

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 27 JUN 2019

DAY: Thursday

TABLED BY:

Hon. Washali Jomo
Majority Party Whip

CLERK-AT-THE-TABLE:

Lemne Moses

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
CO-OPERATIVE UNIVERSITY OF KENYA

FOR THE YEAR ENDED
30 JUNE 2018

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OF KENYA
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THE CO-OPERATIVE UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

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 7th October 2016. It replaced the former Co-operative University College of Kenya earlier established under legal notice No. 161 of 4th November 2011 as a Constituent University College of Jomo Kenyatta University of Agriculture and Technology Act (Cap 210E). 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 2018, CUK had a student population of 7,911 students comprising of: 6,798– Main Campus; 599 – Nairobi Campus; 242 – Meru Campus; 208 – Mombasa Campus and 64 – Distance and E- Learning. The University has staff population of 289 composed of 240 Permanent and Pensionable, 27 on contract, and 22 casuals. This comprises 57 Academic members of staff and 232 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
Ms Anne Jemimma Mmata	-	Ag. Principal Human Resource Manager
Mrs 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

Website: 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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(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
+254202428452/3/4
4. J.N. Namasake and Company Advocates
P.O. Box 9479-00100
G.P.O Nairobi, Kenya
jnnamasake@yahoo.com
+254202210297
+254722802222
+254735092256



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II. THE UNIVERSITY COUNCIL

Name	Profile & Work Experience
 <p data-bbox="145 965 384 1025">Dr. Ibrahim M. Ali DOB; 1959</p>	<ul style="list-style-type: none"> • Chairperson – The Co-operative University of Kenya Council. • National Coordinator & CEO – Wildlife Clubs of Kenya. • Trustee – Kenya Conservation Trust (KCT). • National Programme Manager – FAO’s Food Security Assessment Unit. • Director – African Conservation Centre (ACC). • Director – Centre for Tourism Training & Research. • Doctor of Philosophy – University of East Anglia, Norwich, U.K. • Master Degree – University of East Anglia, Norwich, U.K. • Bachelors, Education (Chemistry) – University of Exeter, Exeter, U.K. • S1 (Phy/Chem) – Kenya Science Teachers College.
 <p data-bbox="145 1637 384 1697">Ms. Anne Chepkorir DOB; 1966</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University of Kenya. • Founder and Director – Suluhisho Afrika Trust. • Board member – Kipkeino Foundation. • Treasurer – LCC Ladies Group • Head of Business Support and Corporate Recoveries – Barclays Bank of Kenya. • MBA, Strategic Management – The University of Nairobi. • Bachelor of Commerce, Business Administration– The University of Nairobi. • Advanced Commercial Lending – IFS School of Finance • Associate of Chartered Institute of Bankers (ACIB) – Institute of Financial Services (UK).



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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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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.



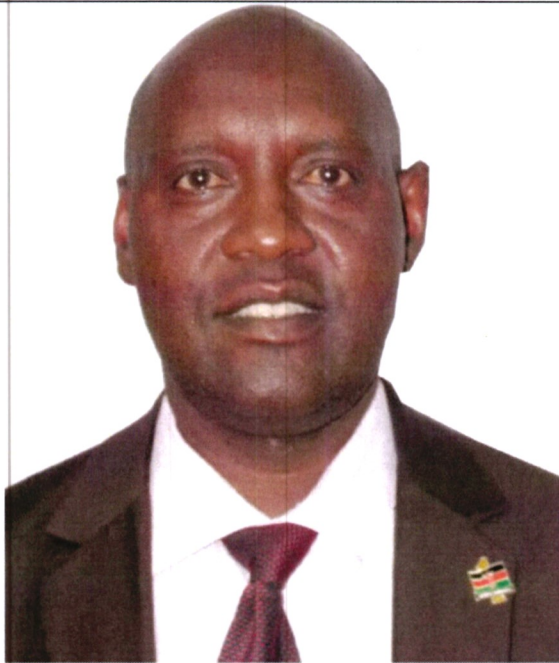
Ms. Elizabeth Layla Kimkung
DOB; 1968

- 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) Student – 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.



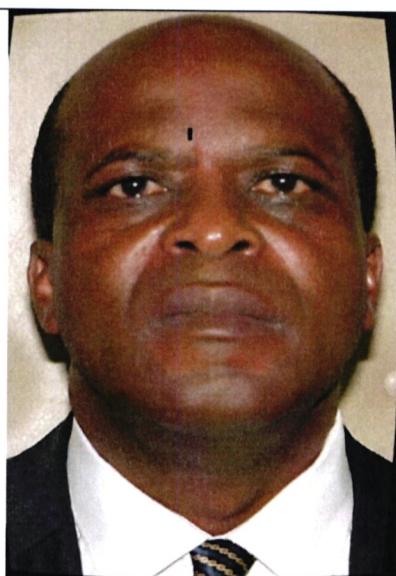
CPA. Patrick Abachi
DOB; 1965
Representing the Principal Secretary – The
National Treasury.

- 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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Mr. Stanley Ongeti

DOB; 1959

Representing the Principal Secretary – State Department of Co-operative Development, Ministry of Industry, Trade and Co-operatives.

- Council Member – The Co-operative University of Kenya.
- Senior Deputy Commissioner for Co-operative Development – The Ministry of Industry, Trade and Co-operatives, State Department of Co-operatives
- Professional Mediator
- Master in Business Administration – Eastern and Southern African Management Institute
- Bachelor of Arts – University of Nairobi



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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III. THE UNIVERSITY MANAGEMENT BOARD

Staff Profile	Responsibilities
 <p>Prof. Kamau Ngamau DOB; 1966</p> <ul style="list-style-type: none"> • Vice Chancellor. • 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. 	<ul style="list-style-type: none"> • Chief Executive Officer; Academic and Administrative Head of the University. • Member of all committees appointed by Council or Senate. • The Secretary to the Council and an ex officio member of the Council. • Responsible for Policy matters, Planning, Coordination, Public Relations, Security, Audit, Fundraising and General Development of the University Policy Matters. • Chairperson of Senate. • Chairperson of Associate Professorial appointments. • Chairperson of the University Management Board. • Chairperson of the University Student Welfare Authority.



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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 Academic Board and all the Committees of Academic Board.
 - 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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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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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 tailored - 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 Council and the following Committees:
 - Research;
 - Linkages;
 - Community services;
 - Fund-raising;



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CPA Maxwel Nyaga
DOB; 1974

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

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



Mr David Otiende
DOB; 1963



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

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



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



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Mrs Lucinda Mugaa

DOB; 1955

- Ag. Dean of Students
- PhD student 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.

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



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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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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 2018. 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 901,030,610** compared to **KSh 672,665,983** for the 2016/2017 financial year. This represents an increase of 34% from the previous year. Tuition fees grew by KSh 128,152,881 representing 43% 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. Flat or 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.

Achievements and Challenges

In addition to increased student's enrolment, CUK established the research division with recruitment of the Deputy Vice Chancellor in charge of Co-operative Development, Research and Innovation. We have seen the growth of collaborative research with various county Governments such as Meru County. The Institute of Co-operative Development (ICD) continued to engage county Governments in a bid to establish progressive collaborative linkages. This success in research is admirable as it has been achieved despite the reduced government funding making this success increasingly challenging.

Over the last three years, the University 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, our willingness to work closely together, to partner with others and to benchmark is an expression of firmly held values that are crucial to our future.

Appreciation

On behalf of the Council, I wish to thank all the stakeholders for the confidence placed on the Council during the entire period and look forward to serving even better. In a special way, I thank the Ministry of Education Science and Technology, and all other organizations that have stood with us during the entire Financial Year. Your continued support is highly appreciated. Further, I thank the University 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 2018. 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. Uhuru Kenyatta, President of the Republic of Kenya and Commander of the Kenya Defense Forces. 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 said 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, 2017/2018 has been a year of strong performance for The Co-operative University of Kenya.

Academics

The year 2017/18 marked a great academic transformation of the university. On award of a University Charter on 7th October, 2016, the former Co-operative University College of Kenya changed to be The Co-operative University of Kenya. In its new status, the institution held its 1st graduation under its Chancellor in December, 2016. In its inaugural graduation, CUK graduated 1,148 graduands. It is under this new status that the various organs of a university like the senate were established and offices of the Chancellor, The Vice Chancellor, and Deputy Vice Chancellors were established.

Overview of the Financial Performance

Financially, the University's position remains sound, with no external borrowing; the University reported a Gross income of KSh 901,030,610 compared to KSh 672,665,983 for the 2016/2017 financial year. This represents an increase of 34% from the previous year. Tuition fees grew by KSh 128,152,881 representing 43% 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.



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Research Collaborations and Linkages

This financial year, in order to strengthen our mandate as a university and achieve our mission and vision as set out, the university created a new division of research, innovation and co-operative development and recruited a deputy vice chancellor to run the division. Under this division, the institute of co-operative development spearheads matters collaboration. It is worthwhile to note that through this new division, the university, has, through Memorandum of Understanding initiatives (MOU'S) signed in the 2016/2017, been making the changes required to ensure that research can make the significant developments needed to address some specific concerns in the co-operative movement.

I note with appreciation that the Institute of Co-operative Research and Development has made strides in making fundable proposals and various collaborations with County governments. The future of Research is promising. Going forward, not only will CUK spearhead research and teaching for national and international benefit, but, vitally, as a key element in Cooperative development and future community empowerment. I am delighted that the period covered by this Annual Report marked an increasingly close working relationship between the University and the devolved county Governments.

Infrastructure

To cater for the increased population of both staff and students, the university, in the year under review, continued to grow its infrastructure. CUK spent a total of KSh. 184 million to grow its infrastructure. We accelerated the completion of the 2,500-seater lecturer theatre, fully financed by the government of Kenya. In the year under review, the university spent further, the university sunk a borehole to cater for this increased population then and in future at a cost of KSh. 3.088 million. Further, commenced plans for the construction of a state of the art modern learning resource commencing with the call for consultancy services. It is important to note that the university also, in the said period, developed a 50-year master plan to spell out the clear roadmap for the university.

Compliance with Statutory Guidelines

In the year under review, CUK diligently fulfilled its entire statutory obligation and guidelines set by government agencies and commissions. The university signed performance contracting with the ministry of education and the same was cascaded to relevant officers and staff of the university with continuous monitoring and evaluation. Further, the university reviewed its policies to align them with the new status of the University after the ward of a charter.

