

REPUBLIC OF KENYA



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REPORT

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ON

CO-OPERATIVE UNIVERSITY OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2020**



THE CO-OPERATIVE UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2020

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


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THE CO-OPERATIVE UNIVERSITY OF KENYA

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THE CO-OPERATIVE UNIVERSITY OF KENYA

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

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

During the financial year ending 30 June 2020, CUK had a student population of 6287 students comprising of: 137 – Certificate level; 2561 – Diploma level; 3530 – Bachelors level; and 59 – Masters Level. The University has staff population of 285 composed of 228 Permanent and Pensionable, and 57 on contract. This comprises 61 Academic members of staff and 224 Non-teaching members of staff.

(b) Principal Activities.

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

(c) Key Management.

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

(d) Fiduciary Management.

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

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



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(e) Fiduciary Oversight Arrangements

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

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

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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



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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
+254202210297
+254722802222
+254735092256



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II. THE UNIVERSITY COUNCIL

Name	Profile & Work Experience
 <p data-bbox="137 1039 368 1104">Dr. Ibrahim M. Ali DOB; 1959</p>	<ul style="list-style-type: none"> • Chairperson – The Co-operative University of Kenya Council. • National Coordinator & CEO – Wildlife Clubs of Kenya. • Trustee – Kenya Conservation Trust (KCT). • National Programme Manager – FAO’s Food Security Assessment Unit. • Director – African Conservation Centre (ACC). • Director – Centre for Tourism Training & Research. • Doctor of Philosophy – University of East Anglia, Norwich, U.K. • Master Degree – University of East Anglia, Norwich, U.K. • Bachelors, Education (Chemistry) – University of Exeter, Exeter, U.K. • S1 (Phy/Chem) – Kenya Science Teachers College.
 <p data-bbox="137 1704 387 1769">Ms. Anne Chepkorir DOB; 1966</p>	<ul style="list-style-type: none"> • Council Member – The Co-operative University of Kenya. • Founder and Director – Suluhisho Afrika Trust. • Board member – Kipkeino Foundation. • Treasurer – LCC Ladies Group • Head of Business Support and Corporate Recoveries – Barclays Bank of Kenya. • MBA, Strategic Management – The University of Nairobi. • Bachelor of Commerce, Business Administration – The University of Nairobi. • Advanced Commercial Lending – IFS School of Finance • Associate of Chartered Institute of Bankers (ACIB) – Institute of Financial Services (UK).

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Mr. Anthony Milimu Lubulellah
DOB; 1957

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



Mr. Peter Kariuki Gathirwa
DOB; 1967

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



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

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



Ms. Elizabeth Layla Kimkung
DOB; 1968

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



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Mr. Reuben Kipruto Kipchumba
DOB;
Representing the Principal Secretary – State
Department for University Education.

- Council Member – The Co-operative University of Kenya.
- Principal Finance Officer State Department for University Education and Research with experience in development planning, budget formulation and implementation, and monitoring and evaluation of projects and programmes.
- Bachelor of Arts (Economics)
- Certified Public Accountant Part I
- Certificate in Senior Management - Kenya School of Government.
Pursuing M.A in Economics (Policy and Management)



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

- Council Member – The Co-operative University of Kenya.
- Chief Accountant – The National Treasury.
- Acting Head of Public Sector Accounting Standards Board Secretariat – The National Treasury.
- Masters Student, Finance – Kenyatta University.
- Bachelor, Commerce – The Masinde Muliro University Science and Technology.
- Certified Public Accountant CPA (K).



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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. Emily Achieng' Akuno

DOB; 1962

- Deputy Vice Chancellor, Academic Affairs.
- Full Professor, Music – The Technical University of Kenya.
- Doctor of Philosophy, Music – Kingston University, Surrey, UK.
- Master of Music - North Western State University, Louisiana, USA.
- Bachelor of Education (Arts) – Kenyatta University, Kenya.

- Head of the Academic Division of the University.
- Provide the secretariat to the Senate and the following Committees of the Senate:
 - Board of Postgraduate Studies;
 - Deans Committee;
 - Students Welfare Committee;
 - Students Disciplinary Committee;
 - Library Advisory Committee;
- The returning officer for the election of Deans of Faculties.
- Provide the secretariat for the Honorary Degrees Committee of Council.
- Responsible for the allocation of academic facilities such as buildings, lecture rooms and offices and as well as formulation of rules governing the allocation and utilization.
- Chairperson of the University Training Committee.



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

- Deputy Vice Chancellor Finance, Planning and Administration.
 - Associate Professor in Cooperative Management and Organization Development – The Co-operative University of Kenya.
 - Doctor of Philosophy, Organization Development and Transformation – Cebu Doctors' University, the Philippines.
 - Masters Degree, Co-operative Management and Organization Development – Leicester University, United Kingdom.
 - Bachelor of Science, Agriculture – The University of Nairobi.
 - Diploma in Counselling Psychology – Tangaza University College.
- Head of Finance, Planning and Administration Division and is responsible for management of human, physical, financial resources; administrative, infrastructural and development matters which has the following responsibilities:
 - Staff Recruitment;
 - Training of Administrative Staff;
 - Promotions and Discipline;
 - Personnel Administration;
 - Financial Administration;
 - Coordination of All Income Generating Units;
 - Procurement Services;
 - Health Services;
 - Registry Administration;
 - Legal Matters;
 - Transport;
 - ICT and Central Services.
 - Provides the secretariat for the Council and the following Committees:
 - Terms of Service Committee;
 - Staff Appointments Committee;
 - Housing (policy and allocations) Committee;
 - Ceremonial Committee;
 - Health, Recreation, Environment and Safety Committee;
 - Staff Appraisal and Promotion Committee;
 - Staff Welfare;
 - Finance and General Purposes Committee;
 - Building and Development;
 - Sealing Committee;
 - Council Planning and Development Committee;
 - Planning, Establishment and Development Committee;
 - Disciplinary Committee;
 - Tender Committee;



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Prof. Isaac K. Nyamongo

DOB; 1963

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

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



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CPA Maxwel Nyaga
DOB; 1974

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

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



Mr David Otiende
DOB; 1963



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

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



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Dr. Lucinda Mugaa

DOB; 1955

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

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



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Dr. Lydia N. Mutua
DOB; 1974

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



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IV. CHAIRPERSON'S STATEMENT

Introduction

I am pleased to present the Annual Report and Financial Statements for The Co-operative University of Kenya for the year ended 30 June 2020. The pages that follow this introduction provide an analysis of attainments which reflect not only talent and commitment, but also a determination to focus our resources on our core mandate.

Financial Performance

In the year under review, the University reported a Gross income of **KSh 775,033,653** compared to **KSh 817,963,730** for the 2018/2019 financial year. This represents a decrease of 5% from the previous year. There has been a decrease in Tuition fees by KSh 108,057,284, representing a 21% decline from the previous financial year. The Council was pleased to see real successes in the recruitment of students in most of the approved programs up to March 2020.

However, the Covid-19 pandemic leading to the loss of the May to August semester has led to a decline in performance of the University for the financial year ended 30 June 2020. The University has however managed to leverage on technology and roll out a robust e-learning environment for all its students. This encompasses student registration, orientation, learning, appraisals, examinations, and clearance.

