</b>											
AS AT 30/6/2018	-	61,065,280	1,957,991	16,083,991	16,818,054	15,520,344	7,489,863	1,487,779	3,261,359	1,234,542	124,919,203
CHARGE FOR THE PERIOD	-	13,591,080	961,668	4,047,093	5,660,983	3,548,114	633,638	334,401	3,023,929	247,658	32,048,564
DEPRECIATION ON DISPOSAL	-	-	(43,882)	(45,781)	(42,478)	-	-	(24,632)	(148,444)	(1,441)	(306,658)
AS AT 30/06/2019	=	<u>74,656,360</u>	<u>2,875,777</u>	<u>20,085,303</u>	<u>22,436,559</u>	<u>19,068,458</u>	<u>8,123,501</u>	<u>1,797,548</u>	<u>6,136,844</u>	<u>1,480,759</u>	<u>156,661,109</u>
Net Book Value AS AT 30-06-2019	<u>1,766,664,000</u>	<u>530,052,123</u>	<u>8,655,008</u>	<u>28,329,642</u>	<u>13,208,959</u>	<u>10,644,342</u>	<u>5,702,743</u>	<u>2,340,810</u>	<u>12,095,715</u>	<u>2,228,896</u>	<u>2,379,922,237</u>

**THE CO-OPERATIVE UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**19. Property,  
Plant &  
Equipment**

	<u>LAND</u>	<u>BUILDING</u>	<u>PLANT &amp; EQUIPMENT</u>	<u>FURNITURE &amp; FITTING</u>	<u>COMPUTER &amp; ACCESSORIES</u>	<u>MOTOR VEHICLES</u>	<u>TOOLS</u>	<u>OFFICE EQU</u>	<u>TEL. EQU</u>	<u>KITCHEN</u>	<u>TOTAL</u>
<b>2018</b>	99 YRS	2.5%	10.0%	12.5%	30%	25%	10%	12.5%	20%	10%	
VALUATION AS AT 01/07/2017	1,766,664,000	601,862,530	5,218,465	41,333,860	19,924,170	28,051,600	13,816,243	3,673,068	1,851,758	3,640,855	2,486,036,549
ADDITIONS IN THE PERIOD	-	2,845,953	6,273,421	2,175,140	10,185,248	7,912,000	10,000	77,597	11,311,101	-	40,790,460
DISPOSAL	-	-	-	-	-	(6,250,800)	-	-	-	-	(6,250,800)
AS AT 30/06/2018	<u>1,766,664,000</u>	<u>604,708,483</u>	<u>11,491,886</u>	<u>43,509,000</u>	<u>30,109,418</u>	<u>29,712,800</u>	<u>13,826,243</u>	<u>3,750,665</u>	<u>13,162,859</u>	<u>3,640,855</u>	<u>2,520,576,209</u>
DEPRECIATION											
AS AT 30/6/2017	-	47,125,711	898,670	12,166,129	11,121,753	14,487,644	6,785,820	1,164,509	785,984	967,172	95,503,392
CHARGE FOR THE PERIOD	-	13,939,569	1,059,322	3,917,863	5,696,300	4,730,819	704,042	323,270	2,475,375	267,370	33,113,930
DEPRECIATION ON DISPOSAL	-	-	-	-	-	(3,698,119)	-	-	-	-	(3,698,119)
AS AT 30/06/2018	=	<u>61,065,280</u>	<u>1,957,992</u>	<u>16,083,992</u>	<u>16,818,053</u>	<u>15,520,344</u>	<u>7,489,862</u>	<u>1,487,779</u>	<u>3,261,359</u>	<u>1,234,542</u>	<u>124,919,203</u>
Net Book Value AS AT 31- 06-2018	<u>1,766,664,000</u>	<u>543,643,203</u>	<u>9,533,894</u>	<u>27,425,008</u>	<u>13,291,365</u>	<u>14,192,456</u>	<u>6,336,381</u>	<u>2,262,886</u>	<u>9,901,500</u>	<u>2,406,313</u>	<u>2,395,657,006</u>

**THE CO-OPERATIVE UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**Revaluation of Property Plant and Equipment**

On April 1<sup>st</sup>2014, the University'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 (b). Disposal of Property, Plant & Equipment**

	2018-2019	2017-2018
	KSh	KSh
Cost at the start of the year	647,900	6,250,800
Accumulated depreciation at the start of the year	(306,658)	(3,698,119)
Net book value of disposals	341,242	2,552,681
Disposal Proceeds	(80,700)	(4,831,914)
(Gain) / Loss on disposal	<b>260,542</b>	<b>(2,279,233)</b>

**20. Intangible Assets**

	2018-2019	2017-2018
	KSh	KSh
<b>Valuation</b>		
As At The Beginning of the Financial Year	2,818,800	-
Additions In The Period	24,716,714	-
Transfers	-	2,818,800
As At the End of the Financial Year	<b>27,535,514</b>	<b>2,818,800</b>