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.



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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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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

OPERATIONAL AND FINANCIAL PERFORMANCE

A) INCOME ANALYSIS:

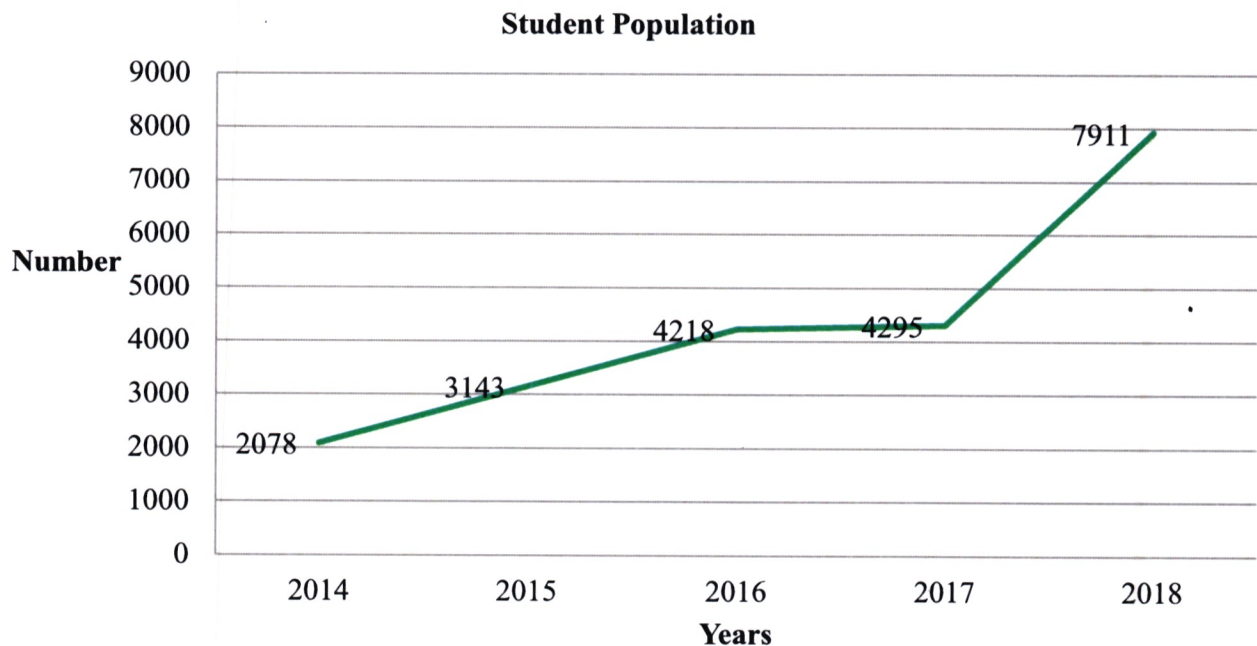
The University registered a total of KSh 901,030,610 in gross revenue against a target of KSh 951,814,827. This represents 95% of the target revenue. In comparison to the same period in the previous financial year, CUK recorded an increase in revenue of KSh 228,364,627 which represents a growth of 34% in gross revenue.

The major drivers of performance was an increase in income generated from Students' fees by KSh 128 Million, Co-operative Retreat & Conference Centre KSh 11Million and receipt of grants from the Government for CBA arrears of KSh 81 Million.

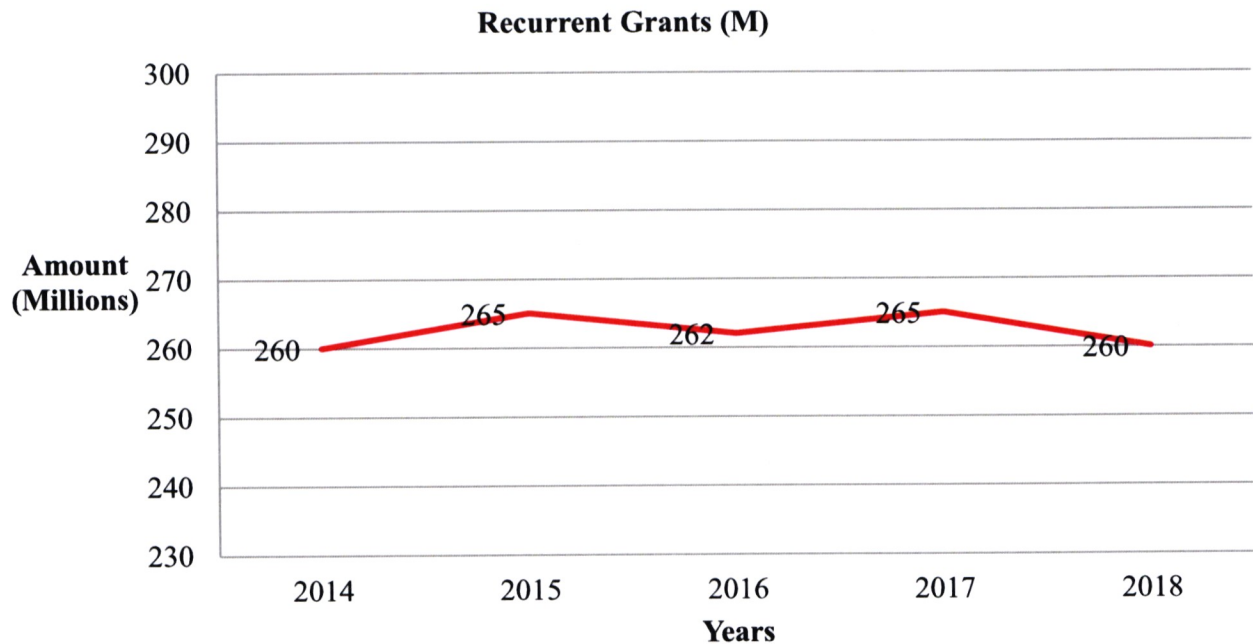
CUK registered a Surplus of KSh 34,601,813 against 2016/2017 deficit of KSh 49,857,746. This shows an improvement of KSh. 84,459,559 in comparison to the same period last financial year.

Over the last 4 years, recurrent grants from the GoK have been almost constant despite the growth in personnel costs and increase in student population, especially the government sponsored students. In the current year, the GoK slashed the recurrent grants by KSh 39,115,776 subjecting the University to further budgetary constraints as illustrated in the graphs below. The University received a supplementary budget allocation of KSh 34,722,339 in the month of December 2017. This was to cater for the increase in personnel cost as a result of the 2013-2017 CBA increments.

The University has however been allocated KSh 203,607,332 in the 2018-2019 financial year.



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B) EXPENDITURE ANALYSIS.

As at 30th June 2018, CUK registered total expenditure of KSh 864,244,087 against previous year's expenditure of KSh 721,882,975 an increase by KSh 142,361,112 representing 19.7% growth in expenditure.

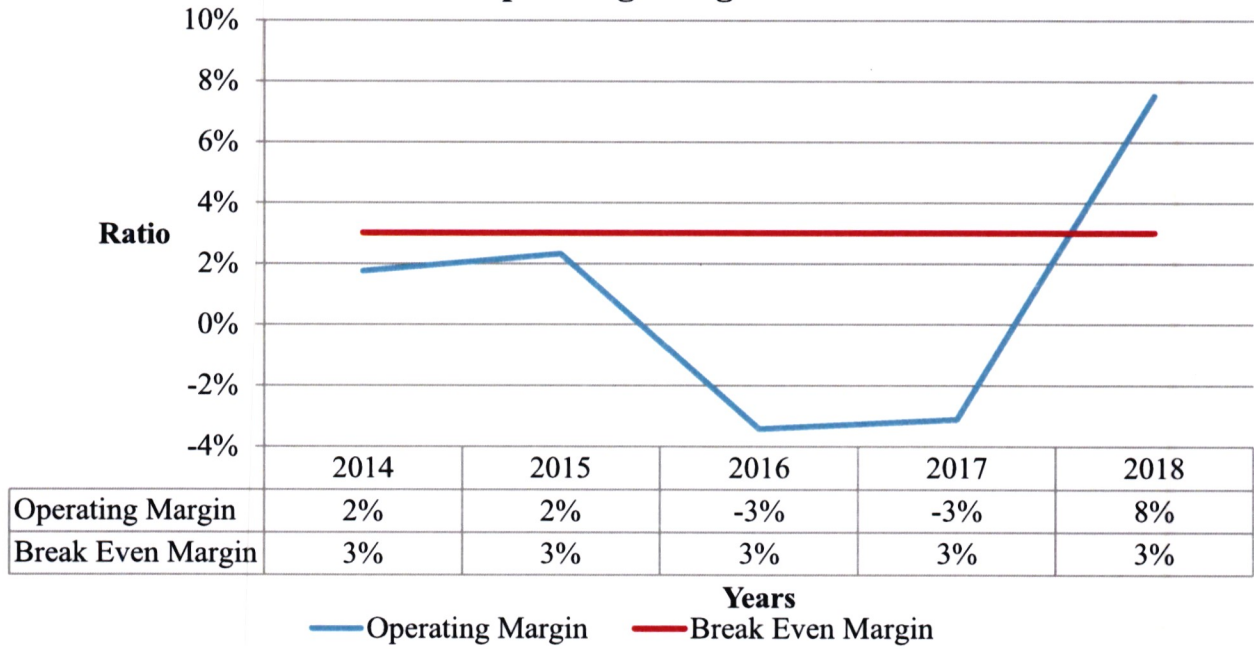
Employee Costs took 59.2% of the total income; Remuneration of Council members 0.8%, Depreciation and amortisation expense 3.7%, Repairs and Maintenance 2.4% and General expenses 29.7% of the total income. The high expenditure in personnel costs is due to payment of the CBA arrears and part time payments done in the months of September 2017, February 2018 and June 2018.