A persistent reduction in the resources available to CUK combined with increasing competition from many institutions of higher learning pose a great risk to achievement of the core mandate of the university as a global leader in co-operative training research and innovation for co-operative development.

Appreciation

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


Dr. Ibrahim M. Ali

CHAIRPERSON, THE CO-OPERATIVE UNIVERSITY OF KENYA COUNCIL



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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 2020. The Co-operative University of Kenya (CUK) is a Chartered Public University in the Republic of Kenya. The institution was established by the Government of Kenya under the Universities Act 2012 and Chartered on the 7th October, 2016 by H.E. President of the Republic of Kenya and Commander of the Kenya Defense Forces, Uhuru Kenyatta. The University is a leading Centre for Quality Co-operative Education, Training, Research and Consultancy in Kenya.

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

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

Overview of the Financial Performance

Financially, the University's position remains sound, with no external borrowing; the University reported a Gross income of KSh 775,033,653 compared to KSh 817,963,730 for the 2018/2019 financial year. This represents a decrease of 5% from the previous year. There has been a decrease in Tuition fees by KSh 108,057,284, representing a 21% decline 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.

However, the Covid-19 pandemic leading to the loss of the May to August semester has led to a decline in performance of the University for the financial year ended 30 June 2020. The University has however managed to leverage on technology and roll out a robust e-learning environment for all its students. This encompasses student registration, orientation, learning, appraisals, examinations, and clearance.

A persistent reduction in the resources available to CUK combined with increasing competition from many institutions of higher learning pose a great risk to achievement of the core mandate of the university as a global leader in co-operative training research and innovation for co- operative development.

Compliance with Statutory Guidelines

In the year under review, CUK diligently fulfilled its entire statutory obligations and guidelines set by government agencies and commissions. The university signed a performance contract with the Ministry of



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Education and the same was cascaded to relevant officers and staff of the university with continuous monitoring and evaluation.

Challenges

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

Over the last four months of the FY 2019/2020, the University has had to deal with the world wide Covid-19 pandemic. This led to early closure of the University during the January to April Semester, and loss of the anticipated May to August Semester.

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



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VI. REVIEW OF THE UNIVERSITY PERFORMANCE FOR FY 2019/2020

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 2017 – 2022 FY. To effectively achieve the targets set therein, the plan has been summarized into the following seven (7) strategic objectives;

- A. Promote Relevant Quality Education and Training;
- B. Promote Research, Innovation and Dissemination of Knowledge;
- C. Enhance outreach to Co-operative sector and communities;
- D. Strengthen Financial Resource Base;
- E. Strengthen the Governance and Human Resource Capacity;
- F. Develop and Upgrade Physical and ICT Infrastructure;
- G. Market CUK, its Products and Services.

The University develops its annual work plans based on the above seven objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The University achieved its performance targets set for the FY 2019/2020 period for its strategic objectives, as indicated in the diagram below

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
A. Academic Excellence	Promote Relevant Quality Education and Training	Accredited new programs	<ul style="list-style-type: none"> - Implement 100% University and external regulatory bodies quality assurance policies, standards and guidelines 	<ul style="list-style-type: none"> - During the FY ended June 2020 two new programmes were rolled out, four declared to KUCCPS for placement and seven submitted to CU for placement
		Digitized course content, examination and management of attachments.	<ul style="list-style-type: none"> - Ensure submission of digitized course materials by each unit lecturer as prescribed in the learning management system - Digitize examination drafts to generate examinations by July 2020 and continuously update 	<ul style="list-style-type: none"> - In the 2019/2020 FY, the University established the Institute of Distance and Open learning (I - ODeL) - CUK Embarked on a

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<p>B. Research, innovation and production</p>	<p>Promote Research, Innovation and Dissemination of Knowledge.</p>	<p>Established TVET institute</p>	<p>the database</p> <ul style="list-style-type: none"> - Review existing academic programmes to incorporate competency based aspects and incorporate the same in all new programmes 	<p>digitization programme of its course content and examination drafts</p> <ul style="list-style-type: none"> - Automation of the student attachment process was completed by June 2020. - New programmes being developed incorporate competency based aspects; programmes being reviewed after a cycle to incorporate competency based aspects - CUK established the institute of TVET which received accreditation during the FY 2019/2020
		<p>Twenty (20) fundable proposals and five research projects annually</p>	<ul style="list-style-type: none"> - Engage research teams to develop at least 20 fundable proposals annually 	<ul style="list-style-type: none"> - As at the end of 2019/2020 FY twenty two (22) fundable proposals and four research projects were done towards attainment of this strategy. Since the inception of the strategic plan in July 2017, the University has attracted approximately KSh. 100,000,000.
	<p>Two (2) issues of the Cooperative Journal produced per year;</p>	<ul style="list-style-type: none"> - Publish two (2) Journal per year including one in Co-operatives; 	<ul style="list-style-type: none"> - The African Journal of Cooperative Development and 	



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		<p>One international conference annually</p>	<ul style="list-style-type: none"> - Organize an International conference annually with at least one within the strategic plan period focusing on the big four agenda 	<p>Technology was published in May 2018 and May 2019 and was scheduled for March 2020 conference which was postponed.</p> <ul style="list-style-type: none"> - The journal for social sciences has been established and was also scheduled for publication after the March 2020 conference which was postponed. - The international conference was held in March 2018, March 2019 and the third one scheduled for March 2020 was postponed following the COVID-19 pandemic. - Researches on energy and Health are ongoing - Another research on land use focusing on food security was carried out in August 2019 targeting Cooperative leaders from all the 47 counties. - Research on affordable housing was carried out by CUK lecturers
<p>Research in Co-operatives and other fields to address Food security, manufacturing, affordable housing and Universal Health care</p>	<ul style="list-style-type: none"> - Undertake research in Co-operatives and other fields to address Food security, manufacturing, affordable housing and Universal Health care 			

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C. Consultancy and outreach	Enhance outreach to Co-operative sector and communities	10 Trained Cooperatives annually in areas of the big four agenda	<ul style="list-style-type: none"> - Train at least 10 Co-operatives and 10 MSME's in manufacturing, Housing and agricultural sectors annually - Profile and update Co-operative businesses database 	and officers from NACHU and disseminated in the 2019 conference.
		Established Co-operative profile database		<ul style="list-style-type: none"> - Training of over 40 cooperative leaders took place during the FY ended June 2020 - Proposal to develop the database was developed in collaboration with CAK and other partners in 2019
		Model for awarding the most outstanding cooperative	<ul style="list-style-type: none"> - Develop a model for awarding the most outstanding cooperative annually 	<ul style="list-style-type: none"> - A proposal for awarding the most outstanding cooperative was developed in collaboration with CAK in November 2019. It is proposed that the awards be given during the Ushirika day celebrations as it happens with the SACCOS.
		Sustainable MSME's	<ul style="list-style-type: none"> - Undertake an annual evaluation of sustainability of MSME's in Cooperative Business and conduct capacity building in partnership with County Governments and other funding bodies 	<ul style="list-style-type: none"> - An evaluation tool for cooperative sustainability developed. - Evaluation carried out in Kirinyaga and Machakos Counties in February and December 2019 respectively.