Intangible assets is composed of: Unified Threat Management Solution (Firewall), Enterprise Resource Planning (ERP) Software and Master Plan



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

21. Work In Progress	BAL B/F	ADDITIONS	TRANSFERS	TOTAL
a) Set up of ICT Infrastructure	15,279,478	3,492,236	(18,771,714)	-
Borehole	3,313,550	-	-	3,313,550
b) Lecture Theatre	290,317,144	52,877,807	(11,850,080)	331,344,871
c) Master Plan Development	5,945,000	-	(5,945,000)	-
d) Construction of Ultra Modern Learning Resource Centre	28,553,858	117,340,616	-	145,894,475
Balance carried down	<b>343,409,030</b>	<b>173,710,660</b>	<b>(36,566,795)</b>	<b>480,552,896</b>

- 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. This has been transferred to the intangible assets as the project came to an end.
- b) The Lecture theatre is an on-going project by the University. The transfers out and additions relate to a financial appraisal carried out by the new project manager in the financial year 2018/2019.
- c) Master Plan Development: the University 2017 – 2075 master plan was finalized and it has been capitalized as an intangible asset.
- d) Construction of Ultra Modern Learning Resource Centre: The project is on Phase 1A which includes Construction of Library, Gate house and Sports field.

## 22. Trade and other payables from exchange transactions

	2018-2019	2017-2018
	KSh	Restated KSh
Trade payables	50,102,692	64,141,572
Unidentified Bankings	1,644,837	3,381,383
Unallocated Bursaries	1,933,757	2,232,014
Caution Money	7,510,000	3,973,000
Student Union Fees	11,854,550	5,064,950
Payroll Liabilities	24,776,862	14,324,274
Tablet/Laptop Over deductions	30,514	30,514
Provision for Audit Fees Current year	870,000	638,000
Provision for Audit Fees 2017	-	580,000
<b>Total trade and other payables</b>	<b>98,723,212</b>	<b>94,365,707</b>

a) The comparative figures of trade and other payables have been restated to cater for caution money amount of Ksh. 3,973,000, and student union money of Ksh. 5,064,950 which are payable to the students. These amounts have been restated and deducted from tuition fee income in note 5 under tuition fees.

b) The comparative figures of Tablet/Laptop Over deductions have been restated to cater for Kshs 30,514 which is payable to staff. The amounts have been restated from note 15 under Receivables from exchange transactions



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

## 23. Trade and other payables from non-exchange transactions

	2018-2019	2017-2018
	KSh	Restated KSh
Development Payables	97,401,336	13,296,281
<b>Total development payables</b>	<b>97,401,336</b>	<b>13,296,281</b>

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

## 24. Long Term Liabilities

	2018-2019	2017-2018
	KSh	KSh
Construction of Library Retentions	11,227,198	28,629,431
<b>Total Long term liabilities</b>	<b>11,227,198</b>	<b>28,629,431</b>

Long term liabilities relate to capital project retentions for certificates paid.

## 25. Capital Reserve Fund

	2018-2019	2017-2018
	KSh	Restated KSh
At start of Year	1,024,954,082	1,003,121,582
Government of Kenya	164,860,991	21,832,500
Development partners	100,000	-
<b>At end of the Year</b>	<b>1,189,915,073</b>	<b>1,024,954,082</b>

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 of Kenya. The Co-operative University of Kenya recognizes any expenditure incurred of a capital nature and those funds are transferred to the capital fund upon incurring such expenditure.

## 26. Revaluation Reserves

	2018-2019	2017-2018
	KSh	KSh
At start of Year	1,856,906,702	1,877,890,493
Excess Depreciation on Revaluation	(20,825,782)	(20,983,791)
<b>At end of the Year</b>	<b>1,836,080,920</b>	<b>1,856,906,702</b>

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



# THE CO-OPERATIVE UNIVERSITY OF KENYA

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

27. Accumulated Deficits	2018-2019	2017-2018
	KSh	Restated KSh
At start of Year	(136,674,389)	(180,973,642)
a) Excess Depreciation on Revaluation	20,825,782	20,983,791
b) Changes During the Year	(8,964)	(2,248,401)
Surplus/(Deficit) for the Year	2,035,855	25,563,863
<b>At end of the Year</b>	<b>(113,821,716)</b>	<b>(136,674,389)</b>

- a) **Excess depreciation on Revaluation:** This refers to the excess depreciation raised as a result of revaluation of the assets.
- b) **Changes during the Year:** This refers to retention amount on development payables that had not been captured as a payable in the previous financial year.

## 27. 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.

## 28. Related Party Balances.

### a) Nature of related party relationships

Entities and other parties related to the Co-operative University of Kenya include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

The entity is related to

- i) The National Government;
- ii) The Ministry of Education;
- iii) The University Council;
- iv) The University Management Board;



**THE CO-OPERATIVE UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<b>b) Related party transactions</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
Transfers from related parties'	398,539,523	349,787,238
<b>At end of the Year</b>	<b>398,539,523</b>	<b>349,787,238</b>

This refers to the amounts received from the Ministry of Education.

