

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

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PAPERS LAID

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**THE CO-OPERATIVE UNIVERSITY
OF KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2023**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 11 JUN 2024

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THE CO-OPERATIVE UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2023

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


CUK is ISO 9001: 2015 Certified

THE CO-OPERATIVE UNIVERSITY OF KENYA
Annual Report And Financial Statements
For The Year Ended June 30, 2023



THE CO-OPERATIVE UNIVERSITY OF KENYA
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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 2023, CUK had an average student population of 6038 as per the table below.

| Quarter | Active Students | | | Registered Students | | | Unregistered Students | | |
|----------------|-----------------|-------------|-------------|---------------------|-------------|-------------|-----------------------|------------|-------------|
| | KUCCPS | SSP | TOTAL | KUCCPS | SSP | TOTAL | KUCCPS | SSP | TOTAL |
| Quarter 1 | 5501 | 1628 | 7129 | 3533 | 729 | 4262 | 1968 | 899 | 2867 |
| Quarter 2 | 6783 | 2153 | 8936 | 5100 | 1560 | 6660 | 1683 | 593 | 2276 |
| Quarter 3 | 4871 | 1541 | 6412 | 4586 | 1369 | 5955 | 285 | 172 | 457 |
| Quarter 4 | 581 | 1092 | 1673 | 492 | 935 | 1427 | 89 | 157 | 246 |
| Average | 4434 | 1604 | 6038 | 3428 | 1148 | 4576 | 1006 | 455 | 1462 |

The University has staff population of 291 composed of 231 Permanent and Pensionable, and 60 on contract. This comprises 84 Academic members of staff and 207 Administrative, Technical and Information Science 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, 2023 and who had direct fiduciary responsibility were:

| | | |
|-----------------------------------|---|---|
| Prof. Kamau Ngamau | - | Vice Chancellor |
| Prof. Esther N. Gicheru (Mrs) OGW | - | Deputy Vice Chancellor, Finance, Planning and Administration |
| Prof. Isaac K. Nyamongo | - | Deputy Vice Chancellor, Academic, Co-operative Development, Research and Innovation |



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| | | |
|-------------------------|---|--|
| CPA Maxwel Nyaga | - | Finance officer |
| Mr David Otiende | - | Registrar, Academic Affairs |
| Mr Chris Kathoka | - | Registrar, Finance, Planning and Administration |
| CHRP Anne Jemimma Mmata | - | Ag. Principal Human Resource Manager |
| Dr. Lucinda Mugaa | - | Ag. Dean of Students |
| Dr. Lydia Mutua | - | Ag. Deputy Registrar, Co-operative Development, Research and Innovation |

(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



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

(i) Independent Auditors

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

(j) Principal Legal Advisers

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



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+254202210297

+254722802222


+254735092256

5. Wanjiku Maina and Co. Advocates
P.O. Box 46007-00100
Nairobi, Kenya
wanjikuassociates@gmail.com
+254202686320

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II. THE UNIVERSITY COUNCIL

| Name | Profile & Work Experience |
|--|---|
|  <p>Dr. Jeremy Bundi DOB; 1955</p> | <ul style="list-style-type: none">• Chairperson – The Co-operative University of Kenya Council.• Member – Chartered Institute of Logistics and Transport International (MILT -UK)• iRAP associate member• Chairman – St Ann Girls Secondary School, Maara District, Tharaka Nithi County• Chairman – Muthambi Girls Secondary School• EIA/EA, Certificate• Former Branch Manager – The co-operative Bank of Kenya• Former Principal Administration Officer – Ethics & Anti Corruption Commission• Former Chairman – County Land Management Board, Tharaka Nithi County• Former Leaf Collection and Crop Development Officer – Kenya Tea Development Authority• Former Operations Officer – Kenya Bus Services (KBS) Ltd• Doctor of Philosophy (PhD), Transport Geography - University of Nairobi• Master of Arts (M.A), Transport Geography University of Nairobi• Bachelor of Arts (B.A.), Economics, Sociology & Geography – University of Nairobi• Post graduate professional course: The Chartered Institute of Transport (CIT –UK) |



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Ms Anne Chepkorir
DOB; 1966

- 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).



Mr Christopher Ombati
DOB; 1948

- Council Member – The Co-operative University of Kenya.
- Master of Science (Human Resource Development), FRSC University of Manchester, United Kingdom
- Bachelor of Commerce (Business Administration) University of Nairobi, Kenya



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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.



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.



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Ms. Elizabeth Layla Kimkung
DOB; 1968

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



Ms Susan Karuri
DOB;
Representing the Principal Secretary – The National Treasury.

- Council Member – The Co-operative University of Kenya.
- LL.M - International Economic Law from the East China University of Political Science and Law, Shanghai
- LL.B - Moi University
- Advocate of the High Court of Kenya



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CPA Peter Wanjohi Kiama

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

- Council Member- The Co-operative University of Kenya.
- Assistant Commissioner for Co-operative Development – Ministry of Industry, Trade and Co-operatives.
- Doctor of Philosophy, Business Administration (Finance) Student – Jomo Kenyatta University of Agriculture and Technology
- Master of Business Administration (Finance) – University of Nairobi
- Bachelor of Science (Maths Major) – Jomo Kenyatta University of Agriculture and Technology
- Professionally affiliated to the Institute of Certified Public Accounts of Kenya (ICPAK), and the Kenya Society of Professional Co-operators (KSPC)



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

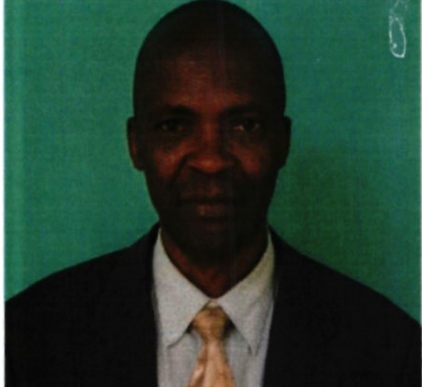
- Head of the Co-operative Development, Research, and Innovation Division which has the following responsibilities:
 - Integrating Co-operative models in rural development and transformation;
 - Coordination of Co-operative Development activities;
 - Coordination of research and extension services;
 - Coordination of workShops and seminars;
 - Coordination of short tailor-made training programmes and consultancy services for the Co-operative sector;
 - Coordination of national and international linkages with the Co-operative sector;
 - Soliciting of funds for Co-operative development, research and production;
- Provides the secretariat for the following Committees:
 - Research, innovation and incubation;
 - Linkages and partnership;
 - Community services;
 - Funding-raising;
 - Printing and publications;
 - Short courses.
- Head of the Academic Division of the University.
- Provide the secretariat to the Senate and the following Committees of the Senate:
 - Board of Postgraduate Studies;
 - Deans Committee;
 - Students Welfare Committee;
 - Students Disciplinary Committee;
 - Library Advisory Committee;
- The returning officer for the election of Deans of Faculties.
- Provide the secretariat for the Honorary Degrees Committee of Council.
- Responsible for the allocation of academic facilities such as buildings, lecture rooms and offices and as well as formulation of rules governing the allocation and utilization.
- Chairperson of the University Training Committee.



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| | |
|--|---|
|  <p>CPA Maxwell Nyaga DOB; 1974</p> <ul style="list-style-type: none">• 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). | <ul style="list-style-type: none">• 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 the consultations with the Deputy Vice Chancellor FPA and the Vice Chancellor. |
|  <p>Mr David Otiende DOB; 1963</p> <ul style="list-style-type: none">• Registrar Academic Affairs.• PhD Student – The Catholic University of Eastern Africa.• Master of Education, Administration – Kenyatta University.• Bachelor of Education, Arts – Kenyatta University. | <ul style="list-style-type: none">• Serves as the secretary to the Senate, senate committees and custodian of Senate minutes;• Management of all academic records;• Academic planning including time tabling, use of classrooms and other academic facilities;• Supervises the process of graduation ceremony;• Interprets and enforces policies and regulations of the University touching on academic matters. |



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Mr Chris Kathoka

DOB; 1981

- 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.

- 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, and budgeting and sundry management requirements.
- Service matters such as appointments, promotions, retirement, disciplinary action, sanction of leave, incentive pertaining to teaching and non - teaching staff.
- Interpret and enforce policies and regulations of the University touching on Finance, Human Resource, Planning and Development



CHRP Anne Jemimma Mmata

DOB; 1981

- 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.

- 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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| | |
|---|--|
|  <p>Dr. Lucinda Mugaa DOB; 1955</p> <ul style="list-style-type: none">• Ag. Dean of Students• PhD Human Resource Management – The Jomo Kenyatta University of Agriculture and Technology.• Masters, (Sociology) Labour Management – The University of Nairobi.• Bachelor of Science, Business Administration – United States International University, Kenya.• Diploma, Social Work – The University of Nairobi. | <ul style="list-style-type: none">• Co-ordinates student activities and welfare;• Co-ordinates the work of hostel wardens and counsellors, sports and games, entertainment services, catering and accommodation services;• Chairperson of the Wardens Committee;• Acts as Returning Officer of the Students' Organisation elections;• Provides administrative support to students' professional clubs and societies. |
|  <p>Dr. Lydia N. Mutua DOB; 1974</p> <ul style="list-style-type: none">• Ag. Deputy Registrar, Co-operative Development, Research and Innovation• PhD, 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 | <ul style="list-style-type: none">• 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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V. 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 2023. 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 **KShs.918,554,144** compared to **KShs 1,014,724,556** for the 2021/2022 financial year. This represents a decrease of 9% from the previous year. There has been caused by a decrease in Tuition fees of KShs 127,699,218, representing a 20% decrease from the previous financial year.

The University has had a difficult financial year mainly because of the decrease in diploma students placed at the University. The bottom line has worsened from a surplus of KShs 39 Million in the financial year 2021/2022 to a deficit of KShs.142 Million in the current financial year.

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.

However, the University Council and the University Management Board put in measures to mitigate any posed risks which can hinder the University to achieve its core mandate

Appreciation

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

Dr. Jeremy Bundi

CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY OF KENYA COUNCIL



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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 2023. The Co-operative University of Kenya (CUK) is a Chartered Public University in the Republic of Kenya. The institution was established by the Government of Kenya under the Universities Act 2012 and Chartered on the 7th October, 2016 by H.E. President of the Republic of Kenya and Commander of the Kenya Defense Forces, Uhuru Kenyatta. The University is a leading Centre for Quality Co-operative Education, Training, Research and Consultancy in Kenya.

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

Having been awarded a university charter in the 2016/2017 financial year, the University's mandate has broadened as stated in the charter documents and university statutes. It is important to acknowledge that despite the challenging financial year with continued national reduction in Government funding for Universities, research and teaching, and the electioneering period, 2022/2023, has promised a better outlook for the coming financial year for the Co-operative University of Kenya.

Overview of the Financial Performance

Financially, the University's position remains sound, with no external borrowing; the University reported a Gross income of KShs 918,554,144 compared to KShs 1,014,524,509 for the 2021/2022 financial year. This represents a 9% decrease from the previous year. There has been a decrease in Tuition fees by KShs 127,699,218, representing a 20% decrease from the previous financial year. The University management board was upbeat to ensure success in the recruitment of students in most of the approved programs.

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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Compliance with Statutory Guidelines

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

Challenges

Over the last four years, the University has been increasing enrolment of students gradually. However, the increase in the number of students is not commensurate with Government funding.

Over the financial year 2022/2023, the University has had to deal with the effects of the reduced enrolment of diploma students in the universities. This has meant a decrease in tuition income resulting from the reduced number of students.

As we face these challenges, we know that we are most at risk if we ignore realities and fail to innovate. The University was in a good position to take advantage and expand on the e-learning modules platform that had been running for the past 5 years. This platform has proved to be capable of conducting learning and assessment for continued promotion of relevant quality education and training.

For this reason, the university is open for further collaborations with key partners and stakeholders. Further the university commits to benchmark with the best in the market to learn some of the best practices not yet here.

Appreciation

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

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



Prof. Kamau Ngamau

VICE CHANCELLOR, THE CO-OPERATIVE UNIVERSITY OF KENYA



THE CO-OPERATIVE UNIVERSITY OF KENYA

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VI. REVIEW OF THE UNIVERSITY PERFORMANCE FOR FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The University is currently implementing her five (5) year strategic plan covering the period 2022 – 2027 FY. To effectively achieve the targets set therein, the plan has been summarized into the following five (5) strategic pillars/ key result areas;

- i. Relevant Quality Education & training
- ii. Research, Innovation & Outreach
- iii. Corporate management and Organizational Sustainability
- iv. Physical & ICT infrastructure
- v. Customer Centricity & Brand Visibility

The Cooperative University of Kenya develops its annual work plans based on the above five Key result areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Board achieved its performance targets set for the FY 2022/2023 period for its five Key result areas, as indicated in the table below:

| Key result area | Strategic Objective | Key Performance Indicators | Activities | Achievements |
|--|--|--|---|--|
| 1. Relevant Quality Education & training | i. Promote Relevant Education and Training | Harmonized units | Harmonize units with similar content to remove duplication and redundancies | 100% achievement during the FY |
| | | 20% annual increase in student enrolment | 20% annual increase in student enrolment | Target achieved with a total of 3,085 new students admitted during the FY |
| | | At least 3 accredited STEM degree programmes in place annually | Develop at least one new postgraduate programme annually per school for existing undergraduate programmes | Nine Masters programmes developed during the FY |
| | ii. Promote Quality Education and Training | Adequate internet connectivity in all classrooms | Ensure uninterrupted internet connectivity in all classrooms | Target achieved 100% during the Contract period |
| | | Approved academic staff laptop acquisition policy | Facilitate academic staff to acquire laptops for teaching purposes | Laptop acquisition guidelines available. Policy to be developed in 2023/2024 FY |
| | | Approved student's laptop acquisition policy | Improve the student computer ratio to 1:1 by developing and implementing student laptop acquisition policy. | Target partially achieved. A team was appointed to work on the policy. To be finalized in the 2023/2024 FY |
| | | Approved peer teaching policy | Implement peer teaching policy | Target to be achieved in 2023/2024 FY |