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D. Financial resource	Strengthen Financial Resource Base	Rationalized wage bill	<ul style="list-style-type: none"> - Freeze budgetary allocation for any new recruitment of non-teaching staff for a period of three years up to 2021/2022 financial year so as to realize the acceptable limit of 35% of personnel cost against the overall operational budget - Rationalize part time costs and redeploy underutilized permanent staff in all campuses - Review and Implement the class breakeven size policy 	<ul style="list-style-type: none"> - No new recruitment of non teaching staff was done during the 2019 – 2020 FY - This was achieved through harmonisation of course codes and combination of common units - Certificate, diploma and bachelors approved breakeven size is 15 students, masters courses-10 students
E. Governance and human resource capacity	Strengthen the Governance and Human Resource Capacity	Rationalized academic v/s Non-teaching staff ratios	<ul style="list-style-type: none"> - Identify and re-deploy underutilized non-teaching and academic staff to service the new and understaffed units - Identify and re-designate non-teaching internal PHD holders who apply to relevant vacant academic positions and as per the schemes of service - Freeze recruitment of non-teaching staff up to 2020/2021 financial year except where it's a statutory requirement to do so. 	<ul style="list-style-type: none"> - Five (5) staff redeployed to serve in the new and understaffed units - One non teaching staff (1) staff re-designated to academic division. - No new recruitments of non teaching staff have been done during the 2019 – 2020 FY.
F. Physical and ICT resource	Develop and Upgrade Physical and ICT	Enhance NHIF medical scheme	<ul style="list-style-type: none"> - Introduce the enhanced NHIF medical scheme for staff - Construct phase one of the learning resource center (LRC) 	<ul style="list-style-type: none"> - This was done during the FY ended June 2020 - The project is ongoing and stands at

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capacity.	Infrastructure		(Modern Library)	65% completion as at end of June 2020
		New main gate	Construct a Main Gate with the provision of security guards facilities and canopy within phase one of the LRC	- The University main Gate was constructed up to 100% by end of June 2020
		Relocated sports facilities	Relocate and secure existing sports facilities to the land next to Cooperative bank leadership center	- The construction of the sports field is on-going and is expected to be completed in 2020/2021 FY
		Rehabilitated sewerage system	Partner with Co-operative bank to modernize the sewerage system	- The project was initiated and stood at 75% completion level as at 30th June 2020.
G. Marketing of the University's products and services	Market CUK, its Products and Services	Enhanced image and visibility of the University	<ul style="list-style-type: none"> - Develop a branding strategy - Increase the visibility of the University 	<ul style="list-style-type: none"> - A committee was appointed to develop a branding strategy - Several signages are in place and updating of the website is regularly on-going. - University anthem has been composed. It is presented during official university functions. - There have been numerous efforts to attend the Annual ASK trade shows and exhibitions.
			<ul style="list-style-type: none"> - Launch and Publicize CUK brand 	

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				Numerous activations have been done in high school career fairs and other career fairs organised by the Nation Media Group and Standard Media Group. Most of the career fairs were targeting form four leavers, and high school students who are in form 3 and 4. The university participated in the following ASK Exhibitions - ASK Mombasa - ASK Nairobi
			Enhanced customer care & service delivery	Strengthen the Public Relation unit to effectively market the university
			Co-operator magazine	Annual magazine published in December 2019
			Corporate Social Responsibility	- The university has participated in the following annual
				<ul style="list-style-type: none"> - An advertisement was sent out for the following positions: <ol style="list-style-type: none"> 1. Public Relations Officer 2. Public Relations Intern 3. Graphic Designer/Video Editor

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				charity events: 1. Beyond Zero Marathon 2020 2. Karen Heart Run 2020 3. Mater Heart Run 2020 (Postponed due to Covid-19
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THE CO-OPERATIVE UNIVERSITY OF KENYA

VII. CORPORATE GOVERNANCE STATEMENT

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

Functions of the Council

The functions and powers of the Council are as stipulated in the University Charter of 7th October 2016 as indicated below:

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


Committees of the Council

During the 2019/2020 financial year, the following were the Council Committees in place

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

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


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


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

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VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University Council acknowledges its role in the welfare of the community by participating in matters that promote the wellbeing of society. During the year under review, the University participated in various activities that included:

1. **Charity walks and runs** – The University took part in the annual First Lady’s Beyond Zero Marathon that is aimed at reducing the maternal deaths. The 2020 Marathon took place at the Nyayo National Stadium and saw a representation of students and members of staff participate. The university also participated in the annual Karen Heart Run, which was to be held at the Uhuru Gardens. The event was cancelled at the last minute due to the outbreak of the COVID-19 pandemic but the university had committed towards the same through the purchase of participating t-shirts.
2. **Delta University donation** - The University through the DVC CDRI managed to get book donation from Delta University College in the UK. The university library conducted reading promotion in the month of February by inviting some secondary and primary schools around Langata and Ngong sub-county. A total of seven (7) schools attended the occasion and the university donated books to these schools. The universities also organised a team to sort out the book donations into various categories and the books were scheduled to be donations by members of the University Management Board in their local primary and secondary schools. This, however, did not happen owing to the COVID-19 pandemic but is scheduled to form part of the CSR activities when schools resume. Some of the books were donated to the Mukuru Community Library in a bid to improve and encourage a reading culture within the informal settlements.
3. **HIV/AIDS Awareness Charity Walk** - The University also organized an AIDS Awareness Charity Walk that was aimed at sensitizing and creating awareness to the communities around the University on the importance of reducing the stigma associated with HIV/AIDS.

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

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



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IX. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

OPERATIONAL AND FINANCIAL PERFORMANCE

A) INCOME ANALYSIS:

The University registered a total of KSh. 775,033,653 in gross revenue against a target of KSh 892,329,154. This represents 13% negative variance of the target revenue. In comparison to the same period in the previous financial year, CUK recorded a decrease in revenue of KSh. 42,930,077 which represents a decrease of 5% in gross revenue.