<b>c) Key management remuneration</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
University Council	6,289,243	7,552,416
University Management Board	70,709,061	65,393,955
<b>At end of the Year</b>	<b>76,988,304</b>	<b>72,946,371</b>

This refers to the Remuneration & Allowances paid to the University Council and the University Management.

<b>d) Due from related parties</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KSh</b>	<b>KSh</b>
Due from Ministry of Education	34,143,356	-
Due from other Ministries SC's & SAGA's	4,064,108	4,795,684
<b>At end of the Year</b>	<b>38,207,464</b>	<b>4,795,684</b>

This refers to the amounts receivable from the Ministry of Education and other State Owned Entities.

**29. Employees.**

The University has Two hundred ninety one (291) employees composed of Two hundred thirty two (232) Permanent and Pensionable and fifty nine (59) on contract. This comprises sixty (60) Academic members of staff and Two hundred thirty one (231) Non-teaching members of staff. The University operates a defined contribution scheme for permanent and pensionable employees.

**30. Going Concern.**

The University's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As of 30 June 2019, the University registered a surplus of KSh. 2,035,855.

**31. Reporting Currency.**

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



**THE CO-OPERATIVE UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**32. Events after the Reporting Period.**

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

**33. Ultimate and Holding Entity**

The University is a chartered public university established by the Kenya Government under the Universities Act No. 42 of 2012 and the Co-operative University of Kenya Charter of 7<sup>th</sup> October 2016. Its ultimate parent is the Government of Kenya.



# THE CO-OPERATIVE UNIVERSITY OF KENYA

## XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR 2017/2018 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.

Ref.	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status:	Timeframe :
1	Work in Progress	The impairment analysis has been provided for audit review.	VICE CHANCELLOR	Resolved	2018-2019 Financial Year
2	Budgetary Control and Performance	Budgeting mechanism to plan a realistic budget.	VICE CHANCELLOR	Resolved	2018-2019 Financial Year



**Dr. Ibrahim M. Ali**  
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY OF KENYA COUNCIL



**Prof. Kamau Ngamau**  
VICE CHANCELLOR, THE CO-OPERATIVE UNIVERSITY OF KENYA



**CPA. Maxwell Nyaga**  
ICPAK No. 11419  
FINANCE OFFICER,  
THE CO-OPERATIVE UNIVERSITY OF KENYA



# THE CO-OPERATIVE UNIVERSITY OF KENYA

## XIX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

S. No.	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Sources
1	Construction of Lecture Theatre	323,405,619	323,535,220	100%	104,750,000	GOK
2	Consultancy for Construction of Ultra-Modern Library & Learning Resource Centre	98,000,000	33,622,495	34%		
3	Construction of Ultra-Modern Library & Learning Resource Centre	397,091,295	112,271,980	28%	106,580,000	GOK
4	Upgrade of Sewer System	96,000,000	-	0%	96,000,000	Co-op Bank
5	Construction of Classrooms	15,000,000	-	0%	15,000,000	CUK
<b>Total</b>		<b>929,496,914</b>	<b>469,429,695</b>		<b>322,330,000</b>	



# THE CO-OPERATIVE UNIVERSITY OF KENYA

## XX. Appendix 2: INTER-ENTITY TRANSFERS

Name of the Entity sending the grant	Amount recognized to statement of comprehensive income	Amount deferred under deferred Income	Amount recognized in capital fund	Total grant income due the year
Ministry of Education	233,678,532.00	-	164,860,991.00	398,539,523.00
<b>Total</b>	<b>233,678,532.00</b>	<b>-</b>	<b>164,860,991.00</b>	<b>398,539,523.00</b>

### Breakdown of Transfers from State Department for University

FY:2018/2019				FY to Which the Amounts Relate
a)	Recurrent Grants	Bank Statement Date	Amount (Kshs)	2018-2019
		02.08.2018	16,967,277	2018-2019
		30.08.2018	16,967	2018-2019
		01.10.2018	16,967.00	2018-2019
		07.11.2018	1,241.00	2018-2019
		03.12.2018	5,949,240.00	2018-2019
		27.12.2018	16,627,931.00	2018-2019
		01.02.2019	16,627,931.00	2018-2019
		07.03.2019	15,609,895.00	2018-2019
		28.03.2019	16,967,277.00	2018-2019
		02.05.2019	16,967,277.00	2018-2019
		07.07.2019	16,967,277.00	2018-2019
		29.07.2019	34,143,356.00	2018-2019
		<b>Total</b>	<b>233,678,532.00</b>	
b)	Development Grants	Bank Statement Date	Amount (Kshs)	FY to Which the Amounts Relate
		20.02.2019	15,952,129.00	2018-2019
		14.12.2018	52,375,000.00	2018-2019
		28.05.2019	90,627,871.00	2018-2019
		28.05.2019	5,905,991.00	2018-2019
		<b>Total</b>	<b>164,860,991.00</b>	