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| | | | | |
|------------------------------------|---|--|--|---|
| | | Approved reviewed sports policy | Review sports policy with a view to including motivation aspects for students and staff who excel in co-curricular activities | Policy reviewed and approved at dean committee level |
| | | Certificate of IODEL accreditation | Ensure accreditation of IODEL by December 2022. | Target partially achieved. The Institute sought accreditation. However, CUE did not turn up in February 2023 as promised in a letter dated 16th January 2023 Ref. CUE/8/124/Vol.3/59. |
| | | LMS and UNIPLUS systems Integrated | Integrate LMS with UNIPLUS | Target partially achieved The unit registration and enrolment integration points at the testing phase on e-masomo platform. |
| | | Teaching effectiveness reports | Operationalize a teaching monitoring tool | Target implementation stood at 10% during the 2022/2023 FY. To be concluded in 2023/2024 |
| | | Increased publications in peer-reviewed journals | Ensure that all academic staff activate their google scholar accounts & research gate using the official CUK emails and further submit their publications to the librarian for uploading into the library repository | Forty seven journal publications done during the FY. |
| 2. Research, Innovation & Outreach | iii. Promote Research, and Dissemination of Knowledge. | Approved mentorship guideline | Develop a mentorship guideline for upcoming researchers by December 2022 | Target achieved 100% during the FY |
| | | Conference proceedings | Organize one international annual conference for dissemination of knowledge. | Target achieved 100% during the FY |
| | | Increased multidisciplinary research projects | Implement collaborative multidisciplinary research projects | Target achieved 100% during the FY, with various research projects running. |
| | iv. Promote innovation and commercialization of intellectual property | Approved Innovation and commercialization policy | Review and operationalize the innovation policy with an aim of incentivizing innovations within the University | Target partially achieved during the contract period. The policy was developed up to the divisional approval level as at end of the FY. |
| | | Innovation week report | Enhance innovation activities among students and staff by holding an innovation week annually | Target achieved 100% during the FY |

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|--|--|---|--|---|
| | | Equipped innovation hub | Identify and equip an innovation hub | Target partially achieved. Proposals for funding done. A commitment of Ksh 30M by the Cooperative Bank of Kenya has been availed. |
| | v. Enhance outreach to Co-operative sector and communities | Approved IGU policy | Review IGU policy to incentivize consultancies through the University. | Target partially achieved with a committee being appointed to work on the policy |
| | | Kshs 10M generated from consultancies | Generate at least Kshs 10 million annually from consultancy services | Target partially achieved with Kshs.2.1M generated in the year. |
| | | Digitized Database of Cooperative networks | Develop and maintain a Cooperative Information and Research Center | Target partially achieved with the full completion scheduled to be completed in 2024/2025 FY |
| | | 15 short courses implemented | Roll out at least fifteen (15) short courses annually. Three of them targeting Transport cooperatives | Target achieved 100% during the FY |
| 3. Corporate management and Organizational Sustainability (Business process re-engineering, financial stability, Governance & Human resource capacity development) | vi. Strengthen Financial Resource base for institutional growth and sustainability | Streamlined program catalogue management | Benchmark with other public universities and streamline the management of fee payment and program catalogue management by September 2022 | Target partially achieved and due for completion |
| | | Reviewed structure | Review the roles and functions of DACSIS and CUREMU with a view of eliminating overlaps and making them more strategic by December 2022 | Target achieved 100% during the FY |
| | | Resource mobilization committee established | Revitalize the resource mobilization function of the University by Establishing a resource mobilization committee | Target achieved 100% during the FY |
| | | At least 120 units digitized annually | Invest Kshs 7.2M to support content digitization in support of IODeL | Target achieved 100% during the FY |
| | | 30 additional classrooms in place | Invest Kshs 200M to construct 30 additional classrooms | Target implementation on course with 16 classrooms ongoing |
| | | 70 Acres of land acquired | Partner with both Public and private institutions to raise funds to acquire at least 70 Acres of land for expansion | Target implementation on course with correspondences to treasury and MOE on purchase of land. |



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| | vii. Strengthen the Governance organs and Human Resource Capacity | Approved disaster risk mitigation policy | Review the Disaster risk mitigation policy and plan to address emerging issues by December 2022 | Target achieved 100% during the FY |
| | | A hybrid working environment adopted | Review CUK policies and operations by December 2022 to provide for a hybrid (home office) work environment; | Target achieved 100% during the FY |
| | | Harmonized and published CUK policies | Harmonize & publish existing CUK policies and develop a centralized database for all Policies for ease of retrieval and implementation June. 2023 | Target achieved 100% during the FY |
| | | Approved reward and sanctions Policy document, | Develop and implement a reward and sanctions policy by December 2022. | Target implementation on course |
| | | Documented Data analytics reports | Identify and document data held by the University systems and leverage on data analytics for decision making and product development annually | Target not achieved. Target rolled over to this FY |
| | | At least one team building activities carried out annually | Strengthen Employee /employer relations and engagement through effective communication and annual Team building events | Target achieved 100% during the FY |
| | | Re-engineered business processes across CUK departments | Hold brainstorming sessions with all departments to redefine/identify the business processes that require review/re-engineering by December 2022. | Target achieved 100% during the FY |
| 4. Physical & ICT infrastructure | iii. Develop and Upgrade Physical Infrastructure | Maintenance & Repairs schedules | Develop and implement a policy on acquisition, maintenance, replacement and modernization of university assets and facilities by June 2023 | Target achieved 100% during the FY |
| | | Exit pedestrian gate constructed with biometric access facilities | Construct an exit pedestrian gate at the Main Gate with the provision of biometric access facilities and canopy within phase one B of the LRC by June 2024. | Target achieved 100% during the FY |
| | | Sixteen classrooms with a capacity of 1,600 | Construct sixteen (16) classrooms with a capacity of 1600 by June 2024 | Target achieved 100% during the FY |



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|---|--|--|---|--|
| | ix. Develop and Upgrade ICT Infrastructure | Reliable internet connectivity | Continuously maintain 100% internet uptime for learning and work environment | Target achieved 100% during the FY |
| | | Updated website, Updated logs and Survey reports, Web ranking | Continuously update the website with relevant information and Upgrade the University Website template (Improve on the Design) to make it more Interactive, informative and easy to navigate by December 2022. | Target achieved 100% during the FY |
| | | Developed & patented DIGI-Coop-Map software | Develop and implement Mobile /Web applications to provide for One-stop-shop for all cooperatives (DIGI-Coop-Map) by June 2024; | Target Partially achieved with the project projected to be completed in 2024/2025 FY |
| | | Two factor authentication to access University online systems implemented | Implement two factor authentication to access University online systems by December 2022 | Target achieved 100% during the FY |
| | | Proctoring software | Procure and install an examination Proctoring Software to ensure examinations integrity by September 2022. | Target achieved 100% during the FY |
| | | Automated workload allocation | Fully automate the workload allocation Procedure with a view of managing part time costs by December 2022; | Target implementation on course and scheduled for completion during the 2023/2024 FY |
| 5. Customer Centricity & Brand Visibility | x. Promote customer centric service delivery | Established and well-equipped Customer Obsession Centre | Establish, operationalize and maintain the Customer Experience / Obsession Center by December 2022 | Target not achieved and rolled over to the FY 2023/2024 |
| | | Training reports | Conduct training for all staff on excellent customer experience annually | Target achieved 100% during the FY |
| | xi. Enhance CUK brand visibility and brand positioning | Developed and approved programmes service brochures | All Campuses/Schools/Institutes to develop a detailed brochure on their programmes and services and upload on the website by December 2022 and update the same annually | Target achieved 100% during the FY |
| | | Google Scholar/Research ID accounts created and updated for all academic staff | Create and update the google scholar/Research ID accounts for all academic staff quarterly. | Target achieved 100% during the FY |



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|--|--|--|---|---|
| | | Developed and approved Branding strategy | Mainstream and sustain a corporate branding strategy for all university events (internal and external) by July 2022 | Target partially achieved with the appointment of a committee to oversee the implementation of this target. Target rolled over to the 2023/2024 FY. |
| | | Sports/Cultural events held | Hold at least one-week sports/cultural event annually involving the neighboring community | Target achieved 100% during the FY |
| | | Published print Co-operator Magazine | Publish and maintain the University's Co-operator magazine annually (print and online) | Target achieved 100% during the FY |



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VII. CORPORATE GOVERNANCE STATEMENT

The Co-operative University of Kenya (CUK) is committed to the highest standards of corporate governance and ethics. The University Council is responsible for and accountable to the Government of Kenya through the Ministry of Education, Science and Technology for ensuring that the University complies with the Universities Act 2012, Mwongozo Code of governance 2015, the University Charter and University Statutes, 2017 and any other existing legislation.

COUNCIL MEMBERS

The Governing Council is appointed in accordance with the Universities Act, 2012 (No. 42) by the Cabinet Secretary in the Ministry of Education and comprised of nine members; the Chairman and four independent members; Representative of the Principal Secretary, National Treasury, Representative of the Principal Secretary, State Department for University Education, Representative, Principal Secretary State Department for Co-operative Development and the Vice Chancellor who is an ex-official and Secretary to the Council. The membership of the Governing Council is as shown below;

| S/No. | Name | Position | Appointment date |
|-------|------------------------------|---|-------------------------------------|
| 1. | Dr. Jeremy Bundi | Chairperson | 4 th November 2020 |
| 2. | Mr Peter Kariuki Gathirwa | Independent member | 4 th November 2020 |
| 3. | Mr Christopher Ogechi Ombati | Independent member | 4 th November 2020 |
| 4. | Mr Patrick L. M. Musyimi | Independent member | 4 th November 2020 |
| 5. | Ms Anne Chepkorir | Independent member | 4 th November 2020 |
| 6. | Mr Peter Wanjohi Kiama | Rep. PS State dep. of Coops. | |
| 7. | Mr Dan Mesis | Rep. PS State department for University Education | Appointment letter dated 20/09/2019 |
| 8. | Ms Susan Wanjiku Karuri | Rep. PS National Treasury | 17th July 2020 |
| 9. | Prof. Kamau Ngamau | VC/Secretary | N/A |

The full Council and its Committees meets at least four times a year. The members receive all information relevant to the discharge of their obligations in an accurate, timely and clear manner so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues.

Functions of the Council

The functions and powers of the Council are;

- i. To administer the property and funds of the University in a manner and for the purpose which promotes the interest of the University.
- ii. To receive, and on behalf of the University, donations, endowment, gifts, grants or other moneys and make disbursement there from to the University or other bodies or persons.
- iii. To approve appointment criteria and the terms and conditions of service of staff.
- iv. To provide for the welfare of the staff of the University.
- v. To enter into association with other Universities, University Colleges or other Institutions of learning.
- vi. To make regulations governing the conduct and discipline of the students of the University.



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- vii. To ensure that a proper management structure is in place and that the structure function to maintain corporate integrity, reputation and responsibility.
- viii. To monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University.
- ix. To constantly review the viability and financial sustainability of the University.
- x. To ensure that the University complies with all the relevant laws, regulations, governance practice, accounting and auditing standards.

Attendance of Council meetings and Membership of the Committees

The Council Committees in place includes;

1. Finance, Planning and Development Committee

Terms of reference include;

- i) Responsible for the management of the University's entire finances and recommends to Council for approval, the University's annual budget and certain items of major expenditure.
- ii) Responsible for:-
 - The administration of special funds benefactions;
 - Investment policy;
 - Staff loan schemes;
 - Financial consequences of the decisions of the terms of service committee;
 - Consideration of reports on fees revisions;
 - Ensuring the preparation of books and records of accounts of income and expenditure, assets and liabilities of the University;
 - Receipt and consideration of University Audit reports;
 - Fund raising for the University.
- iii) Co-opt other persons not exceeding three to attend meetings in an advisory capacity provided such persons shall not have any other rights.

2. Human Resource Management Committee

Terms of reference include;

- i) To consider staff and recommend to the Council for appointment and promotions into all established academic and administrative posts.
- ii) To consider changes and evidence on staff disciplinary cases and recommend to the Council the appropriate action to be taken.
- iii) To review salaries, conditions and terms of service for University staff when necessary and make recommendations to the Council.
- iv) Co-opt other persons not exceeding three to attend meetings in an advisory capacity provided such persons shall not have any other rights.

3. Audit and Risk Committee

Terms of reference

- i. Receive, review and recommend internal control mechanisms towards improving efficiency, effectiveness, transparency and accountability;
- ii. Receive and discuss internal and external audit reports and make recommendations to Council;
- iii. Review and oversee the settlement and implementation of recommendations from the Public Accounts and Public Investments Committees (PAC/PIC)
- iv. Review and regularly report to Council on the effectiveness and efficiency of the internal



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- audit function;
- v. Review Management procedures and make proposals to Council for mainstreaming of Risk Management, Controls and Governance;
 - vi. Review and submit for Council approval the Audit and Risk Management Committee and internal audit department charters, and the internal audit annual work plans;
 - vii. Review and submit proposals to Council on improvement of efficiency and effectiveness of Management systems, including and not limited to high risk areas such as public finance, human resource, academic programs, and general internal controls;
 - viii. Review and submit a report to Council on compliance with policies, laws, regulations, procedures, plans, and ethics;
 - ix. Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency;
 - x. The Audit Committee may at its discretion, co-opt other persons not exceeding three to attend meetings in an advisory capacity provided such persons shall not have any other rights.

4. Sealing Committee

Terms of reference

- i) To recommend to Council, the application of the University seal on documents.
- ii) Co-opt other persons not exceeding three to attend meetings in an advisory capacity provided such persons shall not have any other rights.