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Operating Margin

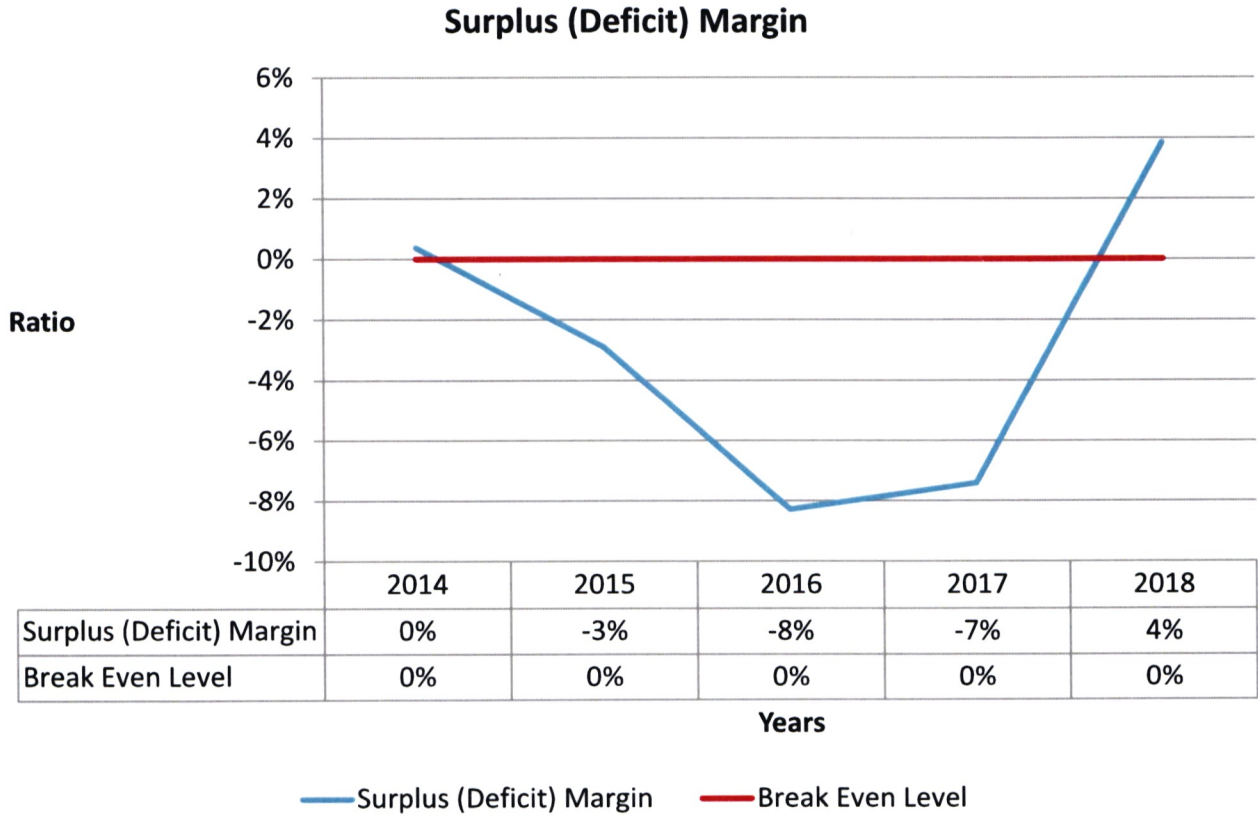


As can be seen above, the proportion of the University's revenue that is left after deducting all the costs less depreciation (operating margin), is 7%. This indicates that the University has improved over the previous financial years, and for the year ending 30 June 2018, the University has broken even. This has been occasioned by the substantial income generated from the large intake in May 2018, and prudent cost cutting measures by the management during the 2nd half of the financial year.



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This is a measure of operational efficiency. As seen above, the University has not been accruing any surplus from its operations. This has however improved this year due to the increase in Fee income & reduction in operating expenses.

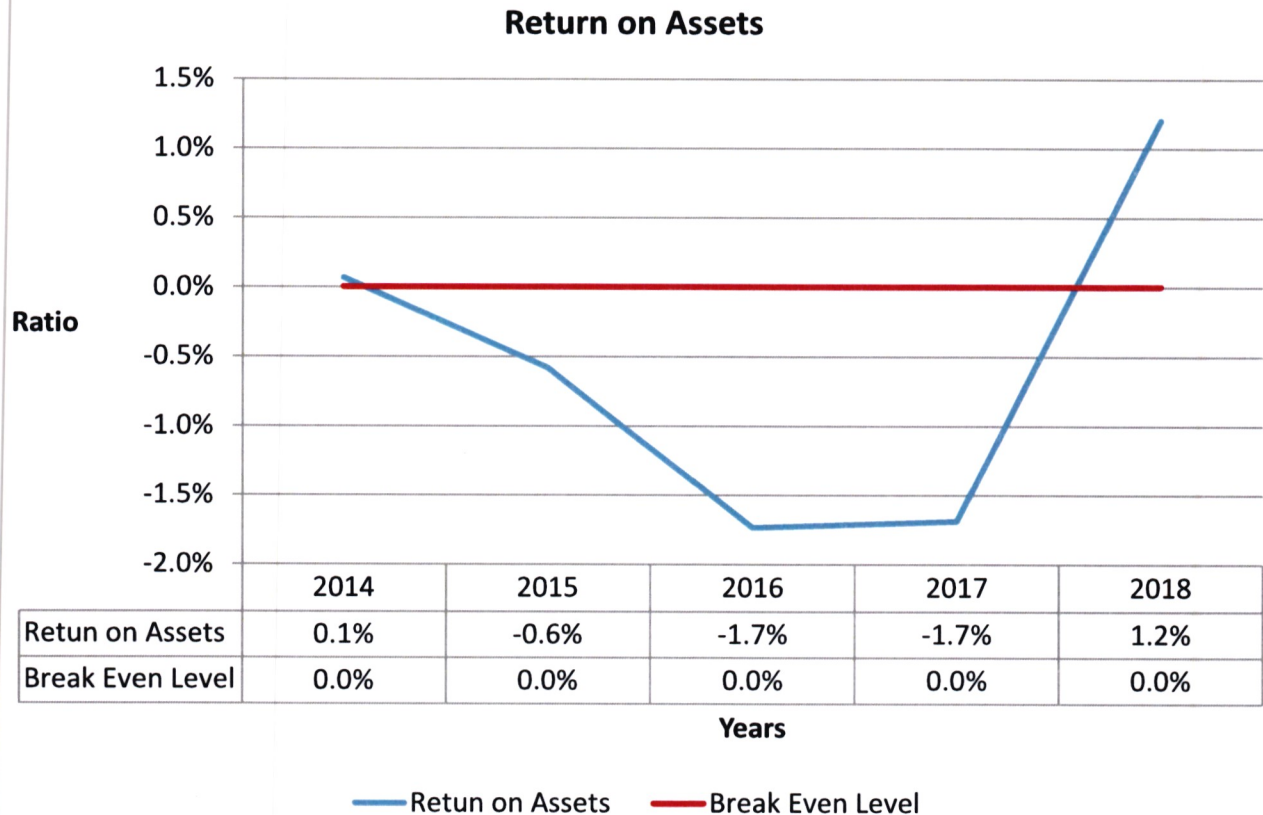


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C) STATEMENT OF THE FINANCIAL POSITION.

The statement of financial position indicates that the university closed the year with Total assets of KSh. 2,881,447,300. This is against KSh 2,953,570,816 registered in the 2016/2017 financial year reflecting a decrease in total assets of KSh.72,123,516. This is attributed to the appraisal done by the new consultant manager for the Lecture theatre project in the financial year 2017/2018.



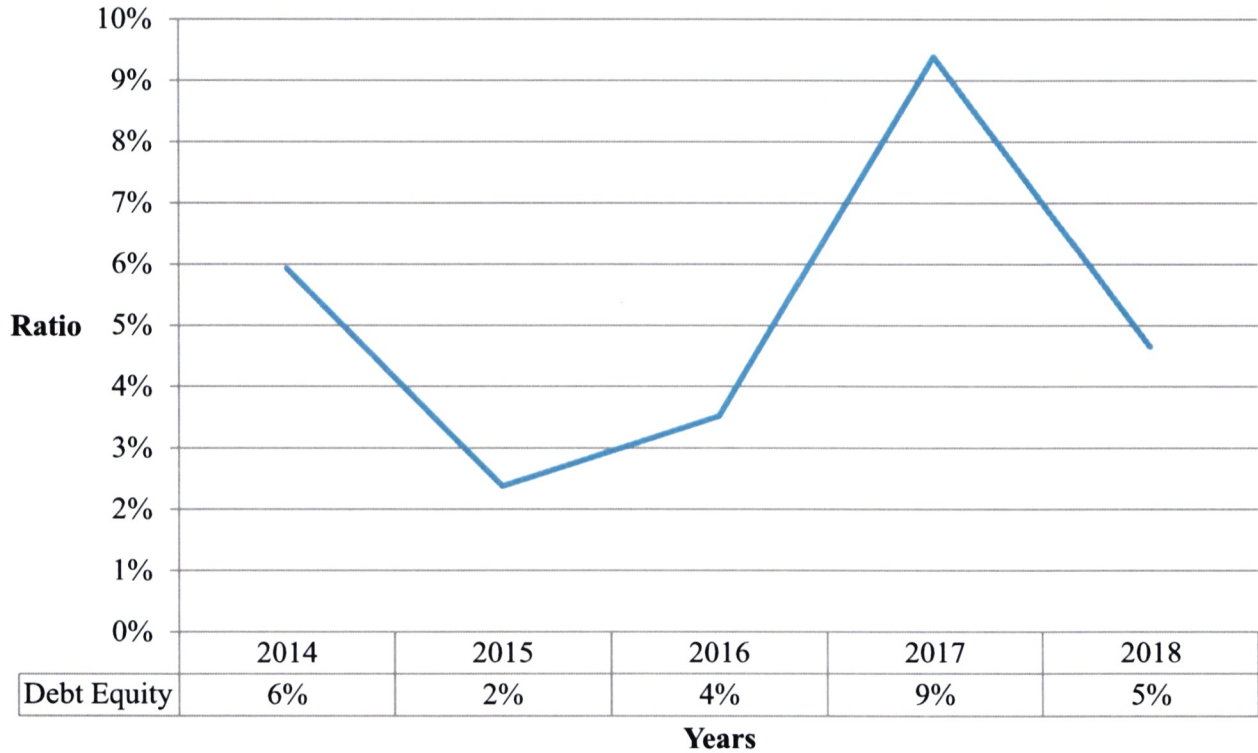
This is a measure of how profitable the University's assets are by comparing net income to the Net Assets. As can be seen above, The University's Return on Assets improved significantly in the current year.