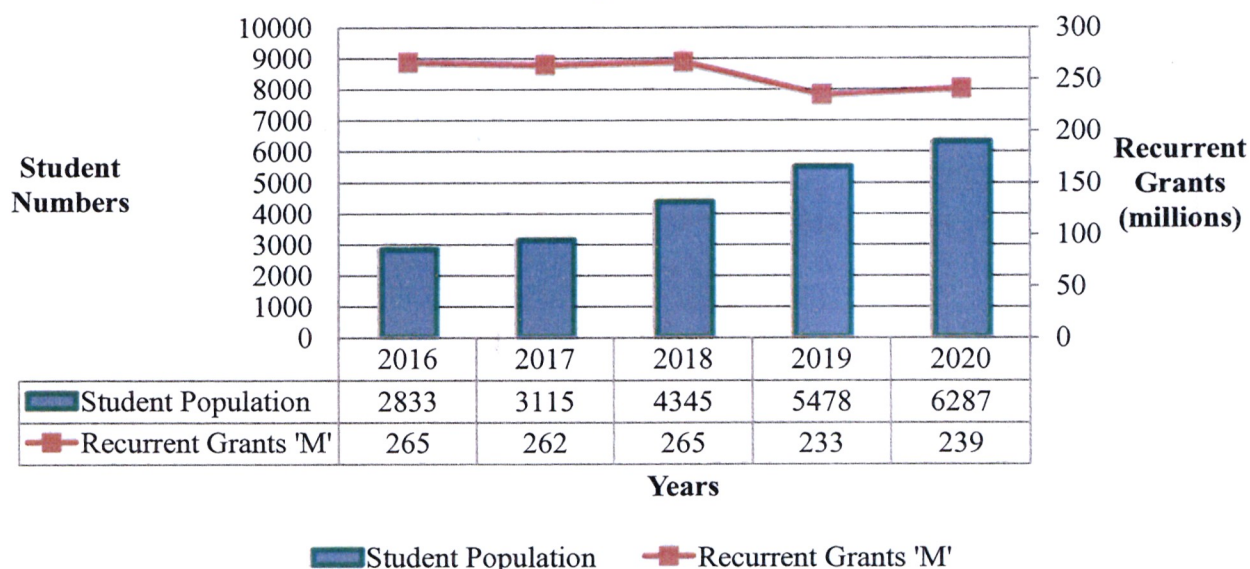
The major drivers of performance were the increase in recurrent grants by KSh 5,535,573, 2017-2021 CBA arrears by KSh 55,539,707 and Research Grants by KSh 7,079,758.

The fee income for the period is KSh 402,424,359 compared to the same period of 2018/2019 of KSh 510,481,643. This is attributed to loss of the May to August semester due to closure of University during the Covid-19 pandemic.

CUK registered a deficit of KSh 93,529,169 against 2018/2019 surplus of KSh. 2,035,855. This shows a decrease of KSh. 95,565,024 in comparison to the same period last financial year.

Over the last 4 years, recurrent grants from the GoK have been almost constant despite the growth in personnel costs and increase in student population, especially the government sponsored students. This is illustrated in the graph below.

Student Numbers Against Recurrent Grants



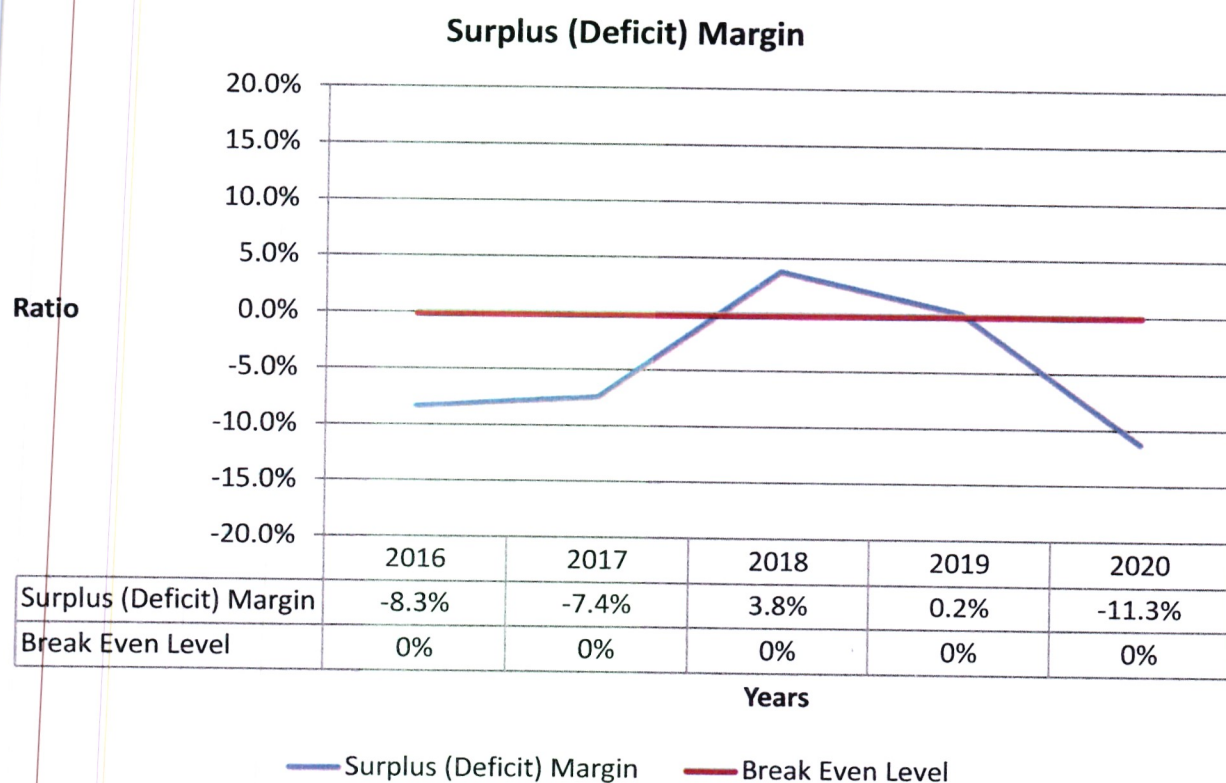
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B) EXPENDITURE ANALYSIS.

As at 30th June 2020, CUK registered total expenditure of KSh 869,651,265 against previous year's expenditure of KSh 815,766,404, an increase by KSh 53,884,861 representing 6.6% increase in expenditure. This is mainly attributable to the payment of the 2017 – 2021 CBA arrears amounting to KSh 35,208,372 in the 2019/2020 financial year.

Employee Costs took 72.0% of the total income; Remuneration of Council members 0.7%, Depreciation and amortisation expense 6%, Repairs and Maintenance 2.4% and General expenses 30.9% of the total income. The employee costs took a high percentage of the total income due to the payment of the 2017 – 2021 CBA arrears.

In summary, the University has registered a deficit of KSh 93,529,169 as a result of loss of the May – August semester occasioned by closure of the University during the Covid-19 pandemic. The financial performance is as shown below.



This is a measure of operational efficiency. As seen above, the University's surplus margin has dipped in the current financial year mainly as a result of closure of the University in March 2020.