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

The composition of the Council Committees and attendance of the above listed Council Committee are follows;

| S/No. | Name | No. of meetings attended |
|--|--------------------------------|--------------------------|
| a) Full Council (six meetings were convened) | | |
| 1. | Dr. Jeremy Bundi* | 5 |
| 2. | Mr. Peter Kariuki Gathirwa* | 5 |
| 3. | Mr. Christopher Ogechi Ombati* | 5 |
| 4. | Mr. Patrick L. M. Musyimi* | 5 |
| 5. | Ms. Anne Chepkorir* | 5 |
| 6. | Mr. Peter Wanjohi* | 5 |
| 7. | Mr. Dan Mesis* | 1 |
| 8. | Ms. Lydia Munialo | 2 |
| 9. | Ms. Susan Wanjiku Karuri** | 3 |
| b) Human Resource Management Committee (six meetings were convened) | | |
| 1. | Mr. Patrick L. M. Musyimi | 6 |
| 2. | Mr. Christopher Ogechi Ombati | 6 |
| 3. | Ms. Susan Wanjiku Karuri | 6 |
| c) Finance Planning and Development Committee (Five meetings were convened) | | |



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| | | |
|---|-------------------------------|---|
| 1. | Ms. Elizabeth Kimkung | 5 |
| 2. | Ms. Anne Chepkorir | 5 |
| 3. | Mr. Dan Mesis | 2 |
| 4. | Ms. Lydia Munialo | 2 |
| d) Audit and Risk Committee (Four meetings were convened) | | |
| 1. | Mr. Peter Kariuki Gathirwa | 4 |
| 2. | Mr. Peter Wanjohi | 4 |
| 3. | Ms. Susan Wanjiku Karuri | 4 |
| e) Sealing committee meetings (Two meetings were convened) | | |
| 1. | Mr. Christopher Ogechi Ombati | 2 |
| 2. | Mr. Peter Wanjohi | 2 |
| 3. | Ms. Lydia Munialo | 2 |

| a) Council Retreats (Strategic Plan Retreat between 21st – 24th March 2023 and PIP Retreat between 18th – 20th May 2023) | | |
|---|--------------------------------|--|
| 1. | Dr. Jeremy Bundi* | |
| 2. | Mr. Peter Kariuki Gathirwa* | |
| 3. | Mr. Christopher Ogechi Ombati* | |
| 4. | Mr. Patrick L. M. Musyimi* | |
| 5. | Ms. Anne Chepkorir* | |
| 6. | Mr. Peter Wanjohi* | |
| 7. | Mr. Dan Mesis* | |
| 9. | Ms. Susan Wanjiku Karuri** | |
| | * attended SP and PIP Retreat | |
| | ** Attended PIP retreat only | |

INTERNAL CONTROLS

The Council has the responsibility of ensuring that CUK has adequate systems and processes of accountability, risk management and internal controls. The Council has approved the Risk Management Framework and has delegated to the University Management the responsibility to implement the risk management plan.

COUNCIL EVALUATION

The Council undertook an annual evaluation of its performance during the period under review. The corporate board performance was 95.66%. The exercise was facilitated by officers from the State Corporations Advisory Committee.



Dr. Jeremy Bundi

CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
OF KENYA COUNCIL



Prof. Kamau Ngamau

VICE CHANCELLOR, THE CO-OPERATIVE
UNIVERSITY OF KENYA



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VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Co-operative University of Kenya exists to provide education, training, research and consultancy in order to produce leaders in the fields of Co-operative Development, Community Development, Rural transformation, business, applied sciences, Information and Communication Technology for Development. This is what guides the university as we deliver our strategy. Below is an outline of the University's policies and activities that promote sustainability.

i. Sustainability Strategy and Profile, and Environmental Performance

The University's sustainability strategy and environmental performance are evidenced by the employ of information technology in the daily operations. This includes the use of online teaching and working tools and aids, allowing for the sustainable and continued offline and online operations even during the height of the COVID-19 pandemic.

ii. Employee Welfare

The University's efforts towards sustaining its employee welfare include the constant review and implementation of the training policy to enable and encourage the members of staff to improve their skills and manage their careers. Further, the University also has an annual evaluation and appraisal system to identify any skill gaps in the University.

iii. Market Place Practices

The University has implemented responsible competition practices by implementing strong anti-corruption measures and committees. The university has maintained responsible supply chain and supplier relations by ensuring adherence to its credit policy, and ensuring adherence to the government's public procurement and asset disposal act.

iv. Corporate Social Responsibility

During the year the university has engaged corporate social responsibility activities by the donation of books to High schools and visiting of children's homes.



Dr. Jeremy Bundi
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
OF KENYA COUNCIL



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



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

OPERATIONAL AND FINANCIAL PERFORMANCE

A) INCOME ANALYSIS:

The University registered a total of KShs. 918,554,144 in gross revenue against a target of KShs 939,560,756. This represents 98% achievement of the target revenue. In comparison to the same period in the previous financial year, CUK recorded a decrease in revenue of KShs.96,170,412 which represents a 9% decrease in gross revenue.

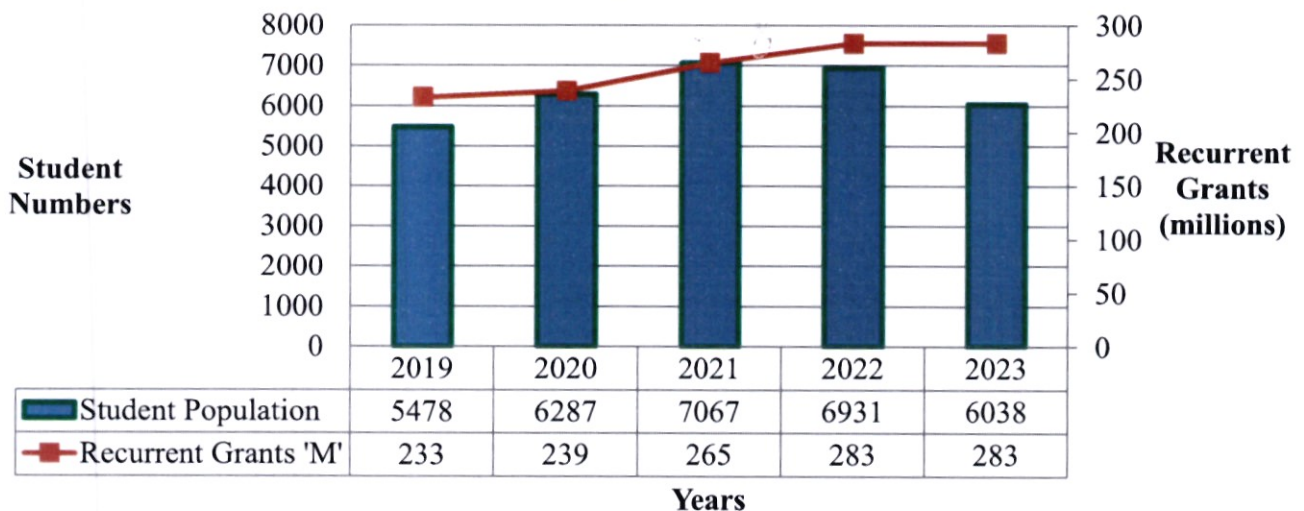
The major drivers of performance were the tuition income accounting for 57% of total revenue, and the increase in unconditional grants from research partners by KShs. 34,083,163.

The tuition fee income for the period is KShs 526,789,731 compared to the same period of 2021/2022 of KShs 654,488,949. This is a 20% decrease from the previous financial year. This was occasioned by the decrease in the number of diploma students placed at the University during the financial year..

CUK registered a deficit of KShs 142,027,718 against 2021/2022 surplus of KShs. 39,865,918.

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. This is illustrated in the graph below.

Student Numbers Against Recurrent Grants



■ Student Population ■ Recurrent Grants 'M'



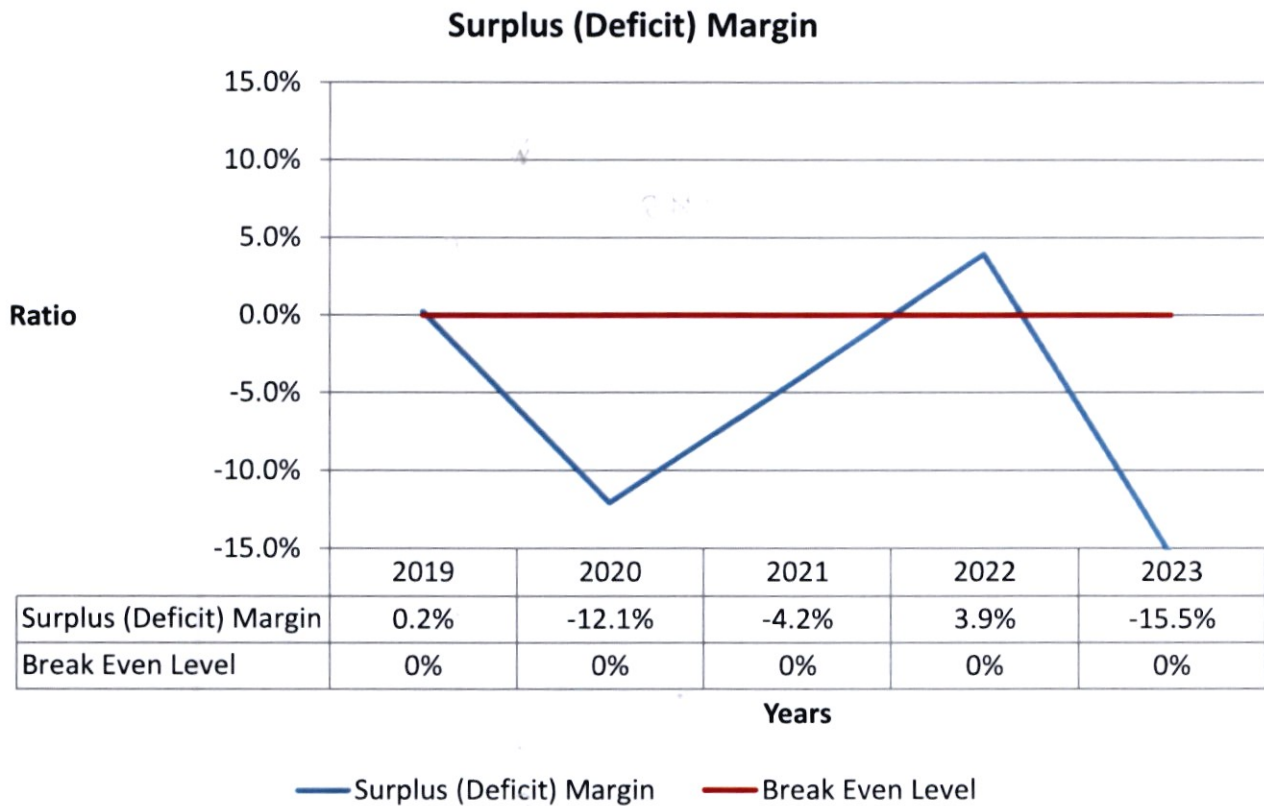
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B) EXPENDITURE ANALYSIS.

As at June 30, 2023, CUK registered total operating expenditure of KShs 1,014,524,509 against previous year's expenditure of KShs 975,469,139, an increase of KShs 39,055,370 representing 4% increase in expenditure.

Employee Costs took 704% of the total income; Remuneration of Council members 0.7%, Depreciation and amortisation expense 4.8%, Repairs and Maintenance 241%, Use of Goods 25.3%, and Contracted Services of 2.5% of the total income.

In summary, the University has registered a deficit of KShs 142,027,738 as a result of the reduced tuition income in the financial year. The financial performance is as summarised below.



This is a measure of operational efficiency. As seen above, the University's surplus margin has declined in the current financial year.



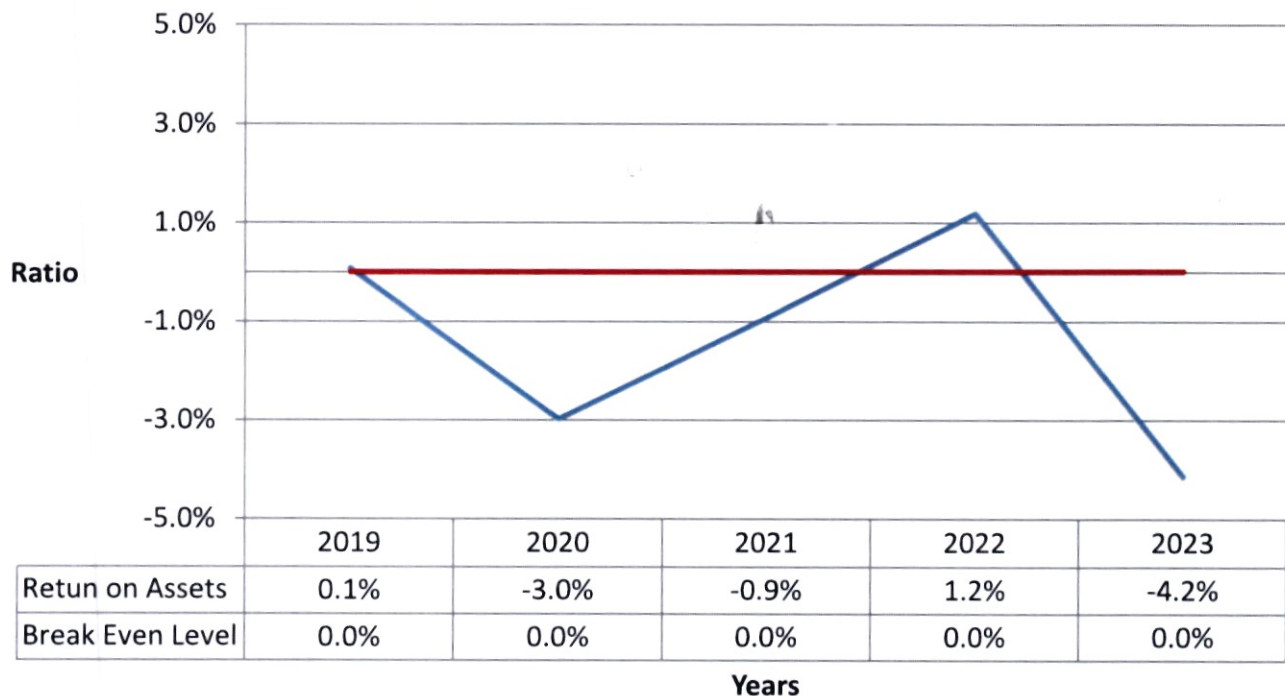
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C) STATEMENT OF THE FINANCIAL POSITION.

The statement of financial position indicates that the university closed the year with Total assets of KShs. 3,419,226,967. This is against KShs 3,386,686,453 registered in the financial year 2021/2022. This reflects an increase in total assets of KShs. 32,540,514.

Return on Assets



— Return on Assets — Break Even Level

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 had improved over the past two years, but has declined due to the performance during the current financial year.