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Debt Equity Ratio



This measures the University's long term solvency ratio and indicates the soundness of long-term financial policies of the University. It shows the relation between the portion of assets financed by creditors and the portion of assets financed by the Capital Reserves (Development Grants, Revaluation Reserves and Accumulated Surplus).

As can be seen above, The University's portion of assets funded by creditors is less than 5%. This indicates that the University's assets are majorly financed through the Capital Reserves (Development Grants, Revaluation Reserves and Accumulated Surplus). The trend however shows an increase in debt financing over the past 3 (three) years.

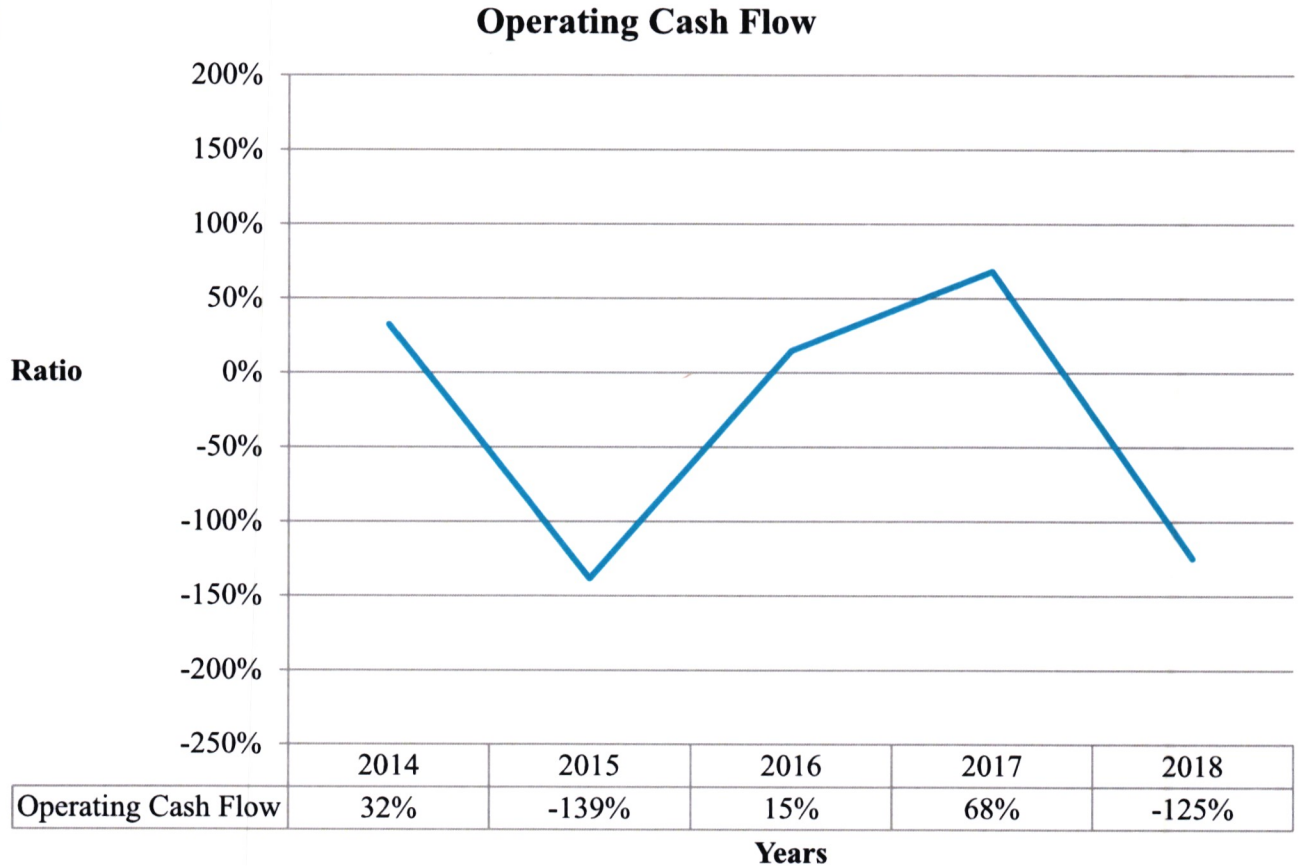


THE CO-OPERATIVE UNIVERSITY OF KENYA

D) STATEMENT OF CASHFLOWS AS AT 30 JUNE 2018.

As at 30th June, 2018, the University had net cash generated from operating activities of KSh (125,203,793). This is the net amount utilized by the University to facilitate operations.

The net change in cash and cash equivalents was KSh (19,325,777) closing the year with KSh 76,968,515.



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.

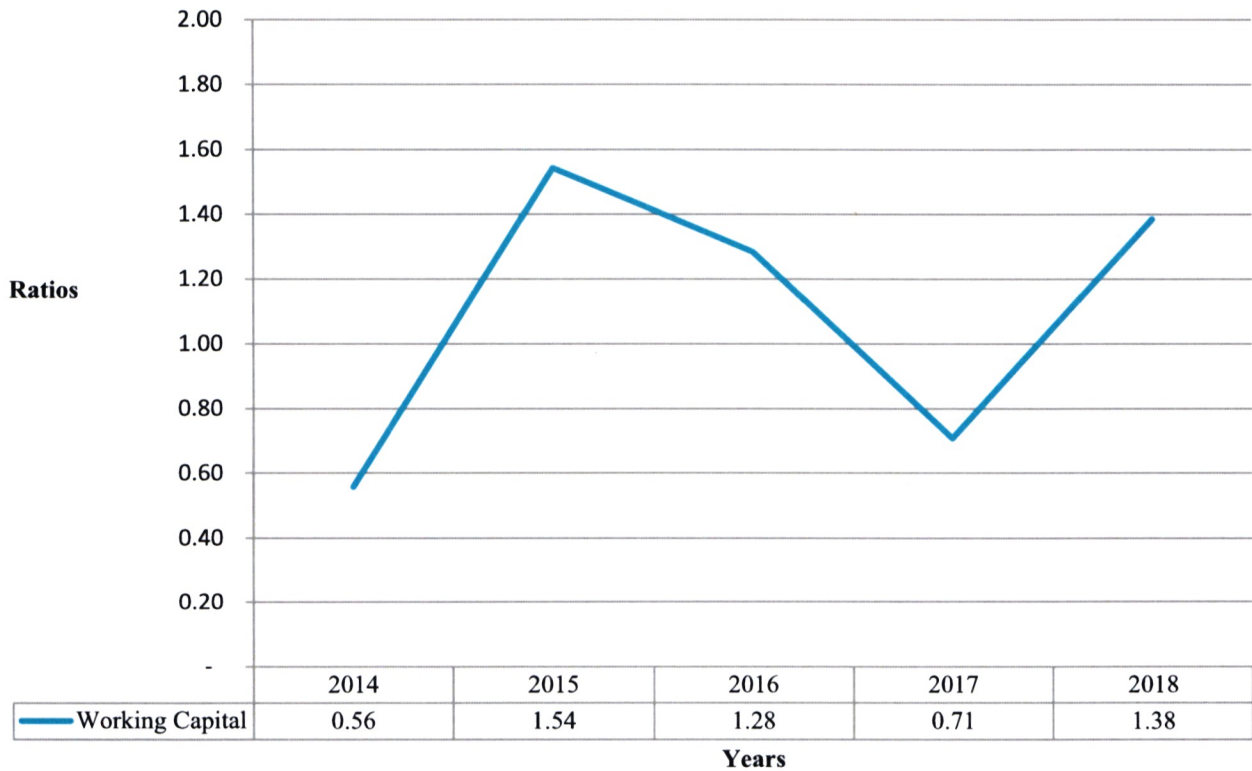
As can be seen above, the operating cash flow is less than an ideal 100%; this means that the University has generated less cash in the period than it needs to pay off its short-term liabilities. This signals a need for more capital.

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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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.

As can be seen above, the University's working capital has been ideal in 2018 as the indicated ratio of 1.4 indicates a healthy working capital.

E) STATEMENT OF COMPARISON OF BUDGET VERSUS ACTUAL AMOUNTS

CUK was below the revenue target projections by KSh 50,784,217 representing a variance of 5% of the expected revenue by 30th June, 2018.

In expenditure projections, the university was also below target by 82,802,867. This is a variance of 9% of the target expenditure.



THE CO-OPERATIVE UNIVERSITY OF KENYA

SECTION B

Compliance with statutory requirements

CUK Complied with all the statutory obligations within the quarter except the 2013-2017 CBA Arrears, Employer's pension, amounting to KSh 11,326,740. The Government disbursed KSh 66,985,176.20 to cater for basic pay & house allowance arrears component of the 2013-2017 CBA arrears. The Government has not released the employer pension component of the 2013-2017 CBA arrears amounting to KSh 11,326,740. This is the cause of the non-compliance.

SECTION C

Key projects and investment decisions planned and implemented

Within the 2017/2018 financial year, the University has been implementing the following projects in order of priority.