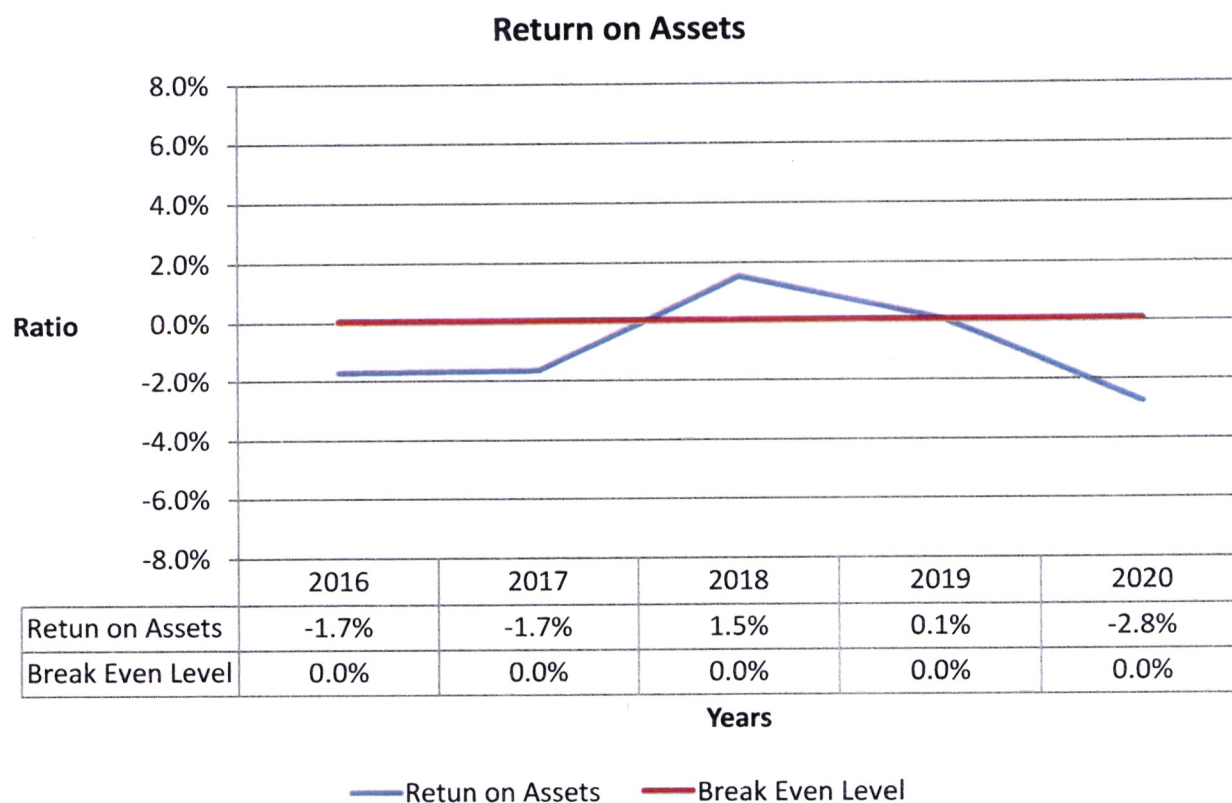


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C) STATEMENT OF THE FINANCIAL POSITION.

The statement of financial position indicates that the university closed the year with Total assets of KSh. 3,133,718,580. This is against KSh 3,119,526,023 registered in the financial year 2018/2019. This reflects an increase in total assets of KSh. 14,192,557. This is majorly attributed to increase in Non Current Assets by KSh 75,813,820.



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



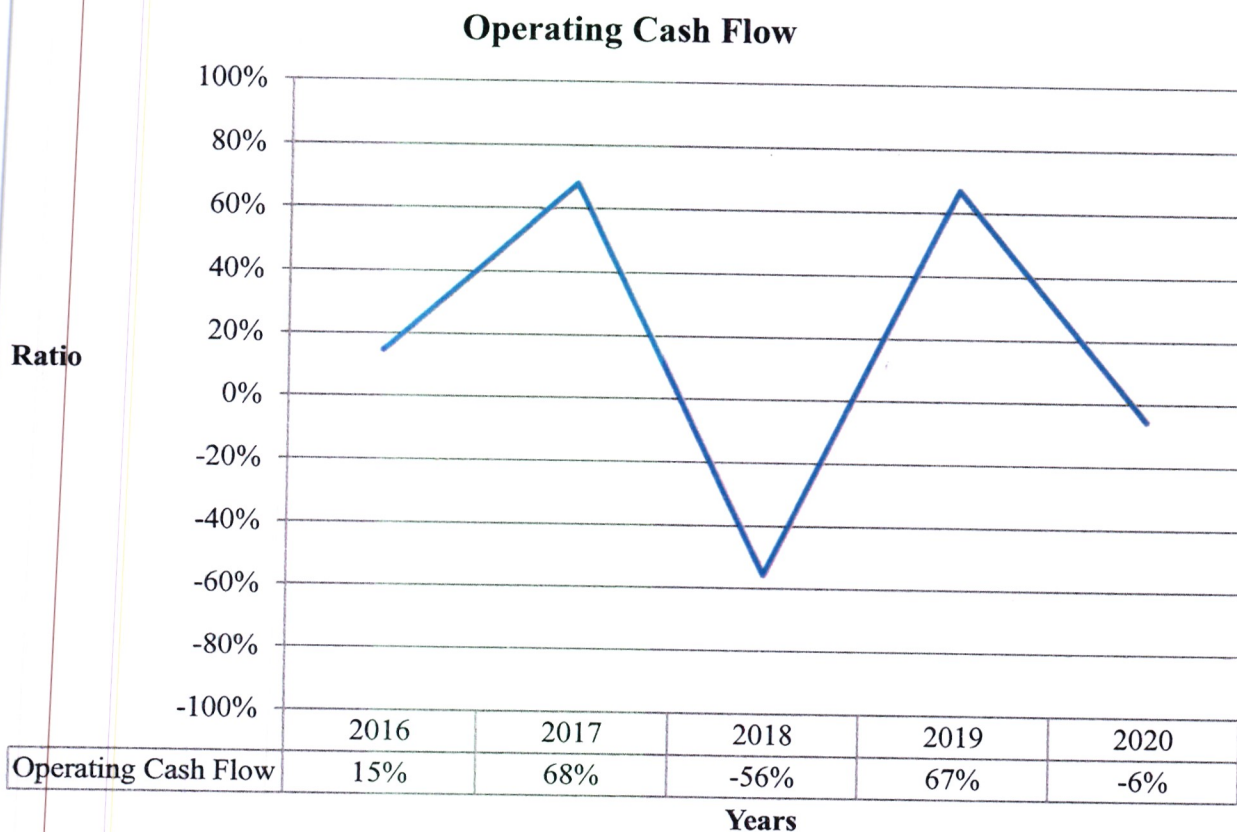
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D) STATEMENT OF CASHFLOWS AS AT 30 JUNE 2020.

As at 30 June 2020, the University had net cash generated from operating activities of KSh 9,708,672. This is the net amount utilized by the University to facilitate operations.

The net change in cash and cash equivalents was KSh 66,886,334 closing the year with KSh 80,012,262.



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.