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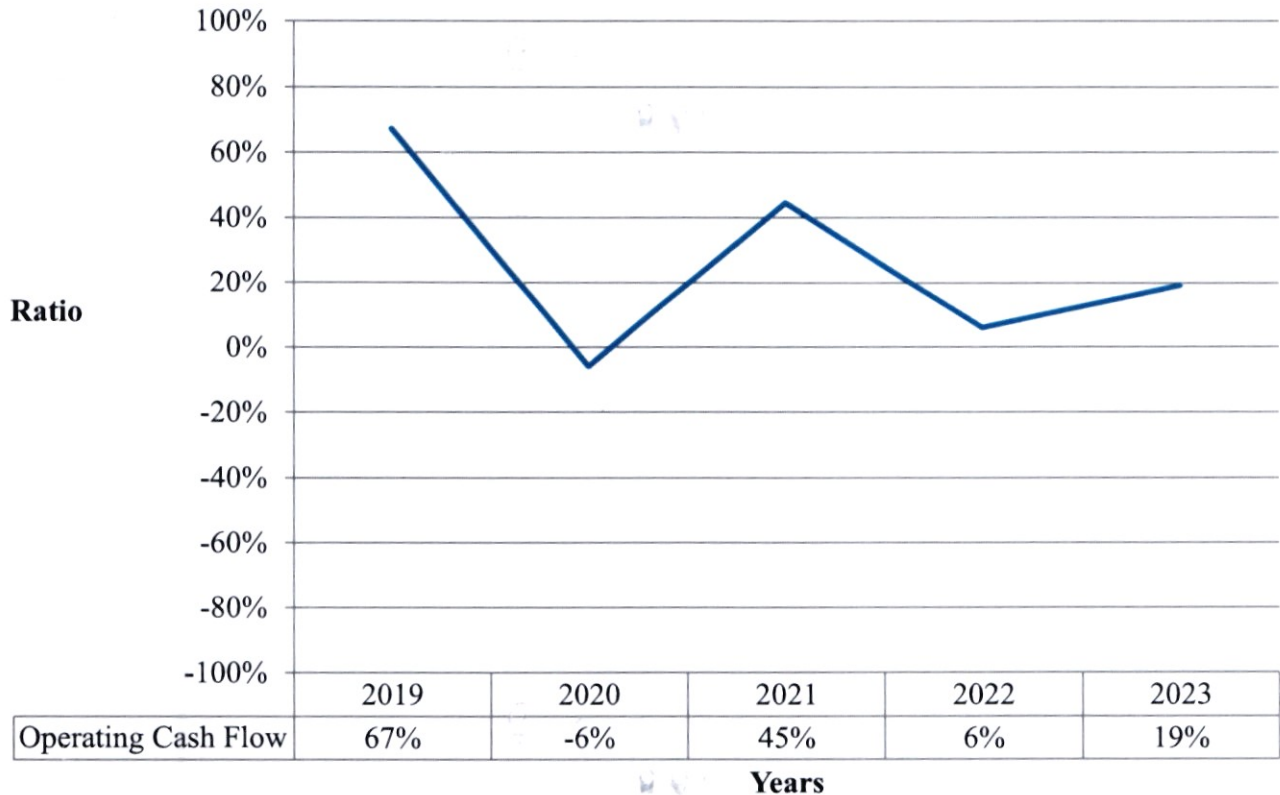
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D) STATEMENT OF CASHFLOWS

As at 30 June 2023, the University had net cash generated from operating activities of KShs 59,166,319. This is the net amount utilized by the University to facilitate operations.

The net change in cash and cash equivalents was KShs 53,479,230 closing the year with KShs 76,451,220.

Operating Cash Flow



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.

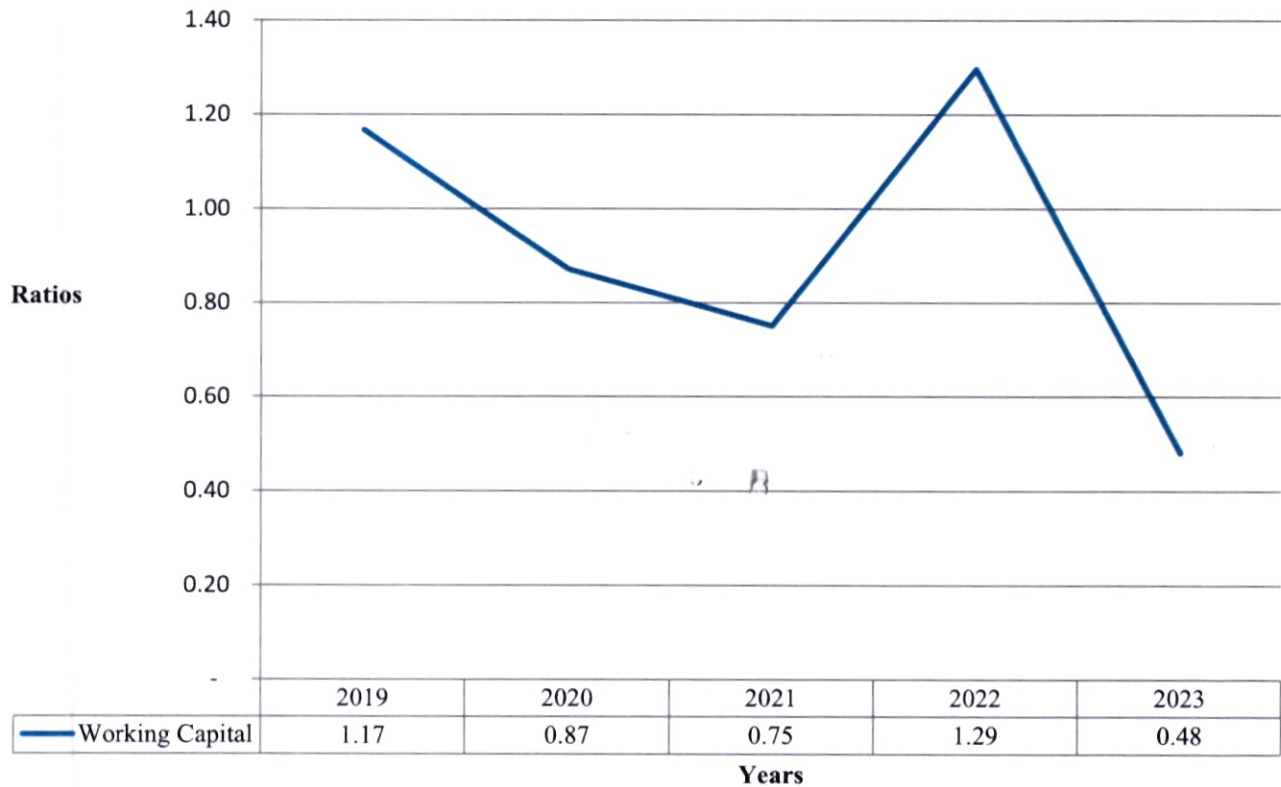
As can be seen above, the operating cash flow is less than an ideal 100%; this means that the University has generated less cash in the period than it needs to pay off its short-term liabilities. This signals a need for more capital.

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.

The University's working capital position has declined in the current financial year ending with a working capital ratio of 0.48 during the current financial year.

E) STATEMENT OF COMPARISON OF BUDGET VERSUS ACTUAL AMOUNTS

CUK attained its revenue target projections in most of its revenue lines. Overall, the variance between actual revenue and the budget was KShs 21,006,612 representing utilization of 98% revenue by 30 June, 2023.

In expenditure projections, the university was above target by KShs 209,321,126. This is 125% utilization of the target expenditure.



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SECTION B

Compliance with statutory requirements

CUK complied with all the statutory obligations within the financial year.

SECTION C

Key projects and investment decisions planned and implemented

Within the 2022/2023 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 | Consultancy for construction of the Ultra-Modern Library & Learning resource Centre | 49% | G.O.K | The design works and the tendering of construction works of the Library (phase 1A of LRC) were finalized. Supervision of Phase 1 on-going The design work and preparation of the Bill of Quantities for Phase 1B for advertisement is set to begin. |
| 2 | Construction of the Ultra-Modern Library & Learning resource Centre | 99% | G.O.K | LRC contractor is working on connection of the sewer line so as to do complete handover of phase 1A. Partial handover of the project was done in Quarter 1 of the financial year. |
| 3 | Construction of Classrooms (Lecture III Annex) | 76% | CUK | <ul style="list-style-type: none">Phase I of the project is stalled.Phase II of the project is on-going. Preparation for casting Third floor slab, and plastering of the ground floor is on-going |



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SECTION D

Major Risks Facing the University

| TYPE OF RISK | RISK DESCRIPTION | RISK MITIGATION STATUS. | PENDING ISSUES | ACTION OFFICER | TIMELINE | STATUS AS AT 30/06/2023 |
|-------------------|--|---|------------------------------------|----------------|-------------|--|
| Operational risks | Likely loss arising from shortfalls in revenue targets for Tuition fees, CRCC income and Students cafeteria. | <ul style="list-style-type: none"> - Implementation of online learning) to mitigate against COVID -19 Pandemic. - Implementation and control of 2022/2023 budget to ensure the university operates within its means | - 2022/2023 budget implementation. | - FO | - June 2023 | - Revenue targets achieved |
| | Likely loss due to inability to facilitate normal operations and extension of semester. | - Revision of budget and income estimates to ensure the university operates within its means. | 2022/2023 budget implementation. | - FO | - June 2023 | - Deficit at the end of the financial year. |
| | Likely loss arising from Classroom space Crises from September 2021 to May 2023. | - Immediate construction of classrooms based on savings from the lecture theatre project. This will be done after approval of supplementary budget by MOE and National treasury | - Construction of classrooms | - DVC FPA | - June 2023 | - Construction has started, but the contractor is not on site at the moment. |

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| TYPE OF RISK | RISK DESCRIPTION | IMPLEMENTATION STATUS. | PENDING ISSUES | ACTION OFFICER | TIMELINE | STATUS AS AT 30/06/2023 |
|--|---|--|---|--|--|--|
| Government policy risks Government policy risks | Loss of revenue as a result of lack of funding for Diploma Programs | <ul style="list-style-type: none"> - Sourcing of funds from the state Department of TVET when TVET funding board is established - Met with PS state department of TVET to table our request for additional funding - Met with UFB to table our request for additional funding | <ul style="list-style-type: none"> - Reversing the trend of the declining student enrolment due to competition from TVET institutions that are funded for their diplomas | <ul style="list-style-type: none"> - DVC FPA/A A | <ul style="list-style-type: none"> - June 2023 | <ul style="list-style-type: none"> - Purchasing of TVET programs done - Launch of TVET programs - Purchasing additional TVET Programs |
| | Likely loss arising from decline/Stagnation of growth in recurrent grants based on DUC model of Funding | <ul style="list-style-type: none"> - Develop additional Market driven programs to compensate for those declining in enrolment | <ul style="list-style-type: none"> - Admission of students in new programs as placed by KUCCPS - Approval of additional programs for accreditation by CUE | <ul style="list-style-type: none"> - DVC AA - DVC FPA | <ul style="list-style-type: none"> - June 2023 | <ul style="list-style-type: none"> - Minimal growth in the recurrent grants |
| Market Risks | Likely loss due to declined performance in the University sector arising from COVID - 19 Pandemic | <ul style="list-style-type: none"> - University preparing Business continuity Plans to ensure resumption and continuity of learning | <ul style="list-style-type: none"> - Implementation of Business Continuity Plans | <ul style="list-style-type: none"> - VC | <ul style="list-style-type: none"> - Continuous | <ul style="list-style-type: none"> - Online learning in progress for about 60% of students |



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| TYPE OF RISK | RISK DESCRIPTION | IMPLEMENTATION STATUS. | PENDING ISSUES | ACTION OFFICE R | TIMELINE | STATUS AS AT 30/06/2023 |
|--------------|--|---|--|-----------------|----------------|---|
| Market Risks | Loss of Brand/ image/ Mandate in Co-operative Training | <ul style="list-style-type: none"> - Increase the number of Diploma Programs which would then form the market for the degree programs. - Increase the variety of market driven programs | <ul style="list-style-type: none"> - The school of Co-operative development is the oldest as per Mandate; however, the school has been overtaken in the following areas. - Number of Diploma Programs - Number of degree programs - Enrolment as per KUCCPS admission is wanting - Loss of Market for Co-operative degree programs - Programs and Population Ratios. | - DVC AA | - June 2023 | <ul style="list-style-type: none"> - Development of market driven Co-operative centred programs on-going - A committee appointed to make recommendations to revamp cooperative programs |
| | Likely loss arising from Poor enrolment of Post Graduate Programs in CUK | <ul style="list-style-type: none"> - Development of post graduate programs on-going - Development of PHD programs on-going. | <ul style="list-style-type: none"> - Poor Completion rate for Master of Cooperative Management. - Poor/ No Marketing strategy for Postgraduate programs. | - DVC AA | June 2023 | - Development of post graduate programs on-going |



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| TYPE OF RISK | RISK DESCRIPTION | IMPLEMENTATION STATUS. | PENDING ISSUES | ACTION OFFICER | TIMELINE | STATUS AS AT 30/06/2023 |
|-----------------|--|---|--|---|--|---|
| Credit Risks | Revenue shortfalls leading to failure to meet financial obligations. | <ul style="list-style-type: none"> - Implementation of blended learning (Face to face and online learning) to mitigate against COVID -19 Pandemic. | <ul style="list-style-type: none"> -Registration of Semester three of the 2022/2023 academic year | <ul style="list-style-type: none"> - VC - DVC (AA) - | <ul style="list-style-type: none"> - June 2023 | 60% of students registered for online learning |
| Liquidity Risks | Inadequate Cash flow | <ul style="list-style-type: none"> - Implementation of 2022/2023 budget to manage cash flow. - Reduction of current liabilities through effective budget management | <ul style="list-style-type: none"> - Receipt of KShs 25 M development grants which is a major source of decline in liquidity. | <ul style="list-style-type: none"> - FO | <ul style="list-style-type: none"> - Continuous | <ul style="list-style-type: none"> - Full development grant has been released - Negotiating with suppliers/contractors for more credit period |
| Capital Risks | Loss of working capital due to idle capacity in Nairobi Campus | <ul style="list-style-type: none"> - Restructuring of Nairobi Campus - Deployment of new management of the campus | <ul style="list-style-type: none"> - Implementation of the new initiatives by the new management to revive the campus | <ul style="list-style-type: none"> - VC - DVC - FPA - DVCAA | <ul style="list-style-type: none"> - June 2023 | <ul style="list-style-type: none"> - Nairobi Campus registered financial deficits. |



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SECTION E

Material arrears in statutory/financial obligations

As at June 30, 2023, CUK did not have any material arrears in statutory or financial obligations.