S/No	Project	% of Completion	Financing of the project	Remarks
1	Completion of the lecture theatres	98.5%	G.O.K	All the interior works were completed and partial handing over done. Landscaping works on-going as per the project manager's report.
2	Consultancy service on the Ultra-Modern Learning resource Centre	29%	G.O.K	Conceptual designs finalized. Detailed designs almost complete. Tender documents expected by end of July 2018 and a new contractor to be identified by September 1, 2018.
3	Relocation of sports field, construction of a perimeter fence and Gate.	0%	GOK	This is a pre-requisite to the construction of the Learning Resource Centre (Library). This is planned for in the 2018/2019 financial year



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SECTION D

Risk category	Risk description	Impacts (consequence type)	Controls/risk treatment
Governance	Board members not sensitized on their individual and collective governance roles and responsibilities	Legal, Compliance, Leadership, Reputational, Financial, Operational	Train Council on governance
			Evaluate board members on discharge of individual and collective responsibilities
			Develop and implement a governance risk and compliance program
	CUK non compliance with applicable laws and regulations resulting in compliance exposure	Legal, Compliance, Leadership, Reputational, Financial, Operational	Train Council and Management Board on CUK compliance framework
			Carry out legal audit
			Develop and implement a governance risk and compliance program
	Underdeveloped culture resulting in low stakeholder goodwill and support	Leadership, Reputational, Financial, strategic and Operational	<p>Council and Management to model expected culture</p> <p>Promote Council, Management and Staff interactions</p> <p>Reward staff who promote desired culture and achieve target results</p>



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Strategic Risks	Inadequate academic staff in terms of numbers, qualifications and expertise	Strategic, Leadership, Financial, Operational	Recruit qualified staff Encourage visiting professors Train the permanent academic staff
	Decreasing pool of qualified applicants resulting in low student enrolment, low completion rate and reduced revenue	Strategic, Reputational, Financial, Operational	Career talks, aggressive marketing and expanding curricula Career guidance Marketing Running market driven courses Re engineering internal academic processes
	Change of government policy resulting in few programs, low student numbers and low CUK visibility	Strategic, Compliance, Reputational, Financial, Operational	Ensuring compliance with Government and CUE regulations Compliance with government regulations Establishing governance desk mandate with the responsibility of identifying and communicating Establish desk for follow up and reporting Fully implement strategic plan, fund the development plan and master plan Implement audit section work plan to check compliance with government regulations



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	<p>Limited research infrastructure and capacity resulting in low research output, low innovation and low ability to attract research funding and loss of research funding</p>	<p>Strategic, Reputational, Financial, Operational</p>	<p>Develop research infrastructure</p> <p>Encourage collaborative research with established academic research institutions</p> <p>Encourage collaborative research with established academic research institutions</p>
	<p>Inadequate staff expertise to enhance collaborative outreach to co-operative sector and communities resulting in low support from SACCOs and other organizations</p>		<p>Train key staff on designing and implementing collaborative outreaches in the cooperative sector</p> <p>Restructuring of ATC</p> <p>Establishment of mutually beneficial partnerships with other bodies in the co-operative sector</p>



THE CO-OPERATIVE UNIVERSITY OF KENYA

<p>Financial Risks</p>	<p>Low revenue generation from programs resulting in limited resources to fund strategic initiatives</p>		<p>Increase revenue streams</p> <p>Increase number of international students</p> <p>Increase consultancy services</p> <p>Develop, market and mount e- learning programs</p> <p>Start short term courses</p> <p>Target a minimum of 1000 students on e-learning programme</p>
	<p>High competition from Coop Bank, KUSCCO, SASRA, CAK and other trainers resulting in reduction in revenue, reduction in market share, loss of mandate and relevance</p>		<p>Signed MOU's</p> <p>Proposed for CED</p> <p>Revitalize consultancy arm and improve relevant courses by developing curriculum for short courses</p> <p>Develop strategy for reaching out to the cooperative movement</p> <p>Champion for an Act of Parliament to establish and regulate Co-operative professionals</p> <p>Increase marketing of CUK courses and services</p>
	<p>Changes of government funding policy – Differentiated Unit Cost – DUC</p>		<p>Design more competitive programs to boost student enrolment</p> <p>Increase the number of degree students</p>



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	Failure to attract external funding and collaborations resulting in constrained resources		<p>Develop and implement strategic financing plan</p> <p>Establish resource mobilization office</p> <p>Develop fundable proposals</p>
	Failure of students to follow fee policy resulting in erratic cash flow		<p>Enforcement of fee policy, exam policy and guidelines</p> <p>Establishment of new revenue generation strategy</p> <p>Improve debt collection system</p>



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SECTION E

Material arrears in statutory/financial obligations

CUK has not paid the 2013-2017 CBA Employer's pension amounting to KSh 11,326,740. The same will be paid once the money is received from the government.

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.



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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, 2018 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, 2018 are set out on page 44 of the Annual Report and Financial Statements for the period ended June 30, 2018.

The results indicate that CUK registered a total of KSh. 901,030,610 in gross revenue against a target of KSh. 951,814,827. This represents 95% of the target revenue. In comparison to the previous financial year, CUK recorded a 34% increase in revenue. At the same time, CUK registered total expenditure of KSh 864,244,087 against previous years KSh. 721,882,975 representing 19% growth 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 been 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.

Despite the above challenges, CUK Council has remained focused on its strategic direction of becoming the premier University in Co-operative Education, Research and Development. The University is in the inception stages of constructing an Ultra-Modern Learning Resource Centre at an estimated cost of Kshs 3.7 Billion.

The Council is pleased to report that tremendous improvement has been made in the University's human resource establishment. Prof. Kamau Ngamau and Prof. Esther Gicheru were appointed by the Cabinet Secretary for Education as the Vice Chancellor and Deputy Vice Chancellor (FPA) respectively. During the financial year, CUK promoted all staff who met the relevant promotions criteria, of note, Prof. John Kihoro was promoted to a full professor and Prof. Kennedy Waweru to an associate professor.

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 Stanley Ongeti | Member. |
| 10. Prof. Kamau Ngamau | Secretary. |



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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).

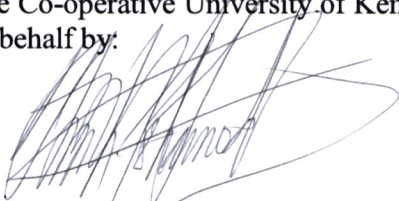
The Council is responsible for the preparation and presentation of the Financial Statements, which give a true and fair view of the state of affairs of the University as at the end of the Financial Year ended on June 30, 2018. This responsibilities includes: (i) maintaining adequate financial management 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, 2018, 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 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

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CO-OPERATIVE UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Co-operative University of Kenya set out on pages 44 to 71, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Co-operative University of Kenya as at 30 June 2018, 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 University's Act, 2012.

Basis for Qualified Opinion

Work in Progress

Included in the work in progress balance of Kshs.343,409,030 under note 21 to the financial statements is Kshs.290,317,144 being value of work in progress for the construction of proposed erection and completion of lecture theatres.

Examination of work in progress records and other documents for this contract indicate that the value of works as at 30 June 2018 amounted to Kshs.401,920,201 which comprised of Kshs.348,696,551 and Kshs.53,223,650 being value of certified works as at 30 June 2017 and additional certified during the year. This balance is at a variance with the balance of Kshs.290,317,144 reflected in note 21 to the financial statements by Kshs.111,603,057.

Although management has explained that a revaluation of works was done by a new Project Manager engaged for the project, no explanations and analysis to support the impairment of Kshs.111,603,057 between the two valuations has been availed for audit review.

In the circumstances, the accuracy of work in progress figure of Kshs.343,409,030 as at 30 June 2018 could not be ascertained.

Report of the Auditor-General on the Financial Statements of the Co-operative University of Kenya for the Year Ended 30 June 2018

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Co-operative University of Kenya in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the basis for qualified opinion section, I have determined that there were no Key Audit Matters to communicate in my report.

Other Matter

Budgetary Control and Performance

The University Revenue had a total Revenue budget of Kshs.951,814,827 for the financial year 2017/2018 against an actual amount earned of Kshs.901,030,610 resulting in an under collection by Kshs.50,784,217 as summarized below:-

	Final Budget (Kshs.)	Actual Revenues (Kshs)	Under- collection revenue (Kshs.)	Under- collection revenue %
Revenue				
Unconditional Grants	260,969,563	260,969,557	(6)	0%
Conditional Grants	126,985,176	92,175,618	(34,809,558)	-27%
Tuition fees & Other Levies	395,060,088	427,388,566	32,328,478	8%
Rental revenue from facilities and equipment	2,100,000	2,353,076	253,076	12%
Income from Co-operative Retreat & Conference Centre	140,000,000	103,296,967	(36,703,033)	-26%
Other income	26,700,000	14,846,826	(11,853,174)	-44%
Total Revenue	951,814,827	901,030,610	(50,784,217)	-5%

Similarly during the year under audit the University had expenditure budget of Kshs.949,231,664 against actual expenditure of Kshs.866,428,797 resulting in net under-expenditure of Kshs.82,802,867 or 10% as detailed below.

Expenses	Final Budget Kshs	Actual Expenditure Kshs	Over/Under Expenditure Kshs	Over/(Under) Expenditure %
Employee Cost	540,815,664	533,621,057	7,194,607	1%
Board Expenses	11,200,000	7,552,416	3,647,584	33%
Depreciation and amortization expense	25,000,000	33,113,930	(8,113,930)	-32%
Repairs and Maintenance	23,080,000	21,680,703	1,399,297	6%
General Expenses	349,136,000	270,460,692	78,675,308	23%
Total expenditure	949,231,664	866,428,798	82,802,867	9%

The under collection of revenue and under expenditure of Kshs.50,784,217 and Kshs.82,802,867 respectively may be due to over budgeting which may have a negative impact on implementation of planned activities and service delivery to stakeholders. There is need for the university to re-look at its budgeting mechanism and plan a realistic budget with the resources available to avoid over budgeting.

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 else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 (Accrual Basis) 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the University or to cease operations, or have no realistic alternative but to do so

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

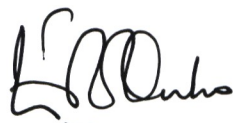
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

my audit report. However, future events or conditions may cause the University to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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.