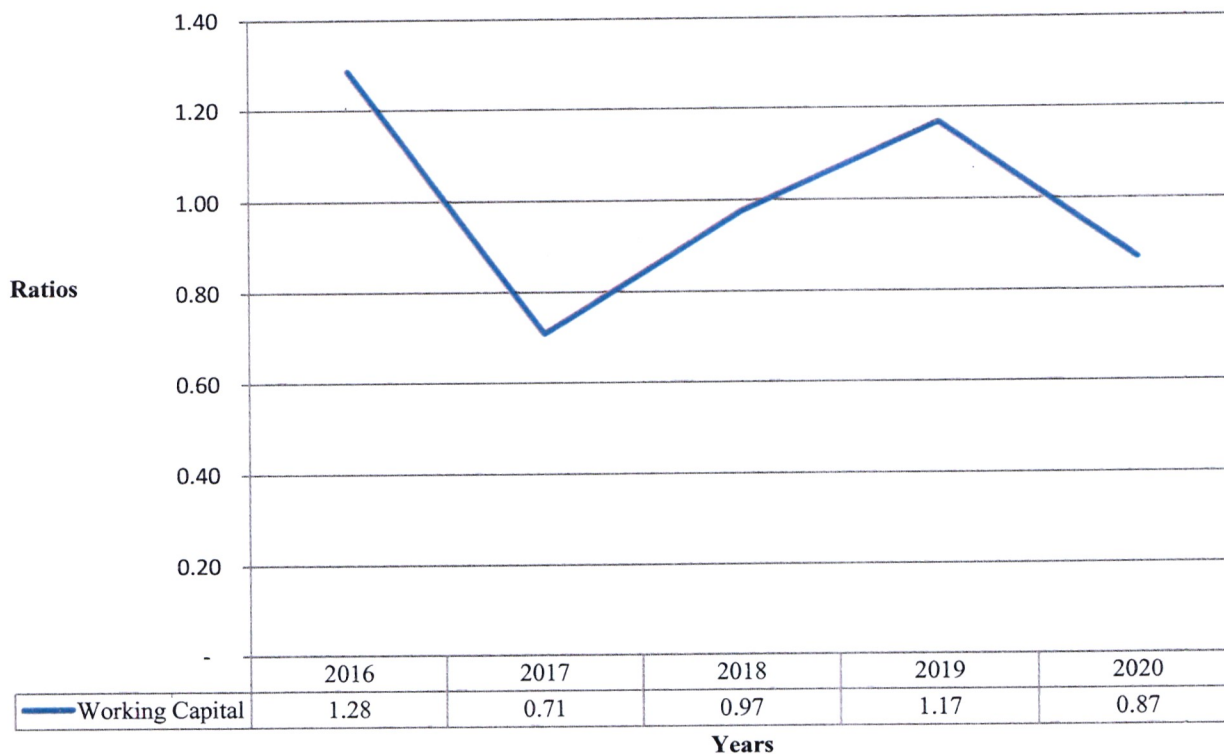
However, the low operating cash flow ratios for this period is not necessarily a bad thing since the University is investing heavily in development of academic programs, it's expected that the investment in new programs will pay off in the end and generate more cash.



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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 been improving over the past two years; however the Covid-19 pandemic has led to a decline in the working capital position.

E) STATEMENT OF COMPARISON OF BUDGET VERSUS ACTUAL AMOUNTS

CUK did not attain the revenue target projections by KSh 117,295,501 representing a variance of 13% of the expected revenue by 30 June, 2020.

In expenditure projections, the university was below target by 7,614,574. This is a variance of 1% 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 except for the statutory pension contributions to the CUK pension scheme. This is due to cashflow challenges from April to June 2020 over closure of the University due to the Covid-19 pandemic. This is to be settled once the University resumes normal operations.



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SECTION C

Key projects and investment decisions planned and implemented

Within the 2019/2020 financial year, the University has been implementing the following projects in order of priority.

S/No	Project	% of Completion (financial)	Financing of the project	Remarks
1	Completion of the lecture theatre	100%	G.O.K	Building construction complete and in use.
2	Consultancy for construction of the Ultra-Modern Library & Learning resource Centre	34%	G.O.K	The design works and the tendering of construction works of the Library (phase 1A of LRC) were finalized. Supervision of works is on-going.
3	Construction of the Ultra-Modern Library & Learning resource Centre	65%	G.O.K	Tender awarded to Parklane construction limited for Builders works and electrical works at a contract sum of KSh 373,091,295 and mechanical works awarded to Atlas Plumbers Kenya ltd at KSh 24,121,765. The Library outer structure complete.
4	Upgrade of Sewer System	75%	The Co-operative Bank of Kenya	-The contractor is on the ground and the sewer line path dug up. Expected completion date is August 9, 2020.
5	Construction of Classrooms	0%	CUK	This is to be retendered subject to a new approval by the University Council as per the new National Treasury guidelines



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SECTION D

Risk Analysis

TYPE OF RISK	RISK DESCRIPTION	RISK MITIGATION STATUS.	PENDING ISSUES	ACTION OFFICER	TIMELINE	STATUS AS 30/06/2020	AT
Operational risks	Likely loss arising from shortfalls in revenue targets for Tuition fees, CRCC income and Students cafeteria.	<ul style="list-style-type: none"> - Re-opening of the university scheduled for September 2020 after inspection by MOE - Implementation of blended learning (Face to face and online learning) to mitigate against COVID -19 Pandemic. 	<ul style="list-style-type: none"> - Re-opening of the University for Face to Face learning. 	- DVC (AA)	- Continuous	<ul style="list-style-type: none"> - The University remained closed and operations scaled down to bare minimum. - Continuous monitoring of the COVID 19 situation with a target to re-open in September 2020. 	
	Likely loss due to inability to facilitate normal operations.	<ul style="list-style-type: none"> - Re-opening of the university scheduled for September 2020 after inspection by MOE - Implementation of blended learning (Face to face and online learning) to mitigate against COVID -19 Pandemic. 	<ul style="list-style-type: none"> - Continuous monitoring of the pandemic to assess the likelihood of having September 2020 intake after compliance with COVID 19 Containment measures. 	VC	- Continuous	<ul style="list-style-type: none"> - The University remained closed and operations scaled down to bare minimum. - Continuous monitoring of the COVID 19 situation with a target to re-open in September 2020. 	
	Likely loss arising from Classroom space Crises in September 2020.	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	<ul style="list-style-type: none"> - Inadequate Classroom space after extension of diploma programs by one additional semester 	- DVC FPA	- September 2020	<ul style="list-style-type: none"> - Awaiting approval of the 2020/2021 supplementary budget by MOE and National treasury 	

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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"> - Establishment of directorate of TVET to facilitate 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 	- DVC (FPA)	- September 2020	<ul style="list-style-type: none"> - Purchasing of TVET programs done - Lobbying for funding of 2020/21 supplementary budget on-going
	Likely loss arising from decline/Stagnation of growth in recurrent grants based on DUC model of Funding	<ul style="list-style-type: none"> - In the 2019/2020 financial year, recurrent grant was KSh. 233 million up from KSh. 233 million. In the 2018/2019 financial year - Admission of students in the five (5) new programs submitted to CUE in the month of March 2019. - Develop additional Market driven programs to compensate for those declining in enrolment 	<ul style="list-style-type: none"> - Admission of students in new programs as placed by KUCCPS 	- DVC AA DVC FPA	- September 2020	<ul style="list-style-type: none"> - Letter of appeal written to UFB for special consideration based on the University's unique mandate. - Awaiting admission of students as placed by KUCCPS for September Intake.
Market Risks	Likely loss due to declined performance in the University sector arising from COVID -19 Pandemic Loss of Brand/ image/ Mandate in Co-operative Training	<ul style="list-style-type: none"> - University preparing Business continuity Plans to ensure resumption of learning by September 2020 - Increase the number of Diploma Programs which would then form the market for the degree 	<ul style="list-style-type: none"> - Implementation of Business Continuity Plans - The school of Co-operative development is the oldest as per Mandate; 	- VC DVC AA	- Continuous September 2020	<ul style="list-style-type: none"> - Working on Business Continuity Plans - Development of market driven Co-operative centred programs on-going