SECTION F

Financial probity and serious governance issues

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



THE CO-OPERATIVE UNIVERSITY OF KENYA

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X. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits their report together with the financial statements for the year ended June 30, 2023 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, 2023 are set out on page 1 of the Annual Report and Financial Statements.

The results indicate that CUK registered a total of KShs. **918,554,144** in gross revenue against a target of KShs. 939,560,756. This represents 98% of the target revenue. In comparison to the previous financial year, CUK recorded a 9% decrease in revenue. At the same time, CUK registered total expenditure of KShs **1,014,524,509** against a target of KShs.851,260,756. This represents 125% of the target expenditure. In comparison to the previous financial year, CUK recorded a 4% increase in expenditure.

Over the last five (5) years, recurrent grants from the G.O.K have remained almost constant despite the growth in personnel costs and increase in student population especially the Government Sponsored Students. Since 2013, CUK has been receiving over a thousand G.O.K students annually with no commensurate increase in government funding. This has greatly affected the expected growth.

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

Directors

The members of the University Council who served are;

- | | |
|--------------------------|--------------|
| 1. Dr. Jeremy Bundi | Chairperson. |
| 2. Ms Anne Chepkorir | Member. |
| 3. Mr Christopher Ombati | Member. |
| 4. Mr Peter Gathirwa | Member. |
| 5. Mr Patrick Musyimi | Member. |
| 6. Ms Elizabeth Kimkung | Member. |
| 7. Ms Susan Karuri | Member. |
| 8. CPA Peter Kiama | Member. |
| 9. Prof. Kamau Ngamau | Secretary. |



THE CO-OPERATIVE UNIVERSITY OF KENYA
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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



THE CO-OPERATIVE UNIVERSITY OF KENYA

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XI. 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, 2023. 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, 2023, and the financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The Co-operative University of Kenya's financial statements were approved by the Council on the 2nd of August 2023, and signed on its behalf by:



Dr. Jeremy Bundi
CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY
OF KENYA COUNCIL



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



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON THE CO-OPERATIVE UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Co-operative University of Kenya set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Co-operative University of Kenya as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects excess depreciation on revaluation amount of Kshs.29,405,240 and Kshs.31,616,290 in respect of 2022/2023 and 2021/2022 respectively. However, Note 26 to the financial statements does not reflect the excess depreciation and the classes of assets affected, contrary to IPSAS 17(57), which states that, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the assets and depreciation, based on the assets' original cost.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

2. Unconfirmed Receivable Balance

The statement of financial position and Note 22 to the financial statements reflect receivables from exchange transaction balance of Kshs.56,032,501. Included in the balance is an amount of Kshs.2,026,320 due from the Nairobi City County dating back to the year 2015. The dues were long outstanding and are not reflected in the Nairobi City County records as payables to the University.

In the circumstances, the accuracy of the receivables from exchange transaction balance of Kshs.56,032,501 could not be confirmed.

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

Emphasis of Matter

1. Material Uncertainty in Relation to Going Concern

The statement of financial performance reflects a deficit of Kshs.142,027,738 which accumulated deficit from a negative balance of Kshs.108,199,445 as at 30 June, 2022 to a negative balance of Kshs.221,972,606 as at 30 June, 2023. Further, the University's current liabilities balance of Kshs.308,892,880 exceeded its current assets balance of Kshs.148,181,995 resulting in a negative working capital of Kshs.160,710,885. The University is technically insolvent and may not be able to meet its current obligations as and when they fall due.

2. Long Outstanding Trade and Other Payables from Exchange Transactions

The statement of financial position and Note 29 to the financial statements reflect a balance of Kshs.253,371,538 in respect of trade and other payables from exchange transactions. Analysis of accounts payable revealed unpaid invoices amounting to Kshs.205,325,393 which includes a balance of Kshs.150,970,111 or 75% of the total unpaid invoices which were over 120 days. Management did not explain why these amounts were not paid.

Failure to settle bills during the year to which they relate adversely affects the budget for the subsequent year to which they have to be charged.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given any explanation for failure to resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

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

Basis for Conclusion

1. Non-Compliance with Fiscal Responsibility Policy

The statements of receipts and payments reflects an expenditure on employees' costs of Kshs.650,974,111 which is 71% of the total revenue of Kshs.918,554,144. This is contrary to the provisions of Regulation 26 of the Public Financial Management (National Government) Regulations, 2015. The Regulation requires that expenditure on the compensation of employees including benefits and allowances should not exceed 35% of the revenue realized.

In the circumstances, Management was in breach of the law.

2. Delay in the Completion of Learning Resource Centre

Review of records on construction of an Ultra-Modern Learning Resource Centre revealed that the project contract sum was revised from Kshs.373,091,295 to Kshs.448,187,369, being a variation of Kshs.75,096,074 or 21% of the initial contract sum. The contract period was 65 weeks commencing on 21 March, 2019, but the period was revised later to end on 30 December, 2022. Physical verification of the project conducted in the month of October, 2023 however, revealed that the project was 95% complete and partially handed over to the University. A sum of Kshs.339,867,205 or 76% of the revised contract price had been paid. The Management did not provide explanation for delayed completion and a variation of 21% which is above the allowable variation threshold of 15%. Further, no evidence of extension of the contract period was provided.

In the circumstances, value for money on the expenditure of Kshs.339,867,205 could not be confirmed and the Management was in breach of the law.

3. Irregular Payment of Acting Allowance

The statement of financial performance reflects an amount of Kshs.650,974,111 in respect of employee costs as disclosed in Note 14 to the financial statements. The amount includes Kshs.901,840, being acting allowance paid to eight (8) staff members for a period of twelve (12) months. This is contrary to Section 2.4.4 of the University's Human Resource Policy Manual, 2017 which states that, an acting appointment maybe made where a vacancy arises which is not substantively filled or where the incumbent is incapacitated or unavailable for an official reason. The acting appointment period shall not exceed three (3) consecutive months.

In the circumstances, Management was in breach of the law.

4. Unauthorized Over-Expenditure

The statement of comparison of budget and actual amounts reflects expenditure of Kshs.1,060,581,882 against the budget of Kshs.851,260,756, resulting to an over-expenditure of Kshs.209,321,126 or 25% of the budget. The Management did not

explain the reason for the excess expenditure and there is no evidence that authority for the same was sought and received.

In the circumstances, the amount of Kshs.209,321,126 was incurred irregularly.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Tag Fixed Assets

Review of the fixed asset register and physical verification of assets revealed that assets valued at Kshs.43,701,167 were not tagged for ease of identification and control of movement. This is contrary to Regulation 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015, which require tagging of assets to enhance controls and security.

In the circumstances, the effectiveness of internal controls on fixed assets could not be confirmed.

2. Poor Management of Stores

Physical inspection of the University's main store conducted on 3 August, 2023, revealed that the store was not properly ventilated and windows had to remain open for ventilation. The arrangement exposed the supplies to dust and water during the dry and rainy season respectively.

In the circumstances, there was poor control of stores.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance, were operating effectively, in all material respects. I believe that the audit

evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 April, 2024

THE CO-OPERATIVE UNIVERSITY OF KENYA

Annual Report And Financial Statements

For The Year Ended June 30, 2023

XIII. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2023

| | Note | 2022-2023 KShs | 2021-2022 KShs |
|--|--------|----------------------|----------------------|
| Revenue from non-exchange transactions | | | |
| Unconditional Grants | 6 | 283,060,752 | 283,586,433 |
| Research Funds | 7 | 44,831,288 | 10,748,125 |
| | | 327,892,040 | 294,334,558 |
| Revenue from exchange transactions | | | |
| Rendering of Services - Tuition Income | 8 | 526,789,731 | 654,488,949 |
| Income from Co-operative Retreat & Conference Centre | 9 | 30,795,553 | 40,145,123 |
| Rental revenue from facilities and equipment | 10 | 3,078,853 | 3,170,827 |
| Finance income | 11 | 1,174,579 | 361,301 |
| Other income | 12 | 28,823,388 | 22,223,798 |
| (Increase) / Decrease in Provision | | 590,662,104 | 720,389,998 |
| Total revenue | | 918,554,144 | 1,014,724,556 |
| Expenses | | | |
| Use of goods and services | 13 | 232,470,815 | 259,433,556 |
| Employee Cost | 14 | 650,974,111 | 592,747,631 |
| Board expenses | 15 | 6,334,340 | 6,756,009 |
| Depreciation and amortization expense | 16 | 42,261,871 | 46,675,256 |
| Repairs and Maintenance | 17 | 22,002,705 | 21,446,129 |
| Contracted Services | 18 | 23,265,905 | 19,793,862 |
| Research Expenses | 19 | 37,214,762 | 28,616,696 |
| Total expenses | | 1,014,524,509 | 975,469,139 |
| Other Gains/(Losses) | | | |
| Bad Debts recovered / (Written Off) | 13 (b) | 71,360 | (13,250) |
| Loss on Disposal of Assets | 20 | (347,525) | - |
| (Increase) / Decrease in Provision | 22 (b) | (47,174,693) | 360,400 |
| Foreign Exchange Gain / (Loss) | 21 | 1,393,485 | 263,351 |
| Surplus/(Deficit) for the period | | (142,027,738) | 39,865,918 |

The notes set out on pages 6 to 29 form an integral part of the Financial Statements

THE CO-OPERATIVE UNIVERSITY OF KENYA

Annual Report And Financial Statements

For The Year Ended June 30, 2023

XIV. STATEMENT OF FINANCIAL POSITION

As At 30 June 2023

| | Note | 2022-2023 | 2021-2022 |
|---|------|----------------------|----------------------|
| Assets | | KShs | KShs |
| Current assets | | | |
| Cash and cash equivalents | 21 | 76,451,220 | 129,930,450 |
| Receivables from exchange transactions | 22 | 56,032,501 | 92,376,559 |
| Receivables from non-exchange transactions | 23 | 14,001,140 | 600,138 |
| Inventories | 24 | 1,697,134 | 2,575,948 |
| | | 148,181,995 | 225,483,095 |
| Non-current assets | | | |
| Property, plant and equipment | 26 | 2,731,226,006 | 2,753,897,582 |
| Investments | 25 | 8,425,530 | 8,425,530 |
| Intangible Assets | 27 | 14,966,066 | 19,141,940 |
| Work In Progress | 28 | 516,427,370 | 379,738,306 |
| | | 3,271,044,972 | 3,161,203,358 |
| Total assets | | 3,419,226,967 | 3,386,686,453 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 29 | 253,371,538 | 173,815,738 |
| Trade and other payables from non-exchange transactions | 30 | 55,521,342 | 314,351 |
| | | 308,892,880 | 174,130,089 |
| Long term liabilities | | | |
| Long term liabilities | 31 | 29,532,080 | 23,708,663 |
| | | 29,532,080 | 23,708,663 |
| Total liabilities | | 338,424,960 | 197,838,752 |
| Net Assets | | | |
| Capital fund | 32 | 1,584,022,818 | 1,548,890,111 |
| Revaluation Reserves | 33 | 1,718,751,795 | 1,748,157,035 |
| Accumulated Deficit | 34 | (221,972,606) | (108,199,445) |
| Total net assets | | 3,080,802,007 | 3,188,847,701 |
| Total net assets and liabilities | | 3,419,226,967 | 3,386,686,453 |

The Financial Statements set out on pages 1 to 5 were signed on behalf of the University Council by:



Dr. Jeremy Bundi
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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XV. STATEMENT OF CHANGES IN NET ASSETS For the year ended 30 June 2023

| | Accumulated Deficit KShs | Capital Reserve Fund KShs | Revaluation Reserve KShs | Total KShs |
|------------------------------------|--------------------------------|---------------------------------|--------------------------------|----------------------|
| Notes | 34 | 32 | 33 | |
| Balance as at 30 JUNE 2021 | (179,868,766) | 1,368,373,769 | 1,779,773,325 | 2,968,278,328 |
| Surplus for the period | 39,865,918 | - | - | 39,865,918 |
| Excess Depreciation on revaluation | 31,616,290 | - | (31,616,290) | - |
| Additions in the year | 187,113 | 180,516,342 | | 180,703,455 |
| Balance as at 30 JUNE 2022 | (108,199,445) | 1,548,890,111 | 1,748,157,035 | 3,188,847,701 |
| Surplus for the period | (142,027,738) | - | - | (142,027,738) |
| Excess Depreciation on revaluation | 29,405,240 | - | (29,405,240) | - |
| Additions in the year | (1,150,663) | 35,132,707 | | 33,982,044 |
| Balance as at 30 JUNE 2023 | (221,972,606) | 1,584,022,818 | 1,718,751,795 | 3,080,802,007 |