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

Nairobi

4 March 2019

THE CO-OPERATIVE UNIVERSITY OF KENYA

XII. STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2018

	Note	2017-2018 KSh	2016-2017 Restated KSh
Revenue from non-exchange transactions			
Unconditional Grants	4	260,969,557	265,362,500
Conditional Grants	4	92,175,618	3,338,202
		353,145,175	268,700,702
Revenue from exchange transactions			
Tuition fees & Other Levies	5	427,388,566	299,235,685
Income from Co-operative Retreat & Conference Centre	6	103,296,967	92,041,691
Rental revenue from facilities and equipment	7	2,353,076	2,404,330
Other income	8	14,846,826	10,283,575
		547,885,435	403,965,281
Total revenue		901,030,610	672,665,983
Expenses			
Employee Cost	9	533,621,057	382,269,136
Board expenses	10	7,552,416	14,103,426
Depreciation and amortization expense	11	33,113,930	28,847,363
Repairs and Maintenance	12	21,680,702	19,147,755
General Expenses	13	267,637,982	276,935,295
Audit Fee	22	638,000	580,000
Total expenses		864,244,087	721,882,975
Other Gains/(Losses)			
Increase in Provision	15(b)	2,184,710	640,754
Surplus/(Deficit) for the period		34,601,813	(49,857,746)

The notes set out on pages 50 to 68 form an integral part of the Financial Statements



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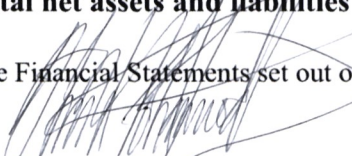
THE CO-OPERATIVE UNIVERSITY OF KENYA


XIII. STATEMENT OF FINANCIAL POSITION


As At 30 June 2018

	Note	2017-2018	2016-2017
		KSh	Restated KSh
Assets			
Current assets			
Cash and cash equivalents	14	76,968,515	96,294,292
Receivables from exchange transactions	15	56,371,589	63,663,665
Receivables from non-exchange transactions	16	1,425,440	1,955,036
Inventories	17	1,971,390	1,509,433
		136,736,934	163,422,426
Non-current assets			
Property, plant and equipment	19	2,395,657,006	2,390,533,158
Investments	18	2,825,530	2,825,530
Intangible Assets	20	2,818,800	-
Work In Progress	21	343,409,030	396,789,702
		2,744,710,366	2,790,148,390
Total assets		2,881,447,300	2,953,570,816
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	85,297,243	119,553,975
Trade and other payables from non-exchange transactions	23	13,296,281	111,603,057
		98,593,524	231,157,032
Long term liabilities			
Long term liabilities	24	28,629,431	22,375,351
		28,629,431	22,375,351
Total liabilities		127,222,955	253,532,383
Net Assets			
Capital fund	25	1,024,954,082	1,003,121,582
Revaluation Reserves	26	1,856,906,702	1,877,890,493
Accumulated Deficit	27	(127,636,439)	(180,973,642)
Total net assets		2,754,224,345	2,700,038,433
Total net assets and liabilities		2,881,447,300	2,953,570,816

The Financial Statements set out on pages 44 to 48 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. Maxwel 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 2018

	Accumulated Deficit KSh	Capital Reserve Fund KSh	Revaluation Reserve KSh	Total KSh
Balance as at 30 JUNE 2016	(137,002,313)	940,121,582	1,893,503,287	2,696,622,556
Additions in the year	(9,726,377)	63,000,000	-	53,273,622
Excess Depreciation on revaluation	15,612,794		(15,612,794)	-
Surplus/(deficit) for the period	(49,857,746)	-	-	(49,857,745)
Balance as at 30 JUNE 2017	(180,973,642)	1,003,121,582	1,877,890,493	2,700,038,433
Surplus for the period	34,601,813	-	-	34,601,814
Excess Depreciation on revaluation	20,983,791		(20,983,791)	-
Additions in the year	(2,248,401)	21,832,500	-	19,584,099
Balance as at 30 JUNE 2018	(127,636,439)	1,024,954,082	1,856,906,702	2,754,224,345



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THE CO-OPERATIVE UNIVERSITY OF KENYA

XV. STATEMENT OF CASHFLOWS

For the year ended 30 June 2018

		2017-2018	2016-2017
	Notes	KSh	Restated KSh
Surplus for the period		34,601,813	(49,857,746)
Adjustment for:			
Profit on Disposal of Assets	19(b)	(2,279,233)	-
Depreciation	11	33,113,930	28,847,363
		65,436,510	(21,010,383)
Change in Working Capital			
(Increase)/Decrease in inventories	17	(461,957)	645,355
(Increase)/Decrease in receivables from Exchange transactions	15	7,292,076	20,970,736
(Increase)/Decrease in receivables from Non-Exchange transactions	16	529,596	112,290
Increase/(Decrease) in payables from Exchange transactions	22	(34,256,732)	49,141,741
Increase/(Decrease) in payables from Non-Exchange transactions	23	(98,306,776)	87,075,139
Net cash generated from operating activities		(125,203,793)	157,945,260
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	19	(40,790,460)	(22,125,406)
Intangible Assets	20	(2,818,800)	-
Proceeds from Disposal of Assets	19(b)	4,831,914	-
Work in progress	21	53,380,673	(127,267,382)
Net cash flows used in investing activities		14,603,327	(149,392,788)
Cash flows from financing activities			
Capital Reserve fund	25	21,832,500	63,000,000
Accumulated Deficit	27	(2,248,401)	(9,726,361)
Increase in Long-term Liabilities	24	6,254,080	22,375,351
		25,838,179	75,648,990
Net change in cash and cash equivalents	14	(19,325,777)	63,191,079
Opening cash and cash equivalent	14	96,294,292	33,103,213
Closing cash and cash equivalent		76,968,515	96,294,292



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THE CO-OPERATIVE UNIVERSITY OF KENYA

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Original budget 2018		Adjustments 2018		Final budget 2018		Actual on comparable basis 2018		Performance difference 2018		Variance %
	KSh	KSh	KSh	KSh	KSh	KSh	KSh	KSh	KSh	%	
Unconditional Grants	226,247,224		34,722,339		260,969,563		260,969,557	(6)		0%	
Conditional Grants	81,000,000		45,985,176		126,985,176		92,175,618	(34,809,558)		-27%	
Tuition fees & Other Levies	345,000,000		50,060,088		395,060,088		427,388,566	32,328,478		8%	
Rental revenue from facilities and equipment	2,100,000		-		2,100,000		2,353,076	253,076		12%	
Income from Co-operative Retreat & Conference Centre	100,000,000		40,000,000		140,000,000		103,296,967	(36,703,033)		-26%	
Other income	20,700,000		6,000,000		26,700,000		14,846,826	(11,853,174)		-44%	
Total income	775,047,224		176,767,603		951,814,827		901,030,610	(50,784,217)		-5%	
Expenses											
Employee Cost	540,815,664		-		540,815,664		533,621,057	7,194,607		1%	
Board Expenses	11,200,000		-		11,200,000		7,552,416	3,647,584		33%	
Depreciation and amortization expense	28,000,000		(3,000,000)		25,000,000		33,113,930	(8,113,930)		-32%	
Repairs and Maintenance	22,100,000		980,000		23,080,000		21,680,702	1,399,298		6%	
General Expenses	319,000,000		30,136,000		349,136,000		270,460,692	78,675,308		23%	
Total expenditure	921,115,664		28,116,000		949,231,664		866,428,797	82,802,867		9%	
Surplus for the period	(146,068,440)		148,651,603		2,583,163		34,601,813	(32,018,650)			



THE CO-OPERATIVE UNIVERSITY OF KENYA

Explanation of Material Differences in Statement of Comparison of Budget and Actual Amounts

1. Conditional Grants – The University did not receive any income from development partners
2. Income from Co-operative Retreat & Conference Centre – The Restaurant had a slow second half of the year due to the Country's slow recovery after the electioneering period.
3. Other Income – Some income streams that were proposed didn't perform as expected.
4. Board Expenses – The University had budgeted for a Chancellor's honorarium for the year. However, the University did not have a Chancellor and as such did not incur that expense.
5. Depreciation and amortization – The University had budgeted for depreciation based on the previous year's depreciation amount. However, the University had asset additions which increased the effective depreciation for the year.
6. General Expenses – Austerity measures by the University were instituted in the year to address the poor financial performance in the previous financial year. This allowed for control of expenditure in general expenses.



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THE CO-OPERATIVE UNIVERSITY OF KENYA

XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 7th October 2016. It replaced the former Co-operative University College of Kenya earlier established under legal notice No. 161 of 4th November 2011 as a Constituent University College of Jomo Kenyatta University of Agriculture and Technology Act (Cap 210E). 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 7th 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), 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 2018

- Employee benefits – IPSAS 39

The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The main objective is to ensure accurate information relating to pension liabilities arising from defined benefit schemes by doing away with the corridor approach.

This standard has no effect on the University because the University has a defined contribution scheme.

b) Early adoption of Standards

The University did not early adopt any new or amended standards in year 2018.



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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.



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) Comparative Figures

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

k) Subsequent Events

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

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) 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.

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 2018

4. Grants	2017-2018	2016-2017
	KSh	Restated KSh
Unconditional grants		
Government of Kenya	260,969,557	265,362,500
	260,969,557	265,362,500
Conditional grants		
2013-2017 CBA Arrears	66,985,176	-
Research Grants	25,190,442	3,338,202
	92,175,618	3,338,202
Total government grants and subsidies	353,145,175	268,700,702

5. Tuition Fees	2017-2018	2016-2017
	KSh	Restated KSh
Main Campus	371,396,496	249,224,799
Nairobi Town Campus	34,216,189	32,619,781
Meru Campus	14,210,996	12,877,242
Mombasa Campus	12,476,285	9,143,283
Students Fees Refund	(4,911,400)	(4,629,420)
Total revenue from Tuition fees	427,388,566	299,235,685

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.

6. Co-operative Retreat & Conference Centre	2017-2018	2016-2017
	KSh	Restated KSh
Sales from CR&CC	103,296,967	92,041,691
Total from CR&CC	103,296,967	92,041,691

The increase in CR&CC income is attributed to a large one-off contract from the Kenya Police Service.

7. Rental revenue from facilities	2017-2018	2016-2017
	KSh	Restated KSh
Rent Income	2,353,076	2,404,330
Total rentals	2,353,076	2,404,330

8. Other income	2017-2018	2016-2017
	KSh	Restated KSh
Catering	8,418,194	7,736,155
Dispensary	46,719	57,589
Contributions from ATC	1,200,000	300,000
Water and Electricity	166,900	417,100
Donations	-	106,000



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sale of Farm Produce	194,253	410,048
Disposal of Assets	2,279,233	-
Miscellaneous Income	2,541,527	1,256,683
Total other income	14,846,826	10,283,575

The increase in other income is due to the disposal of two motor vehicles, and increased contribution from Agri And Co-operative Training and Consultancy Services.

9. Employee costs	2017-2018	2016-2017 Restated
	KSh	KSh
Basic Salaries	240,004,048	136,777,617
Casual workers	5,869,276	5,489,420
Part time teaching	39,287,624	46,554,055
Gratuity	2,674,819	5,705,091
Pension	40,140,779	20,019,894
House to Office allowance	33,855,784	30,711,635
Other personnel allowances	58,886,044	48,238,741
Group life insurance	3,740,830	967,541
Leave allowance	2,817,838	2,745,577
New recruits, passage & Baggage	1,008,000	2,015,239
House allowances	105,336,015	83,044,326
Employee costs	533,621,057	382,269,136

The increase in Employee Costs is attributed to the payment of the 2013 - 2017 Collective Bargain Agreement arrears, thus the increase in basic salaries, house allowances and pension.