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Risks	flow	salaries and utilities only until when it's clear the date the students are coming back. - Source for credit financing from our suppliers through the procurement process	- Payment PAYE and Pension obligations - Payment of part time lecturers.	- Procurement Officer	nuous	for critical operations and monitoring of the on-going pandemic on-going
Capital Risks	<p>Loss of working capital due to idle capacity in the following areas.</p> <ul style="list-style-type: none"> ▪ Outsourced security personnel Costs ▪ Outsourced Cleaning services costs ▪ Outsourced ground maintenance costs ▪ Payment of rent for Nairobi Campus when there are no students. ▪ Payment of full capacity Internet Costs when students are not in session 	<ul style="list-style-type: none"> - Rationalization of outsourced staff costs during the closure period - Review the bandwidth capacity and consumption during the time of closure 	<ul style="list-style-type: none"> - Payment of rent for Nairobi Campus 	<ul style="list-style-type: none"> - Registrar FPA/FO 	<ul style="list-style-type: none"> - September 2020 	<ul style="list-style-type: none"> - Negotiated lower costs for Outsourced cleaning services, ground maintenance and internet costs.

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SECTION E

Material arrears in statutory/financial obligations

As at June 30 2020, CUK had material arrears in statutory and financial obligations relating to statutory pension contributions to the CUK pension scheme amounting to KSh 9,953,303. This is due to the closure of the University in March 2020 as a result of the Covid-19 pandemic.

SECTION F

Financial probity and serious governance issues

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



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X. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits their report together with the financial statements for the year ended June 30, 2020 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, 2020 are set out on page 49 of the Annual Report and Financial Statements for the period ended June 30, 2020.

The results indicate that CUK registered a total of KSh. **775,033,653** in gross revenue against a target of KSh. 892,329,154. This represents 87% of the target revenue. In comparison to the previous financial year, CUK recorded a 5% decrease in revenue. At the same time, CUK registered total expenditure of KSh **869,379,919** against previous years KSh. 815,927,875 representing 5% increase in expenditure.

Due to the Covid-19 pandemic, the Government instructed the closure of all institutions of learning in Kenya from the month of March 2020. This led to the loss of the May to August semester. This has adversely affected the income that the University has generated in the financial year 2019-2020. Consequently, the University has registered a deficit of KSh 93,529,169 in the financial year.

The University has put in measures to mitigate against the effects of the Covid-19 pandemic. This has included the roll out of the enhanced e-learning platform which includes registration, orientation, instruction, assessment, examination, and clearance of the learners over the platform.

Over the last four (4) years, recurrent grants from the G.O.K have remained almost constant despite the growth in personnel costs and increase in student population especially the Government Sponsored Students. Since 2013, CUK has been receiving over a thousand G.O.K students annually with no commensurate increase in government funding. This has greatly affected the expected growth.

The Council is pleased to report that the Charter was granted on 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. Ibrahim M. Ali | Chairperson. |
| 2. Ms Anne Chepkorir | Member. |
| 3. Mr. Anthony Lubulellah | Member. |
| 4. Mr Peter Gathirwa | Member. |
| 5. Mr Patrick Musyimi | Member |
| 6. Ms Elizabeth Kimkung | Member. |



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7. Mr Reuben Kipchumba Member.
8. Mr Patrick Abachi Member.
9. CPA Peter Kiama Member.
10. Prof. Kamau Ngamau Secretary.

Auditors

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

By Order of the University Council.



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



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THE CO-OPERATIVE UNIVERSITY OF KENYA

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).

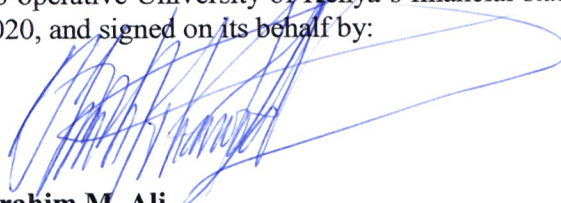
The Council is responsible for the preparation and presentation of the Financial Statements, which give a true and fair view of the state of affairs of the University as at the end of the Financial Year ended on June 30, 2020. This responsibilities includes: (i) maintaining adequate financial management 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, 2020, 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

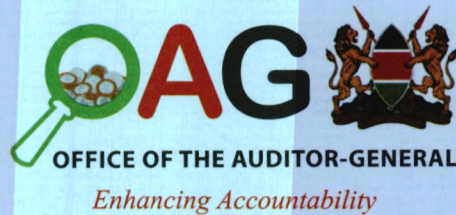
The Co-operative University of Kenya's financial statements were approved by the Council on the 30th of July 2020, and signed on its behalf by:


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


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

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON CO-OPERATIVE UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Co-operative University of Kenya set out on pages 48 to 75, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, the financial statements present fairly, in all material respects, the financial position of the Co-operative University of Kenya as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Uncertainty Related to Going Concern

The University reported a deficit of Kshs.93,529,169 compared to a net surplus of Kshs.2,035,855 reported in the previous financial year. The accumulated deficit increased from Kshs.113,821,716 as at 30 June, 2019 to Kshs.176,997,599 as at 30 June, 2020. Further, the statement of financial position as at 30 June, 2020 reflects current liabilities amounting to Kshs.191,680,946 while the current assets amounted to Kshs.167,068,583 resulting to a negative working capital of Kshs.24,612,363.

The Management has attributed the operational deficit to decrease in revenue due to the effect of COVID-19 pandemic which lead to the loss of the May to August semester as the University remained closed and that they have put in measures to mitigate against the effects of the Covid-19 pandemic. This includes among others the roll out of the enhanced e-learning platform which includes registration, orientation, instruction, assessment, examination, and clearance of the learners over the platform.

However, the financial statements have been prepared on the assumption of going concern and that the University will continue to receive financial support from the Government and creditors.

My opinion is not modified in respect to this matter.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.892,329,154 and Kshs.775,033,653 respectively, resulting to a shortfall of Kshs.117,295,501 or 13% of the budget. Similarly, the University had expenditure budget of Kshs.876,994,493 against actual expenditure of Kshs.868,562,822 resulting in an under-expenditure of Kshs.8,431,671. Management attributed the shortfall in revenue collection to the challenging business environment brought about by the Covid-19 pandemic. However, the under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section, 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

Non-Compliance with University Charter

Section 13(1) of the University Charter on appointment of the Chancellor indicates that "the University shall have a Chancellor appointed by the President who shall confer degrees and grant diplomas, certificates and other awards of the University." However, available information indicated that the University has not had a Chancellor for a long period of time. The Management explained that the first Chancellor of the Co-operative University of Kenya resigned in mid-2017. The University therefore embarked on the

process of appointing a new Chancellor as per the requirements of the Universities Act, 2012. In January 2019, the University, submitted the shortlisted candidates for appointment to the Ministry of Education who would then recommend to the appointing authority. A response from the Ministry was still pending.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