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XVI. STATEMENT OF CASHFLOWS

For the year ended 30 June 2023

| | Notes | 30.06.2023 KShs | 30.06.2022 KShs |
|---|-------|----------------------|----------------------|
| <u>Cash flows from Operating activities</u> | | | |
| Surplus for the period | | (142,027,738) | 39,865,918 |
| Adjustment for: | | | |
| Profit/Loss on Disposal of Assets | | 347,525 | - |
| Depreciation and amortization | 16 | 42,261,871 | 46,675,256 |
| Operating Profit before Working Capital Changes | | (99,418,342) | 86,541,174 |
| Change in Working Capital | | | |
| (Increase)/Decrease in inventories | 24 | 878,814 | (455,352) |
| (Increase)/Decrease in receivables from Exchange transactions | 22 | 36,344,058 | (30,489,761) |
| (Increase)/Decrease in receivables from Non-Exchange transactions | 23 | (13,401,002) | (412,495) |
| Increase/(Decrease) in payables from Exchange transactions | 29 | 79,555,800 | (8,071,562) |
| Increase/(Decrease) in payables from Non-Exchange transactions | 30 | 55,206,991 | (37,020,327) |
| Net cash generated from operating activities | | 59,166,319 | 10,091,677 |
| <u>Cash flows from investing activities</u> | | | |
| Purchase of Property, Plant & Equipment | 26 | (15,896,077) | (144,897,344) |
| Intangible Assets | 27 | - | (6,308,867) |
| Proceeds from Disposal of Assets | 26 | 134,131 | - |
| Work in progress | 28 | (136,689,064) | (1,138,378) |
| Net cash flows from investing activities | | (152,451,010) | (152,344,589) |
| <u>Cash flows from financing activities</u> | | | |
| Capital Reserve fund | 32 | 35,132,707 | 180,516,342 |
| Accumulated Deficit | 34 | (1,150,663) | 187,113 |
| Decrease in Long-term Liabilities | 31 | 5,823,417 | (8,797,173) |
| Net cash flows from financing activities | | 39,805,461 | 171,906,282 |
| Net change in cash and cash equivalents | | (53,479,230) | 29,653,370 |
| Opening cash and cash equivalent | 21 | 129,930,450 | 100,277,080 |
| Closing cash and cash equivalent | 21 | 76,451,220 | 129,930,450 |



THE CO-OPERATIVE UNIVERSITY OF KENYA

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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| | Original budget 2022 | Adjustments 2022 | Final budget 2022 | Actual on Comparable Basis 2022 | Performance Difference 2022 | % of Utilization |
|--|----------------------------|---------------------|----------------------|--|-----------------------------------|---------------------|
| | KShs | KShs | KShs | KShs | KShs | % |
| Revenue | | | | | | |
| Unconditional Grants | 283,060,756 | - | 283,060,756 | 283,060,752 | 4 | 100% |
| a) Research Funds | 29,000,000 | - | 29,000,000 | 44,831,288 | (15,831,288) | 155% |
| Tuition fees & Other Levies | 500,950,000 | 73,500,000 | 574,450,000 | 526,789,731 | 47,660,269 | 92% |
| Rental revenue from facilities and equipment | 2,000,000 | - | 2,000,000 | 3,078,853 | (1,078,853) | 154% |
| Income from Co-operative Retreat & Conference Centre | 40,000,000 | - | 40,000,000 | 30,795,553 | 9,204,447 | 77% |
| b) Other income | 11,050,000 | - | 11,050,000 | 29,997,967 | (18,947,967) | 271% |
| Total income | 866,060,756 | 73,500,000 | 939,560,756 | 918,554,144 | 21,006,612 | 98% |
| Expenses | | | | | | |
| Use of Goods and Services | 181,662,407 | - | 181,662,407 | 232,470,815 | (50,808,408) | 128% |
| Employee Cost | 550,334,715 | - | 550,334,715 | 650,974,111 | (100,639,396) | 118% |
| Board Expenses | 8,000,000 | - | 8,000,000 | 6,334,340 | 1,665,660 | 79% |
| Depreciation and amortization expense | 38,744,116 | - | 38,744,116 | 42,261,871 | (3,517,755) | 109% |
| c) Repairs and Maintenance | 18,900,000 | - | 18,900,000 | 22,002,705 | (3,102,705) | 116% |
| Contracted Services | 27,700,000 | - | 27,700,000 | 23,265,905 | 4,434,095 | 84% |
| d) Research Expenses | 25,919,518 | - | 25,919,518 | 37,214,762 | (11,295,244) | 144% |
| e) Other Gains /Losses | - | - | - | 46,057,373 | (46,057,373) | 0% |
| Total expenditure | 851,260,756 | - | 851,260,756 | 1,060,581,882 | (209,321,126) | 125% |
| Surplus (Deficit) for the period | 14,800,000 | | 88,300,000 | (142,027,738) | | |



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Explanation of Material Variances on Statement of Comparison of Budget and Actual Amounts

a Research Funds

The Research Funds income is inclusive of income from WINRACK project amounting to KShs.36.6M which had not been budgeted for in the current financial year.

b Other Income

The Other income is inclusive of income raised from the Co-operative Movement Annual conference of KShs.6.6M, income from consultancies amounting to KShs.2.1M, and interest income from call deposit account amounting to KShs.1.1M. These had not been budgeted for in the current financial year.

c Repairs and Maintenance

The repairs and maintenance cost includes the cost of renovation of the catering and hospitality workshop amounting to KShs.2.1M which was incurred in the current financial year.

d Research Expenses

The Research costs for the year include expenses incurred in the Winrack project amounting to KShs.14.7M, and expenses incurred in the Co-operative Movement Annual Conference of KShs.8.2M. These had not been factored in the budget for the year.

e Other Gains/Losses

Other Gains/Losses includes a Provision for bad and doubtful debts relating to student debtors of KShs.40M, and a foreign exchange gain of KShs.1.3M from the University's USD account. These had not been factored in the budget for the year.



THE CO-OPERATIVE UNIVERSITY OF KENYA

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XVIII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. General 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.

2. Statement of Compliance and Basis of Preparation

The Co-operative University of Kenya's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), the State Corporations Act and the PFM Act. The preparation of financial statements in conformity with IPSAS allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The financial statements are presented in Kenya shillings, which is the accepted functional and reporting currency and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

Basis of preparation

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

3. Adoption of New and Revised Standards

a) New and amended standards and interpretations in issue effective in the year ended 30 June 2023

| Standard | Effective date and impact: |
|---|---|
| IPSAS 41: Financial Instruments | Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: |



THE CO-OPERATIVE UNIVERSITY OF KENYA

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| Standard | Effective date and impact: |
|---|--|
| | <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. |



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

b) New and amended standards in issue but not yet effective in the year ended 30 June 2023

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

c) Early adoption of Standards

The University did not early-adopt any new or amended standards in year 2022/2023.

4. 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.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

- **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**

- **Rendering of Services - 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.

- **Sale of Goods and Services**

Revenue from the sale of goods and services from the Co-operative Retreat and Conference Center is recognised when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the University.

- **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 not 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. Similarly the budget is prepared on accrual basis. 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.

Additionally, 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.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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, Sewer and Water works | 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

g) Nature and Purpose of Reserves

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

- **Capital Fund**

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

- **Accumulated Fund**

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

- **Revaluation Reserve**

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

h) Changes in Accounting Policies and Estimates

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

i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year

j) Intangible Assets

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

Amortization is calculated on a reducing balance method for all categories of intangible assets. The applied amortization rates are as shown below:

- Software 30%
- Master plan 2%

k) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Financial Instruments

i. Financial assets

• Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Co-operative University of Kenya determines the classification of its financial assets at initial recognition.

• Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost.

ii. Financial liabilities

• Initial recognition and measurement

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

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

m) Related Parties

The Co-operative University of Kenya regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. These related parties include: The Government of Kenya and Members of key management comprising the University Council and the University Management Board.

n) Leases

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

o) Employee Benefits.

Retirement Benefit Plans

The University provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the University pays fixed contributions into a separate entity (The Co-operative University of Kenya Staff Provident Fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the period in which they become payable.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The University does not have any defined benefit plans.

p) Comparative Figures

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

q) Subsequent Events

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

5. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| 6. Transfers from Other Government entities | 2022-2023 | 2021-2022 |
|--|--------------------|--------------------|
| a) Unconditional grants | KShs | KShs |
| Government of Kenya Operational Grant | 283,060,752 | 283,586,433 |
| Total government grants and subsidies | 283,060,752 | 283,586,433 |

b) Transfers from Ministries, Departments and Agencies (MDAs)

| Name of The Entity Sending The Grant | Amount recognized to Statement of Financial performance. | Amount deferred under deferred income. | Amount recognized in capital fund. | Total transfers 22/23 FY | Total transfers 21/22 FY |
|--------------------------------------|--|--|------------------------------------|--------------------------|--------------------------|
| | KShs | KShs | KShs | KShs | KShs |
| Ministry of Education | 283,060,752 | - | 35,132,707 | 318,193,462 | 339,586,433 |
| Total | 283,060,752 | - | 35,132,707 | 318,193,462 | 339,586,433 |

| 7. Research Funds | 2022-2023 | 2021-2022 |
|-----------------------------|-------------------|-------------------|
| | KShs | KShs |
| Projects (LFC) | 1,591,453 | 5,266,160 |
| Research Grants | 43,239,835 | 5,481,965 |
| Total Research Funds | 44,831,288 | 10,748,125 |

| 8. Rendering of Services - Tuition Fees | 2022-2023 | 2021-2022 |
|---|--------------------|--------------------|
| | KShs | KShs |
| Main Campus | 512,902,134 | 640,573,111 |
| Nairobi CBD Campus | 13,817,641 | 13,915,838 |
| Meru Campus | 69,956 | - |
| Total revenue from Tuition fees | 526,789,731 | 654,488,949 |

| 9. Sale of Services - Co-operative Retreat & Conference Centre | 2022-2023 | 2021-2022 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Sales from CR&CC | 30,795,553 | 40,145,123 |
| Total from CR&CC | 30,795,553 | 40,145,123 |

This income from the Co-operative Retreat and Conference Centre declined during the financial year due to reduced business in during and immediately after the country's election period. Retreat and conference business has finally started to pick up at the end of the financial year.



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| 10. Rental revenue from facilities | 2022-2023 KShs | 2021-2022 KShs |
|------------------------------------|-------------------|-------------------|
| Rent Income | 3,078,853 | 3,170,827 |
| Total Rental Income | 3,078,853 | 3,170,827 |

The rental income is rent from staff houses to the University's members of staff and office space let to ATC, a company owned by the University's guarantee and The Co-operative Alliance of Kenya.

| 11. Finance income | 2022-2023 KShs | 2021-2022 KShs |
|-----------------------------------|-------------------|-------------------|
| Interest income from call deposit | 1,174,579 | 361,301 |
| Total Interest Income | 1,174,579 | 361,301 |

This income is the interest the University earned from monies placed in a call deposit account at the Co-operative Bank of Kenya.

| 12. Other income | 2022-2023 KShs | 2021-2022 KShs |
|--|-------------------|-------------------|
| Catering | 8,871,378 | 6,363,754 |
| Dispensary | 88,766 | 81,065 |
| Contributions from ATC | 1,200,000 | 1,200,000 |
| Water and Electricity | 710,572 | 615,850 |
| Sale of Farm Produce | 100 | 11,800 |
| Co-operator Magazine Income | 469,828 | - |
| a) Special Grants - Income from Consultancies | 2,101,291 | 9,146,020 |
| Co-operative Movement Annual Stakeholders Conference | 6,608,306 | - |
| Miscellaneous Income | 8,773,147 | 4,805,309 |
| Total other income | 28,823,388 | 22,223,798 |

a) Special Grants. This is the income from consultancies carried out by the Co-operative Development Research and Innovation (CDRI) Division of the University. This amount was in prior years reported under research funds, but has now been reclassified under other income.

| 13. Use of Goods and Services: | 2022-2023 KShs | 2021-2022 KShs |
|------------------------------------|-------------------|-------------------|
| Central Services | | |
| Electricity expenses | 16,779,446 | 11,394,110 |
| Water expenses | 1,507,262 | 1,559,853 |
| Vehicle licenses & insurance | 45,000 | 459,801 |
| Vehicle fuel and oil | 5,616,299 | 4,597,684 |
| Publishing & Printing | 468,814 | 275,000 |
| Advertising and Publicity | 6,173,366 | 4,337,714 |
| Telephone expenses | 429,958 | 355,484 |
| Postal & Courier services | 149,079 | 71,285 |
| Conferences/workshops and seminars | 9,087,410 | 9,184,860 |
| Catering cost | 26,687,096 | 27,134,310 |
| Cleaning materials | 3,885,998 | 3,247,351 |
| External travelling | 4,984,553 | 3,579,897 |
| Gas and fuel | 6,297,547 | 7,415,874 |
| Training expenses/Staff training | 1,187,234 | 1,976,574 |



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| Use of Goods and Services Cont. | 2022-2023 KShs | 2021-2022 KShs |
|-------------------------------------|--------------------|--------------------|
| Subscription to professional bodies | 2,583,559 | 2,281,666 |
| Utensils & Crockery | 1,070,840 | 1,091,510 |
| Performance Contract | 685,200 | 6,739,433 |
| Booked meals for staff | 3,844,881 | 6,240,681 |
| Newspapers | 402,080 | 337,640 |
| Internet services | 16,679,952 | 15,075,320 |
| ISO certification & maintenance | 406,000 | 185,600 |
| Staff welfare | 3,743,205 | 3,558,549 |
| Fumigation services | 1,264,203 | 1,280,962 |
| Generator expenses | - | 500,920 |
| Rent & rates | 8,365,196 | 20,786,382 |
| Purchase of uniforms | 369,700 | 1,317,354 |
| Purchase of Drugs | 2,441,245 | 3,806,414 |
| Stationery & stores | 6,965,927 | 6,746,257 |
| Purchase of production materials | 3,663,697 | 1,547,349 |
| a) Medical scheme | 27,379,433 | 43,346,492 |
| General insurance | 851,488 | 935,175 |
| Staff group personal accident | 826,317 | - |
| Student group personal accident | 390,220 | 550,000 |
| Set up of ICT infrastructure | 8,209,857 | 9,868,350 |
| Students Welfare | | |
| Inter university games | 4,882,019 | 4,283,830 |
| Students work-study programme | - | 310,354 |
| Sports equipment | 242,090 | 253,800 |
| Students Fee Waivers | 4,209,387 | 1,039,759 |
| Academic Costs | | |
| Corporate social responsibility | 270,250 | 430,000 |
| Shows & Exhibitions | 909,223 | 120,750 |
| Library books/e-library/journals | 2,995,250 | 3,163,439 |
| Curriculum Development | 294,000 | 1,536,803 |
| Alumni association | 416,000 | 215,000 |
| Examination expenses | 465,430 | 888,934 |
| Graduation expenses | 11,094,903 | 7,185,648 |
| Leadership for change | 1,809,774 | 4,834,715 |
| HIV/AIDS Control Unit | 292,600 | 354,478 |
| KUCCPS/CUE Accreditation | 6,275,200 | 10,682,000 |
| Administrative Costs | | |
| Audit Expenses | 870,000 | 870,000 |
| Travelling and accommodation | 12,581,033 | 10,778,417 |
| Bank charges/interest | 2,418,141 | 2,988,301 |
| Task Force/Facilitation Allowances | 1,614,000 | 1,528,635 |
| Official Entertainment | 217,815 | 29,802 |
| VAT Expense | 2,260,524 | 4,466,936 |
| CR&CC Rebates | 408,488 | 629,032 |
| b) Debts Written Off | - | - |
| Outsourced Accommodation | 3,708,900 | 449,100 |
| Hire of Machinery & Equipment | 793,726 | 607,972 |
| Total | 232,470,815 | 259,433,556 |