10. Board Expenses	2017-2018	2016-2017 Restated
	KSh	KSh
Sitting Allowance	4,400,000	8,300,000
Travelling Allowance	631,909	1,560,805
Subsistence Allowance	1,214,624	2,522,621
Medical Scheme	358,883	-
Chairperson's Honoraria	947,000	1,720,000
Total Board Expenses	7,552,416	14,103,426

The appointment of a University Chancellor and the Council meetings to recruit Deputy Vice Chancellors in the financial year 2016/2017, led to high Board expenses in the financial year 2016/2017. This has consequently reduced in the financial year 2017/2018.

11. Depreciation and amortization expense	2017-2018	2016-2017 Restated
	KSh	KSh
Property, plant and equipment	33,113,930	28,847,363
Total depreciation and amortization	33,113,930	28,847,363

12. Repairs and maintenance	2017-2018	2016-2017 Restated
	KSh	KSh
Motor Vehicle repairs	2,098,621	4,043,652
Maintenance of Sewerage and water	2,246,177	1,033,352



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Maintenance of Buildings and station	9,384,021	7,363,183
Maintenance of roads/grounds	14,300	122,950
Maintenance of computers/printer	4,894,350	4,443,947
Maintenance of plant & equipment	3,043,233	2,140,671
Total repairs and maintenance	21,680,702	19,147,755

The increase in repairs and maintenance expenditure is due to the increased population (students and staff) in the University during the financial year. Motor Vehicle repairs expenditure reduced after the disposal of old motor vehicles and purchase of new ones.

13. The following are included in general expenses:

	2017-2018	2016-2017
	KSh	Restated KSh
Central Services		
Fire fighting equipment	-	241,628
Sports facilities	215,000	299,600
Electricity expenses	9,224,677	12,406,647
Water expenses	1,020,903	2,145,295
Vehicle licenses & insurance	413,890	706,973
Vehicle fuel and oil	6,893,312	4,919,648
Publishing & Printing	536,927	1,392,563
Advertising and Publicity	6,153,831	12,212,759
Telephone expenses	484,596	325,759
Postal & Courier services	244,010	316,923
Conferences/workshops and seminars	4,950,786	3,745,792
Contracted professional services	6,380,864	6,566,972
Catering cost	31,862,128	36,431,675
Cleaning materials	3,168,079	4,314,937
Outsourced Cleaning Services	8,772,844	6,036,749
External travelling	1,908,790	2,545,235
Gas and fuel	4,044,291	5,469,820
Training expenses/Staff training	3,191,442	3,208,953
Subscription to professional bodies	1,013,781	766,000
Utensils & crockery	474,338	1,141,042
Performance Contract	2,884,254	2,522,153
Booked meals for staff	3,621,227	3,774,767
Newspapers	741,640	792,420
Internet services	12,650,961	7,248,629
ISO certification & maintenance	813,000	719,000
Staff welfare	1,462,451	2,963,687
Fumigation services	253,600	216,800
Generator expenses	1,188,266	909,280
Rent & rates	27,704,595	25,846,831
Purchase of uniforms	1,528,685	461,475
Purchase of Drugs	1,457,879	2,531,847
Medical scheme	13,592,426	22,303,586
Stationery & stores	4,041,820	7,358,458
Purchase of production materials	2,120,666	2,080,439
General insurance	391,200	254,521
Staff group personal accident	416,388	893,086
Student group personal accident	-	270,548
a) Set up of ICT infrastructure	4,590,659	14,977,550
Students Welfare		



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Inter university games	2,158,960	1,923,400
Students work-study programme	-	-
Sports equipment	8,700	996,400
Students Fee Waivers	312,800	-
Academic Costs		
Research, production & extension	6,312,841	5,698,970
Corporate social responsibility	402,850	287,400
Shows & Exhibitions	1,001,030	2,537,480
Study tours	-	221,950
Library books/e-library/journals	2,117,246	1,595,706
Curriculum Development	3,717,365	512,290
Alumni association	45,000	78,000
Examination expenses	695,471	616,020
Graduation expenses	4,672,152	6,058,716
Leadership for change	1,459,641	-
Charter Award Ceremony	-	3,561,620
HIV/AIDS Control Unit	179,500	214,100
KUCCPS/CUE Accreditation	217,486	-
Administrative Costs		
Legal and Audit Expenses	3,500,000	-
Travelling and accommodation	7,260,956	8,940,932
Bank charges/interest	1,766,156	1,699,137
Task Force/Facilitation Allowances	3,276,193	4,725,525
Official Entertainment	68,250	99,060
VAT Expense	1,312,232	2,064,284
CR&CC Rebates	1,389,761	2,684,894
Ajira Training Project	4,065,606	1,541,750
Outsourced Accommodation	48,860,200	27,799,137
Hire of Machinery & Equipment	2,423,380	1,758,480
Total general expenses	267,637,982	276,935,295

a) Set up of ICT infrastructure. The expenditure for 2016/2017 includes a full amortization of KSh. 10,149,798 relating to Management Information System (MIS). This project was used from the years 2008 to 2013. The contractor however abandoned the project before full implementation, and the dispute settled in arbitration in favour of the University.

b) There has been a slight increase in total general expenses when the amortized MIS cost is excluded. This is due to increased student numbers in the financial year 2017/2018.

c) Bank charges for 2016-2017 were restated to show the corrected position as at 30 June 2017.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14. Cash and cash equivalents	2017-2018	2016-2017
	KSh	Restated KSh
Current Accounts	39,609,866	33,438,812
On-Call Deposits	32,452,142	58,233,477
Fixed Deposits Accounts	4,507,360	4,507,360
Others	399,147	114,642
Total cash and cash equivalents	76,968,515	96,294,292
a) Current account		
Standard Chartered Bank	23,391,030	25,406,651
Co-operative Bank Business Account	6,583,316	6,293,586
Co-operative Bank Research & Projects Account	9,635,520	1,738,575
Sub- total	39,609,866	33,438,812
b) On- Call deposits		
Co-operative Bank Fees Collection Account	32,208,725	58,198,767
Co-operative Bank HELB Collection Account	204,747	(4,290)
Co-operative Bank Agency Account	38,670	39,000
Sub- total	32,452,142	58,233,477
c) Fixed deposits account		
Co-operative Bank Collateral Account	4,507,360	4,507,360
Sub- total	4,507,360	4,507,360
d) Others		
Cash in hand	399,147	114,642
Sub- total	399,147	114,642
Grand total	76,968,515	96,294,292

Cash and Cash equivalents were restated to include the Co-operative Bank Agency Account balances as at 30 June 2018.

15. Receivables from exchange transactions	2017-2018	2016-2017
	KSh	Restated KSh
Current receivables		
(a) Student debtors	34,353,092	36,105,572
Seminar debtors	15,059,694	13,743,760
Rent & water bills outstanding	1,631,829	1,473,452
Imprest outstanding	2,132,612	807,681
Tablet/Laptop Debts Outstanding	(30,514)	42,067
Deposits with suppliers	5,013,272	5,013,272
Advance rent	1,049,680	1,049,680
Institute of Co-operative Development Debtors	675,341	4,271,341
Un-reconciled Receipts & Payments	-	2,485,547
(b) Less: Provision for Bad Debts	(3,513,417)	(1,328,707)
Total receivables	56,371,589	63,663,665

a) Student debtors are balances for students of Main, Town, Meru and Mombasa Campuses.

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



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

b) Movement in provisions for Bad Debts	2017-2018	2016-2017
	KSh	Restated
		KSh
Balance at the beginning of the year	1,328,707	687,953
Provision for the year	2,184,710	640,754
Balance as at 30 June 2018	3,513,417	1,328,707

16. Receivables from Non-exchange Transactions

	2017-2018	2016-2017
	KSh	Restated
		KSh
Current receivables		
Salary advances outstanding	1,425,443	1,955,036
Recurrent Grants	(3)	-
Total current receivables	1,425,440	1,955,036

17. Inventories

	2017-2018	2016-2017
	KSh	Restated
		KSh
Dry & perishable foods	500,113	275,343
Production materials	255,624	285,313
General stationery	514,616	502,740
Cleaning materials	422,863	342,425
Electrical & hardware	275,369	100,807
Water chemicals	2,805	2,805
Total inventories	1,971,390	1,509,433

18. Investments

	2017-2018	2016-2017
	KSh	Restated
		KSh
Agri. And Co-operative Training and Consultancy Services	2,825,530	2,825,530
Total investments	2,825,530	2,825,530

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



THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

19. Property, Plant & Equipment	LAND	BUILDING	PLANT & EQUIPMENT	FURNITURE & FITTING	COMPUTER & ACCESSORIES	MOTOR VEHICLES	TOOLS	OFFICE EQU	TEL. EQU	KITCHEN	TOTAL
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
TRANSFERS	-	-	-	-	-	(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 30- 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>
Net Book Value AS AT 30- 06-2017	<u>1,766,664,000</u>	<u>554,736,819</u>	<u>4,319,795</u>	<u>29,167,731</u>	<u>8,802,417</u>	<u>13,563,956</u>	<u>7,030,424</u>	<u>2,508,559</u>	<u>1,065,774</u>	<u>2,673,683</u>	<u>2,390,533,158</u>

THE CO-OPERATIVE UNIVERSITY OF KENYA
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19. Property, Plant & Equipment	LAND	BUILDING	PLANT & EQUIPMENT	FURNITURE & FITTING	COMPUTER & ACCESSORIES	MOTOR VEHICLES	TOOLS	OFFICE EQU	TEL. EQU	KITCHEN	TOTAL
Valuation As At 01/07/2016	1,766,664,000	597,905,580	3,363,446	35,838,610	16,480,090	21,751,600	13,407,044	3,396,350	1,518,318	3,586,105	2,463,911,143
Additions In The Period	-	3,956,950	1,855,019	5,495,250	3,444,080	6,300,000	409,200	276,718	333,440	54,750	22,125,407
Disposals	-	-	-	-	-	-	-	-	-	-	-
As At 30/6/2017	<u>1,766,664,000</u>	<u>601,862,530</u>	<u>5,218,465</u>	<u>41,333,860</u>	<u>19,924,170</u>	<u>28,051,600</u>	<u>13,816,244</u>	<u>3,673,068</u>	<u>1,851,758</u>	<u>3,640,855</u>	<u>2,486,036,550</u>
Depreciation											
As At 30/6/2016	-	32,921,982	418,692	7,999,302	7,349,287	9,966,325	6,004,662	806,143	519,540	670,096	66,656,029
Charge For The Period	-	14,203,729	479,977	4,166,827	3,772,466	4,521,319	781,158	358,366	266,444	297,075	28,847,362
Depreciation On Disposal	-	-	-	-	-	-	-	-	-	-	-
As At 30/6/2017	-	<u>47,125,711</u>	<u>898,670</u>	<u>12,166,129</u>	<u>11,121,753</u>	<u>14,487,644</u>	<u>6,785,820</u>	<u>1,164,509</u>	<u>785,984</u>	<u>967,172</u>	<u>95,503,392</u>
Net Book Value As At 30- 6-2017	<u>1,766,664,000</u>	<u>554,736,819</u>	<u>4,319,795</u>	<u>29,167,731</u>	<u>8,802,417</u>	<u>13,563,956</u>	<u>7,030,424</u>	<u>2,508,559</u>	<u>1,065,774</u>	<u>2,673,683</u>	<u>2,390,533,158</u>
Net Book Value As At 30- 6-2016	<u>1,766,664,000</u>	<u>564,983,598</u>	<u>2,944,754</u>	<u>27,839,323</u>	<u>9,130,803</u>	<u>11,785,275</u>	<u>7,402,382</u>	<u>2,590,207</u>	<u>998,778</u>	<u>2,916,009</u>	<u>2,397,255,129</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

	2017-2018	2016-2017
	KSh	Restated KSh
Cost at the start of the year	6,250,800	-
Accumulated depreciation at the start of the year	(3,698,119)	-
Net book value of disposals	2,552,681	-
Disposal Proceeds	(4,831,914)	-
(Profit)Loss on disposal	(2,279,233)	-

20. Intangible Assets

	KShs
Valuation As At 01/07/2017	-
Additions In The Period	-
Transfers	2,818,800
As At 30/06/2018	2,818,800
Amortization	
As At 30/6/2017	-
Charge For The Period	-
As At 30/06/2018	-
Net Book Value As At 30- 06-2018	2,818,800

Revaluation of Property Plant and Equipment

On April 1st 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.

21. Work In Progress	BAL B/F	<u>ADDITIONS</u>	<u>TRANSFERS</u>	TOTAL
a) Set up of ICT Infrastructure	23,072,429	7,899,450	(15,692,401)	15,279,478
Borehole	3,313,550	-	-	3,313,550
b) Lecture Theatre	348,696,551	53,223,650	(111,603,057)	290,317,144
Master Plan Development	5,945,000	-	-	5,945,000
Construction of Ultra Modern Learning Resource Centre	15,762,173	12,791,685	-	28,553,858
Balance carried down	396,789,703	73,914,785	(127,295,458)	343,409,030

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- a) The Set up of ICT Infrastructure is for the laying of fibre cable backbone, structured network system and acquisition of Enterprise Resource Planning (ERP) software. The project has not been depreciated as the project is not complete.
- 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 2017/2018.

22. Trade and other payables from exchange transactions

	2017-2018	2016-2017
	KSh	Restated KSh
Trade payables	64,141,572	50,134,712
Unidentified Bankings	3,381,383	11,904,356
Unallocated Bursaries	2,232,014	1,586,228
Payroll Liabilities	14,324,274	55,348,680
Audit Fees 2017	580,000	580,000
Audit Fees 2018	638,000	-
Total trade and other payables	85,297,243	119,553,975

23. Trade and other payables from non-exchange transactions

	2017-2018	2016-2017
	KSh	Restated KSh
Construction of Lecture Theatres 3	13,296,281	111,603,057
Total development payables	13,296,281	111,603,057

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

24. Long Term Liabilities

	2017-2018	2016-2017
	KSh	Restated KSh
Construction of Lecture Theatres 3 Retentions	28,629,431	22,375,351
Total Long term liabilities	28,629,431	22,375,351

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

25. Capital Reserve Fund

	2017-2018	2016-2017
	KSh	Restated KSh
At start of Year	1,003,121,582	940,121,582
Development Funds Received	21,832,500	63,000,000
At end of the Year	1,024,954,082	1,003,121,582

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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	2017-2018	2016-2017
	KSh	Restated KSh
At start of Year	1,877,890,493	1,893,503,287
Excess Depreciation on Revaluation	(20,983,791)	(15,612,794)
At end of the Year	1,856,906,702	1,877,890,493

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

27. Accumulated Deficits	2017-2018	2016-2017
	KSh	Restated KSh
At start of Year	(180,973,642)	(137,002,313)
a) Excess Depreciation on Revaluation	20,983,791	15,612,794
b) Changes During the Year	(2,248,401)	(9,726,377)
Surplus/(Deficit) for the Year	34,601,813	(49,857,746)
At end of the Year	(127,636,439)	(180,973,642)

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



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THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

b) Related party transactions	2017-2018	2016-2017
	KSh	KSh
Transfers from related parties'	349,787,238	328,362,500
At end of the Year	349,787,238	328,362,500

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

c) Key management remuneration	2017-2018	2016-2017
	KSh	KSh
University Council	7,552,416	14,103,426
University Management Board	65,393,955	38,456,012
At end of the Year	72,946,371	52,559,438

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

d) Due from related parties	2017-2018	2016-2017
	KSh	KSh
Due from Ministry of Education	-	74,417,180
Due from other Ministries SC's & SAGA's	4,795,684	9,576,998
At end of the Year	4,795,684	83,994,178

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

29. Employees.

The University has Two hundred eighty nine (289) employees composed of Two hundred thirty eight (240) Permanent and Pensionable, Twenty Seven (27) on contract, and Twenty Two (22) casuals. This comprises Fifty seven (57) Academic members of staff and Two hundred thirty one (232) 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 2018, the University registered a surplus of KSh. 34,601,813. This is a marked improvement from the period ending 30 June 2017, when the University registered a deficit of KSh. 49,857,746.

THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

31. Reporting Currency.

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

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 7th October 2016. Its ultimate parent is the Government of Kenya.



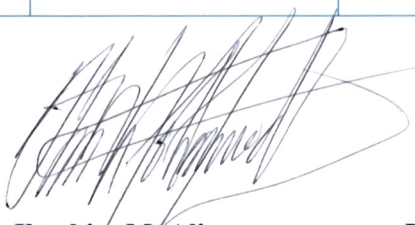
CUK is ISO 9001: 2015 Certified

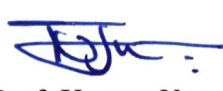
THE CO-OPERATIVE UNIVERSITY OF KENYA


XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR 2016/2017 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	Going Concern	The University implemented strategies to address the deficits incurred, and for the current year the University has reversed the trend of deficits to register a surplus.	VICE CHANCELLOR	Resolved	2017-2018 Financial Year
2	Work in Progress of KSh. 10,149,798 for a Management Information Systems (MIS) project.	The same has been written off in the 2016/2017 financial year.	VICE CHANCELLOR	Resolved	2016-2017 Financial Year
3	Cash and Cash Equivalents	The documents for cash and cash equivalents have been resubmitted for verification.	VICE CHANCELLOR	Resolved	2017-2018 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. Maxwel 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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual per quarter	Sources
1	Construction of Lecture Theatre	347,930,282	290,317,144	83%	31,937,500	7,984,375	GOK
2	Drilling of Borehole	3,488,000	3,313,550	95%	-	-	GOK
3	Relocation of Sports Field, Construction of Perimeter Fence & Gate	100,00,000	-	0%	-	-	GOK
4	Consultancy Service for the expansion of Ushirika Road	800,000	-	0%	800,000	200,000	GOK
5	Consultancy Service for the Ultra- Modern Learning Resource Centre	98,000,000	28,553,858	29%	21,875,000	5,468,750	GOK
6	Master Plan Development	5,950,000	5,945,000	100%	4,500,000	1,125,000	GOK
	Total	460,768,282	328,129,552		59,112,500	14,778,125	



CUK is ISO 9001: 2015 Certified

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 during the year	2017-2018
Ministry of Education	327,954,737.50	-	21,832,500.00	349,787,237.50	349,787,237.50
Total	327,954,737.50	-	21,832,500.00	349,787,237.50	349,787,237.50

Breakdown of Transfers from State Department for University Education

FY:2017/2018				
a)	Recurrent Grants	Bank Statement Date	Amount (KSh)	FY to Which the Amounts Relate
		17.07.2017	31,985,421.60	2017-2018 CBA
		26.07.2017	34,999,754.60	2017-2018 CBA
		01.08.2017	18,853,935.00	2017-2018
		07.09.2017	18,853,935.00	2017-2018
		03.10.2017	18,853,935.00	2017-2018
		03.11.2017	18,853,935.00	2017-2018
		01.12.2017	18,853,935.00	2017-2018
		01.12.2017	14,467,641.30	2017-2018 CBA
		04.01.2018	18,853,935.00	2017-2018
		02.02.2018	2,893,528.00	2017-2018
		08.02.2018	2,893,528.00	2017-2018
		13.02.2018	18,853,935.00	2017-2018
		13.03.2018	18,853,935.00	2017-2018
		13.03.2018	2,893,528.00	2017-2018
		06.04.2018	18,853,935.00	2017-2018
		06.04.2018	2,893,528.00	2017-2018
		02.05.2018	18,853,935.00	2017-2018
		02.05.2018	2,893,528.00	2017-2018
		11.06.2018	18,853,935.00	2017-2018
		11.06.2018	2,893,528.00	2017-2018
		28.06.2018	2,893,528.00	2017-2018
		28.06.2018	18,853,939.00	2017-2018
		Total	327,954,737.50	
b)	Development Grants	Bank Statement Date	Amount (KSh)	FY to Which the Amounts Relate
		08.11.2017	15,375,000.00	2017-2018
		16.05.2018	6,457,500.00	2017-2018
		Total	21,832,500.00	