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a) Medical Scheme. This is the medical insurance that the University has entered into with the National Hospital Insurance Fund (NHIF) for provision of medical services to staff members. This is budgeted under insurance and medical expenses in the University's budget.

| b) Debts Written Off | 2022-2023 KShs | 2021-2022 KShs |
|--|-------------------|-------------------|
| Debts Recovered / (Written Off) | 71,360 | (13,250) |
| Total debts recovered / (Written Off) | 71,360 | (13,250) |

In the financial year 2021/2022 debts worth KShs. 13,250 were written off, whereas in the financial year 2022/2023 written off debts amounting to KShs. 71,360 were recovered and is reported on the statement of financial performance as bad debts recovered.

| 14. Employee costs | 2022-2023 KShs | 2021-2022 KShs |
|---------------------------------|--------------------|--------------------|
| Basic Salaries | 274,240,209 | 255,226,700 |
| Casual workers | 1,434,399 | 1,776,315 |
| Part time teaching | 108,966,253 | 87,073,481 |
| Gratuity | 16,658,200 | 7,803,822 |
| b) Pension | 44,288,214 | 39,702,448 |
| House to Office allowance | 31,761,314 | 32,949,481 |
| Other personnel allowances | 62,108,471 | 62,344,703 |
| Group life insurance | 7,914,050 | 3,507,580 |
| Leave allowance | 4,938,116 | 3,251,829 |
| New recruits, passage & Baggage | 1,045,264 | 76,698 |
| House allowances | 97,619,621 | 99,034,574 |
| Employee costs | 650,974,111 | 592,747,631 |

a) The Employee Costs for the financial year 2022/2023 has increased mainly as a result of the increase in part time teaching costs, due to increased programs, and the increase in basic salaries to due implementation of the CBA.

| 15. Board Expenses | 2022-2023 KShs | 2021-2022 KShs |
|-----------------------------|-------------------|-------------------|
| Sitting Allowance | 3,240,000 | 3,480,000 |
| Travelling Allowance | 428,847 | 450,185 |
| Subsistence Allowance | 760,400 | 1,138,900 |
| Medical Scheme | 672,373 | 439,502 |
| Co-opted Members Allowance | 212,720 | 203,422 |
| Chairperson's Honoraria | 1,020,000 | 1,044,000 |
| Total Board Expenses | 6,334,340 | 6,756,009 |

| 16. Depreciation and amortization expense | 2022-2023 KShs | 2021-2022 KShs |
|--|-------------------|-------------------|
| Property, plant and equipment | 38,085,997 | 40,755,399 |
| Intangible asset | 4,175,874 | 5,919,857 |
| Total depreciation and amortization | 42,261,871 | 46,675,256 |



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| 17. Repairs and maintenance | 2022-2023 | 2021-2022 |
|--------------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Motor Vehicle repairs | 2,222,993 | 3,324,670 |
| Maintenance of Sewerage and water | 2,018,900 | 788,739 |
| Maintenance of Buildings and station | 10,857,909 | 12,734,103 |
| Maintenance of Roads | 1,355,064 | - |
| Maintenance of computers/printer | 1,555,564 | 1,426,476 |
| Maintenance of plant & equipment | 3,992,275 | 3,172,141 |
| Total repairs and maintenance | 22,002,705 | 21,446,129 |

The increase in repairs and maintenance expense is due to maintenance works on the University roads that had not been carried out in the previous financial year..

| 18. Contracted Services | 2022-2023 | 2021-2022 |
|----------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Contracted professional services | 7,778,988 | 7,323,752 |
| Outsourced Cleaning Services | 9,299,569 | 8,565,760 |
| Legal Expenses | 6,187,348 | 3,904,350 |
| Total Contracted Services | 23,265,905 | 19,793,862 |

| 19. Research Expenses | 2022-2023 | 2021-2022 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Research Production and Extension | 28,941,920 | 28,616,696 |
| Co-operative Movement Annual Stakeholders Conference | 8,272,842 | - |
| Total Research Expenses | 37,214,762 | 28,616,696 |

| 20. Loss on Disposal of Assets | 2022-2023 | 2021-2022 |
|---|------------------|------------------|
| | KShs | KShs |
| Property, Plant and Equipment | 347,525 | - |
| Total Loss on Disposal of Assets | 347,525 | - |

| 21. Cash and cash equivalents | 2022-2023 | 2021-2022 |
|--|-------------------|--------------------|
| | KShs | KShs |
| Current Accounts | 64,661,187 | 114,989,641 |
| On-Call Deposits | 11,535,880 | 10,361,301 |
| Fixed Deposits Accounts | 106,760 | 4,507,360 |
| Others | 147,393 | 72,148 |
| Total cash and cash equivalents | 76,451,220 | 129,930,450 |

a) Current account

| | | |
|--|-----------|------------|
| Standard Chartered Bank (Account No. 01020448587500) | 1,590,698 | 13,927,839 |
| Co-operative Bank Business Account (Account No. 01136062663600) | 6,392,841 | 21,933,065 |
| Co-operative Bank WE-Effect Project Account (Account No. 01136082663601) | 532,194 | 855,797 |



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| | | |
|--|-------------------|--------------------|
| Co-operative Bank Research Grants Account (USD) (Account No.02120062663600) | 8,852,583 | 6,320,773 |
| Co-operative Bank Research & Projects Account (Account No. 01120125033500) | 9,647,371 | 38,103,663 |
| Equity Bank GIVE Project Account (Account No. 1630278965967) | 812,784 | 856,768 |
| Equity Bank KRTC DP Project (Account No. 1630280550859) | 4,110,646 | 6,000,054 |
| Co-operative Bank Fees Collection Account (Account No. 01129062663600) | 4,654,516 | 26,014,006 |
| Co-operative Bank HELB Collection Account (Account No. 01129062663601) | 1,231,916 | 783,234 |
| Co-operative Bank WINRACK Account (Account No. 01109062663600) | 23,382,517 | 14,183 |
| Equity Bank Fees Collection Account (Account No. 1250277107862) | 3,453,121 | 180,259 |
| Sub- total | 64,661,187 | 114,989,641 |
| b) On- Call deposits | | |
| Co-operative Bank Call Deposit Account | 11,535,880 | 10,361,301 |
| Sub- total | 11,535,880 | 10,361,301 |
| c) Fixed deposits account | | |
| Co-operative Bank Collateral Account (Account No. 01246062663600) | 106,760 | 4,507,360 |
| Sub- total | 106,760 | 4,507,360 |
| d) Others | | |
| Cash in hand | 147,393 | 72,148 |
| Sub- total | 147,393 | 72,148 |
| Grand total | 76,451,220 | 129,930,450 |

i) Foreign Exchange gain

The Co-operative Bank Research Grants Account (USD) (Account No.02120062663600) is a dollar account for Research money received by the University. Translation of this account at the end of the financial year 2021/2022 generated a foreign exchange gain of KShs. 263,351. In the financial year 2022/2023, the translation generated a foreign exchange gain of KShs. 1,393,485.



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| 22. Receivables from exchange transactions | 2022-2023 | 2021-2022 |
|---|-------------------|-------------------|
| Current receivables | KShs | KShs |
| Student debtors | 71,052,328 | 72,001,705 |
| Seminar (CRCC) debtors | 15,480,138 | 16,980,001 |
| Rent & water bills outstanding | 3,117,182 | 2,455,907 |
| Imprest outstanding | 3,382,278 | 148,362 |
| Rent, Electricity & Telephone Deposits | 3,551,200 | 3,551,200 |
| Prepaid Expenses | 9,362,033 | - |
| Institute of Co-operative Development Debtors | 462,804 | 462,804 |
| Co-operator Magazine Debtors | 340,393 | 423,400 |
| Laptop Debtors | 105,658 | - |
| (a) Less: Provision for Bad Debts | (50,821,513) | (3,646,820) |
| Total receivables | 56,032,501 | 92,376,559 |

a) Provision for Bad Debts

Provision for Bad and debts is a specific provision for bad debts on the Student debtors and seminar (CRCC) debtors.

The Student debtors were assessed based on debts older than the period of study and level of completion to determine their recoverability, whereas the provision for bad Seminar debtors are made where the debts are older than 360 days as at the end of the financial year.

b) Movement in provisions for Bad Debts

| | 2022-2023 | 2021-2022 |
|--|-------------------|------------------|
| | KShs | KShs |
| Provision for the year | | |
| Provision for the year Student Debtors | 40,420,007 | - |
| Provision for the year Seminar Debtors | 6,754,686 | (360,400) |
| Increase / (Decrease) In Provision | 47,174,693 | (360,400) |
| Balance at the beginning of the year | 3,646,820 | 4,007,220 |
| Balance at the end of the year | 50,821,513 | 3,646,820 |

| 23. Receivables from Non-exchange Transactions | 2022-2023 | 2021-2022 |
|--|-------------------|----------------|
| | KShs | KShs |
| Salary advances outstanding | 1,143,436 | 600,138 |
| a) Development Grants | 12,857,704 | - |
| Total current receivables | 14,001,140 | 600,138 |

a) Development Grants receivable relates to Development Grants received in July 2023 for the financial year ended June 30, 2023.

24. Inventories

| | 2022-2023 | 2021-2022 |
|--------------------------|------------------|------------------|
| | KShs | KShs |
| Dry & perishable foods | 180,110 | 241,020 |
| Production materials | 244,210 | 292,546 |
| General stationery | 215,336 | 688,661 |
| Cleaning materials | 359,677 | 346,501 |
| Electrical and hardware | 697,201 | 1,006,020 |
| Drugs | 600 | 1,200 |
| Total inventories | 1,697,134 | 2,575,948 |

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25. Investments

| | 2022-2023 KShs | 2021-2022 KShs |
|--------------------------|-------------------|-------------------|
| Opening Balance | 8,425,530 | 8,425,530 |
| Total investments | 8,425,530 | 8,425,530 |

The investment in Agri. And Co-operative Training and Consultancy Services (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 KShs 2,825,530, which was capital injected by Donor Partners through the University.

During the financial year 2020-2021, the University Council approved the conversion of debt amounting to KShs. 5,600,000 owed from ATC into capital. This has increased the investment in ATC to KShs. 8,425,530 which is the amount carried in these financial statements.

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| 26. Property, Plant & Equipment | <u>LAND</u> | <u>BUILDING AND SEWER</u> | <u>PLANT & EQUIPMEN T</u> | <u>FURNITURE & FITTING</u> | <u>COMPUTER & ACCESSORIES</u> | <u>MOTOR VEHICLES</u> | <u>TOOLS</u> | <u>OFFICE EQU</u> | <u>TEL. EQU</u> | <u>KITCHEN</u> | <u>TOTAL</u> |
|----------------------------------|----------------------|---------------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------|-------------------|-------------------|-------------------|------------------|----------------------|
| 2022 | 99 YRS | 2.5% | 10.0% | 12.5% | 30% | 25% | 10% | 12.5% | 20% | 10% | |
| VALUATION AS AT 01/07/2022 | 1,766,664,000 | 1,044,750,079 | 14,909,395 | 71,929,273 | 54,108,013 | 34,348,800 | 13,826,244 | 5,727,908 | 19,389,192 | 3,709,655 | 3,029,362,558 |
| ADDITIONS IN THE PERIOD | - | 9,296,367 | 2,649,050 | 176,130 | 3,743,030 | - | - | 31,500 | - | - | 15,896,077 |
| DISPOSALS | - | - | (259,938) | (354,975) | (62,900) | - | (143,860) | (234,500) | - | (148,034) | (1,204,207) |
| AS AT 30/06/2023 | <u>1,766,664,000</u> | <u>1,054,046,446</u> | <u>17,298,507</u> | <u>71,750,428</u> | <u>57,788,143</u> | <u>34,348,800</u> | <u>13,682,384</u> | <u>5,524,908</u> | <u>19,389,192</u> | <u>3,561,621</u> | <u>3,044,054,428</u> |
| DEPRECIATION | | | | | | | | | | | |
| AS AT 30/6/2022 | - | 139,290,972 | 5,795,989 | 37,039,421 | 39,892,842 | 26,393,031 | 9,668,945 | 2,932,424 | 12,366,560 | 2,084,795 | 275,464,978 |
| CHARGE FOR THE PERIOD | - | 22,868,887 | 1,160,717 | 4,366,848 | 5,385,198 | 1,988,942 | 411,558 | 343,616 | 1,404,526 | 155,704 | 38,085,997 |
| DEPRECIATION ON DISPOSAL | - | - | (104,647) | (223,743) | (55,359) | - | (102,142) | (156,442) | - | (80,220) | (722,552) |
| AS AT 30/06/2023 | <u>-</u> | <u>162,159,859</u> | <u>6,852,059</u> | <u>41,182,526</u> | <u>45,222,681</u> | <u>28,381,973</u> | <u>9,978,362</u> | <u>3,119,598</u> | <u>13,771,086</u> | <u>2,160,279</u> | <u>312,828,422</u> |
| NET BOOK VALUE AS AT 30- 06-2023 | <u>1,766,664,000</u> | <u>891,886,587</u> | <u>10,446,448</u> | <u>30,567,902</u> | <u>12,565,462</u> | <u>5,966,827</u> | <u>3,704,022</u> | <u>2,405,310</u> | <u>5,618,106</u> | <u>1,401,342</u> | <u>2,731,226,006</u> |



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| Property, Plant & Equipment | <u>LAND</u> | <u>BUILDING AND SEWER</u> | <u>PLANT & EQUIPMENT</u> | <u>FURNITURE & FITTING</u> | <u>COMPUTER & ACCESSORIES</u> | <u>MOTOR VEHICLES</u> | <u>TOOLS</u> | <u>OFFICE EQU</u> | <u>TEL. EQU</u> | <u>KITCHEN</u> | <u>TOTAL</u> |
|---------------------------------|----------------------|---------------------------|------------------------------|--------------------------------|-----------------------------------|-----------------------|-------------------|-------------------|-------------------|------------------|----------------------|
| 2022 | 99 YRS | 2.5% | 10.0% | 12.5% | 30% | 25% | 10% | 12.5% | 20% | 10% | |
| VALUATION AS AT 01/07/2021 | 1,766,664,000 | 913,496,087 | 14,132,684 | 71,370,173 | 47,347,805 | 29,748,800 | 13,826,244 | 5,339,208 | 18,830,559 | 3,709,655 | 2,884,465,215 |
| ADDITIONS IN THE PERIOD | - | 131,253,992 | 776,711 | 559,100 | 6,760,208 | 4,600,000 | - | 388,700 | 558,633 | - | 144,897,344 |
| DISPOSALS | - | - | - | - | - | - | - | - | - | - | - |
| AS AT 30/06/2022 | <u>1,766,664,000</u> | <u>1,044,750,079</u> | <u>14,909,395</u> | <u>71,929,273</u> | <u>54,108,013</u> | <u>34,348,800</u> | <u>13,826,244</u> | <u>5,727,908</u> | <u>19,389,192</u> | <u>3,709,655</u> | <u>3,029,362,559</u> |
| DEPRECIATION | | | | | | | | | | | |
| AS AT 30/6/2021 | - | 116,074,072 | 4,783,388 | 32,055,141 | 33,800,626 | 23,741,108 | 9,207,023 | 2,533,068 | 10,610,901 | 1,904,251 | 234,709,578 |
| CHARGE FOR THE PERIOD | - | 23,216,900 | 1,012,601 | 4,984,279 | 6,092,216 | 2,651,923 | 461,922 | 399,356 | 1,755,658 | 180,544 | 40,755,399 |
| DEPRECIATION ON DISPOSAL | - | - | - | - | - | - | - | - | - | - | - |
| AS AT 30/06/2022 | <u>-</u> | <u>139,290,972</u> | <u>5,795,989</u> | <u>37,039,420</u> | <u>39,892,842</u> | <u>26,393,031</u> | <u>9,668,945</u> | <u>2,932,424</u> | <u>12,366,559</u> | <u>2,084,795</u> | <u>275,464,977</u> |
| NET BOOK VALUE AS AT 30-06-2022 | <u>1,766,664,000</u> | <u>905,459,107</u> | <u>9,113,406</u> | <u>34,889,853</u> | <u>14,215,171</u> | <u>7,955,769</u> | <u>4,157,299</u> | <u>2,795,484</u> | <u>7,022,633</u> | <u>1,624,860</u> | <u>2,753,897,582</u> |



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Revaluation of Property Plant and Equipment

On April 1st2014, 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.

| 27. Intangible Assets | 2022-2023 KShs | 2021-2022 KShs |
|--|-------------------|-------------------|
| Valuation | | |
| As At The Beginning of the Financial Year | 37,580,381 | 31,271,514 |
| Additions In The Period | - | 6,308,867 |
| Transfers | - | - |
| As At the End of the Financial Year | 37,580,381 | 37,580,381 |
| Amortization | | |
| As At The Beginning of the Financial Year | 18,438,441 | 12,518,584 |
| Charge of the period | 4,175,874 | 5,919,857 |
| As At the End of the Financial Year | 22,614,315 | 18,438,441 |
| Net Book Value at the End of the Financial Year | 14,966,066 | 19,141,940 |

Intangible assets is composed of: Unified Threat Management Solution (Firewall), Enterprise Resource Planning (ERP) Software and Master Plan. The Firewall and ERP software have been amortized at 30% reducing balance. The University Master plan has been amortized at 2% reducing balance.

| 28. Work In Progress | BAL B/F | <u>ADDITIONS</u> | <u>TRANSFERS</u> | TOTAL |
|--|--------------------|--------------------|------------------|--------------------|
| Access Control System | 5,151,724 | - | - | 5,151,724 |
| Construction of Catering and Hospitality Workshop | - | 2,132,127 | - | 2,132,127 |
| Construction of New Lecture Theatre Annex | 8,201,013 | 41,056,978 | - | 49,257,991 |
| a) Construction of Ultra-Modern Learning Resource Centre | 366,385,569 | 84,267,997 | - | 450,653,566 |
| b) KRTC DP Project | - | 9,231,962 | - | 9,231,962 |
| Balance carried down | 379,738,306 | 136,689,064 | - | 516,427,370 |

a) Construction of Ultra Modern Learning Resource Centre: The project is on Phase 1A which includes Construction of Library, Gate house and Sports field.

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- b) The Kenya Rural Transformation Centers Digital Platform is an African Development Bank research project carried out by the University. The costs incurred in the project are capitalized as work in progress.

| 29. Trade and other payables from exchange transactions | 2022-2023 | 2021-2022 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Trade payables | 88,120,265 | 43,100,089 |
| Student Creditors | 88,375,057 | 78,871,830 |
| Unidentified Bankings | - | 420,282 |
| Unallocated Bursaries | 2,819,772 | 2,614,475 |
| Caution Money | 8,999,000 | 8,953,000 |
| Student Union Fees | 5,483,400 | 6,420,800 |
| Payroll Liabilities | 58,704,044 | 31,664,445 |
| Tablet/Laptop Over deductions | - | 30,514 |
| Provision for Audit Fees Current year | 870,000 | 870,000 |
| Provision for Audit Fees Previous year | - | 870,000 |
| Total trade and other payables | 253,371,538 | 173,815,435 |

| 30. Trade and other payables from non-exchange transactions | 2022-2023 | 2021-2022 |
|--|-------------------|------------------|
| | KShs | KShs |
| Development Payables | 55,521,342 | 314,351 |
| Total development payables | 55,521,342 | 314,351 |

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

| 31. Long Term Liabilities | 2022-2023 | 2021-2022 |
|------------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Capital Projects Retentions | 29,532,080 | 23,708,663 |
| Total Long term liabilities | 29,532,080 | 23,708,663 |

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

| 32. Capital Reserve Fund | 2022-2023 | 2021-2022 |
|-----------------------------------|----------------------|----------------------|
| | KShs | KShs |
| At start of Year | 1,548,890,111 | 1,368,373,769 |
| a) Government of Kenya | 35,132,707 | 50,000,000 |
| b) African Development Bank | - | 6,000,000 |
| c) The Co-operative Bank of Kenya | - | 124,516,342 |
| At end of the Year | 1,584,022,818 | 1,548,890,111 |

a) This is composed of development grants from the Government of Kenya for 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.



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b) This fund is composed of funds disbursed through the development vote from The African Development Bank towards The Kenya Rural Transformation Centers Digital Platform project.

c) This is composed of a sewer capital project donated by the Co-operative bank of Kenya. The cost of the donated capital project has been recognized as capital and recognized in the capital reserve fund.

33. Revaluation Reserves

| | 2022-2023 | 2021-2022 |
|------------------------------------|----------------------|----------------------|
| | KShs | KShs |
| At start of Year | 1,748,157,035 | 1,779,773,325 |
| Excess Depreciation on Revaluation | (29,405,240) | (31,616,290) |
| At end of the Year | 1,718,751,795 | 1,748,157,035 |

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

34. Accumulated Deficits

| | 2022-2023 | 2021-2022 |
|---------------------------------------|----------------------|----------------------|
| | KShs | KShs |
| At start of Year | (108,199,445) | (179,868,766) |
| a) Excess Depreciation on Revaluation | 29,405,240 | 31,616,290 |
| b) Changes During the Year | (1,150,663) | 187,113 |
| Surplus/(Deficit) for the Year | (142,027,738) | 39,865,918 |
| At end of the Year | (221,972,606) | (108,199,445) |

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:** The current year figures relate to internal debtors erroneously captured as expenses in the previous financial year. This has now been corrected.

The amount for the comparative period refers to retention amount on development payables that had not been captured as a payable in the previous financial year.

35. 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.



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36. Related Party Balances.

a) Nature of related party relationships

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

The entity is related to

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

b) Related party transactions

| | 2022-2023 KShs | 2021-2022 KShs |
|---------------------------------|--------------------|--------------------|
| Transfers from related parties' | 318,193,462 | 343,531,891 |
| At end of the Year | 318,193,462 | 343,531,891 |

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

c) Key management remuneration

| | 2022-2023 KShs | 2021-2022 KShs |
|-----------------------------|-------------------|-------------------|
| University Council | 6,334,340 | 6,756,009 |
| University Management Board | 80,364,061 | 84,284,422 |
| At end of the Year | 86,698,401 | 91,040,431 |

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

d) Due from related parties

| | 2022-2023 KShs | 2021-2022 KShs |
|---|-------------------|-------------------|
| Due from Ministry of Education | - | - |
| Due from other Ministries SC's & SAGA's | - | - |
| At end of the Year | - | - |

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

37. Employees.

The University has Two hundred Ninety One (291) employees composed of Two hundred thirty one (231) Permanent and Pensionable and sixty (6) on contract. This comprises eighty four (84) Academic members of staff and Two hundred and seven (207) Administrative, Technical and Information Science



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members of staff. The University operates a defined contribution scheme for permanent and pensionable employees.

38. 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 2023, the University registered a deficit of KShs. 142,027,738 and closed the year with a negative working capital of KShs. 193,191,949. The University has leveraged on technology and rolled out a robust e-learning environment for all its students and with the new funding model rolled out by the government and increased enrolment expects to turn around the deficit within the 2023/2024 financial year.

39. Reporting Currency.

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

40. Events after the Reporting Period.

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

41. 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.



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XIX. APPENDIX

Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR 2021/2022 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 : |
|---|--|---|---|----------|--------------------------|
| REPORT ON FINANCIAL STATEMENTS | | | | | |
| 1 | Long-Outstanding Accounts Receivables | Collection measures for the Long-outstanding debts relating to the Nairobi county Government are on-going.. | VICE CHANCELLOR | On-going | 2023-2024 Financial Year |
| REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES | | | | | |
| 2 | Non-compliance with University Charter | The University has submitted names for appointment as required by the University's Act, to the Ministry of Education and is awaiting appointment. | VICE CHANCELLOR | On-going | 2023-2024 Financial Year |
| 3 | Officers working beyond sixty (60) years. | Clarification provided to the Auditor General on CUK terms and conditions of service, and the retirement age of the member of staff. | VICE CHANCELLOR | On-going | 2023-2024 Financial Year |
| 4 | Unutilized Enterprise Resource Planning System (ERP) | The University demonstrated availability and access of full staff bio-data within the ERP. | VICE CHANCELLOR | On-going | 2023-2024 Financial Year |
| REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE | | | | | |
| 5 | Poor management stores | The procurement and supplies department has been allocated adequate and appropriate store space in the 2023/2024 financial year on upon the completion of new facilities. | VICE CHANCELLOR | On-going | 2023-2024 Financial Year |



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| Ref. | Issue / Observations from Auditor | Management Comments | Focal Point person to resolve the issue | Status: | Timeframe : |
|------|-----------------------------------|---|---|----------|--------------------------|
| 6 | Untagged Assets | Revaluation and tagging assets to be carried out in the 2023/2024 financial year. | VICE CHANCELLOR | On-going | 2023-2024 Financial Year |



Dr. Jeremy Bundi
CHAIRPERSON, THE CO-OPERATIVE
UNIVERSITY OF KENYA COUNCIL



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



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

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Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY

| S. No. | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual per quarter | Sources |
|--------------|---|--------------------|------------------------|----------------------|--------------------|--------------------|---------|
| 1 | Consultancy for Construction of Ultra-Modern Library & Learning Resource Centre | 98,000,000 | 47,741,958 | 49% | | | |
| 2 | Construction of Ultra-Modern Library & Learning Resource Centre | 373,091,295 | 402,911,608 | 99% | 50,000,000 | 12,500,000 | GOK |
| 3 | Construction of Classrooms (New Lecture Theatre Annex) | 65,000,000 | 49,257,991 | 76% | 65,000,000 | 16,250,000 | CUK |
| 4 | Kenya Rural Transformation Centers Digital Platform project | 88,835,000 | - | 0% | 51,000,000 | 12,750,000 | AfDB |
| Total | | 624,926,295 | 537,707,055 | | 166,000,000 | 41,500,000 | |

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Appendix III: 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 | 2022-2023 |
|--|--|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------|
| Ministry of Education | 283,060,755.00 | - | 35,132,707.00 | 318,193,462.00 | 318,193,462.00 |
| Total | 283,060,755.00 | - | 35,132,707.00 | 318,193,462.00 | 318,193,462.00 |
| Breakdown of Transfers from State Department for University Education | | | | | |
| FY:2022/2023 | | | | | |
| a) | Recurrent Grants | Bank Statement Date | Amount (KShs) | FY to Which the Amounts Relate | |
| | | 3/8/2022 | 23,588,396.00 | 2022-2023 | |
| | | 8/9/2022 | 23,588,396.00 | 2022-2023 | |
| | | 03/10/2022 | 23,588,396.00 | 2022-2023 | |
| | | 10/11/2022 | 23,588,396.00 | 2022-2023 | |
| | | 9/12/2022 | 23,588,397.00 | 2022-2023 | |
| | | 30/12/2022 | 23,588,397.00 | 2022-2023 | |
| | | 14/02/2023 | 23,588,397.00 | 2022-2023 | |
| | | 17/03/2023 | 23,588,397.00 | 2022-2023 | |
| | | 17/04/2023 | 23,588,395.00 | 2022-2023 | |
| | | 8/5/2023 | 23,588,396.00 | 2022-2023 | |
| | | 21/06/2023 | 23,588,396.00 | 2022-2023 | |
| | | 29/06/2023 | 23,588,396.00 | 2022-2023 | |
| | | Total | 283,060,755.00 | | |
| b) | Development Grants | Bank Statement Date | Amount (KShs) | FY to Which the Amounts Relate | |
| | | 30/09/2022 | 22,275,000.00 | 2022-2023 | |
| | | 4/7/2023 | 12,857,707.00 | 2022-2023 | |
| | | Total | 35,132,707.00 | | |