03 November, 2021

THE CO-OPERATIVE UNIVERSITY OF KENYA

XIII. STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2020

	Note	2019-2020	2018-2019
		KSh	KSh
Revenue from non-exchange transactions			
Unconditional Grants	4	239,214,108	233,678,535
Conditional Grants	4	82,204,704	19,427,981
		321,418,812	253,106,516
Revenue from exchange transactions			
Tuition fees & Other Levies	5	402,424,359	510,481,643
Income from Co-operative Retreat & Conference Centre	6	31,495,737	29,044,874
Rental revenue from facilities and equipment	7	1,965,738	3,332,230
Other income	8	17,729,007	21,998,467
		453,614,841	564,857,214
Total revenue		775,033,653	817,963,730
Expenses			
Employee Cost	9	557,926,281	508,731,440
Board expenses	10	5,676,210	8,133,243
Depreciation and amortization expense	11	46,780,421	32,048,564
Repairs and Maintenance	12	18,977,824	21,308,685
General Expenses	13	239,420,529	244,676,472
Audit Fee	22	870,000	870,000
Total expenses		869,651,265	815,766,404
Other Gains/(Losses)			
Foreign Exchange Gain	14	271,346	23,271
Gain / (Loss) in Disposal of Assets	19(b)	-	(260,542)
(Increase) / Decrease in Provision	15(b)	817,097	75,800
Surplus/(Deficit) for the period		(93,529,169)	2,035,855

The notes set out on pages 54 to 74 form an integral part of the Financial Statements



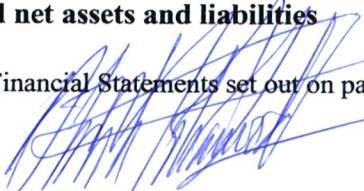
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THE CO-OPERATIVE UNIVERSITY OF KENYA


XIV. STATEMENT OF FINANCIAL POSITION As At 30 June 2020

	Note	2019-2020 KSh	2018-2019 KSh
Assets			
Current assets			
Cash and cash equivalents	14	80,012,262	146,898,595
Receivables from exchange transactions	15	29,286,521	42,640,544
Receivables from non-exchange transactions	16	56,126,160	35,268,510
Inventories	17	1,643,640	3,882,197
		167,068,583	228,689,846
Non-current assets			
Property, plant and equipment	19	2,676,962,506	2,379,922,237
Investments	18	2,825,530	2,825,530
Intangible Assets	20	21,443,460	27,535,514
Work In Progress	21	265,418,501	480,552,896
		2,966,649,997	2,890,836,177
Total assets		3,133,718,580	3,119,526,023
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	167,090,337	98,723,212
Trade and other payables from non-exchange transactions	23	24,590,609	97,401,336
		191,680,946	196,124,548
Long term liabilities			
Long term liabilities	24	22,505,836	11,227,198
		22,505,836	11,227,198
Total liabilities		214,186,782	207,351,746
Net Assets			
Capital fund	25	1,289,915,073	1,189,915,073
Revaluation Reserves	26	1,806,614,324	1,836,080,920
Accumulated Deficit	27	(176,997,599)	(113,821,716)
Total net assets		2,919,531,798	2,912,174,277
Total net assets and liabilities		3,133,718,580	3,119,526,023

The Financial Statements set out on pages 48 to 53 were signed on behalf of the University Council by:


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


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


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

THE CO-OPERATIVE UNIVERSITY OF KENYA

XV. STATEMENT OF CHANGES IN NET ASSETS For the year ended 30 June 2020

	Accumulated Deficit KSh	Capital Reserve Fund KSh	Revaluation Reserve KSh	Total KSh
Balance as at 30 JUNE 2018	(136,674,389)	1,024,954,082	1,856,906,702	2,745,186,395
Surplus/(deficit) for the period	2,035,855	-	-	2,035,855
Excess Depreciation on revaluation	20,825,782	-	(20,825,782)	-
Additions in the year	(8,964)	164,960,991	-	164,952,027
Balance as at 30 JUNE 2019	(113,821,716)	1,189,915,073	1,836,080,920	2,912,174,277
Surplus for the period	(93,529,169)	-	-	(93,529,169)
Excess Depreciation on revaluation	29,502,596	-	(29,502,596)	-
Additions in the year	850,690	100,000,000	36,000	100,886,690
Balance as at 30 JUNE 2020	(176,997,599)	1,289,915,073	1,806,614,324	2,919,531,798



THE CO-OPERATIVE UNIVERSITY OF KENYA

XVI. STATEMENT OF CASHFLOWS For the year ended 30 June 2020

		2019-2020	2018-2019
	Notes	KSh	KSh
Surplus for the period		(93,529,169)	2,035,855
Adjustment for:			
Profit on Disposal of Assets	19(b)	-	260,542
Depreciation	11	46,780,421	32,048,564
		(46,748,748)	34,344,961
Change in Working Capital			
(Increase)/Decrease in inventories	17	2,238,557	(1,910,807)
(Increase)/Decrease in receivables from Exchange transactions	15	13,354,023	13,761,559
(Increase)/Decrease in receivables from Non-Exchange transactions	16	(20,857,650)	(33,843,070)
Increase/(Decrease) in payables from Exchange transactions	22	68,367,126	4,357,508
Increase/(Decrease) in payables from Non-Exchange transactions	23	(72,810,727)	84,105,055
Net cash generated from operating activities		(9,708,671)	66,470,244
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	19	(337,008,637)	(16,655,037)
Intangible Assets	20	(720,000)	(24,716,714)
Proceeds from Disposal of Assets	19(b)	-	80,700
Work in progress	21	215,134,395	(137,143,866)
Net cash flows used in investing activities		(122,594,242)	(178,434,917)
Cash flows from financing activities			
Capital Reserve fund	25	100,000,000	164,960,991
Revaluation Reserve		36,000	-
Accumulated Deficit	27	850,690	(8,964)
Increase in Long-term Liabilities	24	11,278,638	(17,402,233)
		112,165,328	147,549,794
Net change in cash and cash equivalents		(66,886,333)	69,930,080
Opening cash and cash equivalent	14	146,898,595	76,968,515
Closing cash and cash equivalent	14	80,012,262	146,898,595



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THE CO-OPERATIVE UNIVERSITY OF KENYA

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Variance
	2020	KSh	2020	KSh	2020	KSh	2020	KSh	2020	KSh	
Revenue											
Unconditional Grants	239,214,109		-		239,214,109		239,214,108	(1)			0%
Conditional Grants	35,000,000		47,539,707		82,539,707		82,204,704	(335,003)			0%
a) Tuition fees & Other Levies	580,700,000		(70,000,000)		510,700,000		402,424,359	(108,275,641)			-21%
Rental revenue from facilities and equipment	1,900,000		65,338		1,965,338		1,965,738	400			0%
a) Income from Co-operative Retreat & Conference Centre	70,000,000		(30,000,000)		40,000,000		31,495,737	(8,504,263)			-21%
Other income	23,200,000		(5,290,000)		17,910,000		17,729,007	(180,993)			-1%
Total income	950,014,109		(57,684,955)		892,329,154		775,033,653	(117,295,501)			-13%
Expenses											
Employee Cost	544,526,741		40,488,212		585,014,953		557,926,281	27,088,672			5%
Board Expenses	9,000,000		(3,156,100)		5,843,900		5,676,210	167,690			3%
b) Depreciation and amortization expense	38,000,000		-		38,000,000		46,780,421	(8,780,421)			-23%
a) Repairs and Maintenance	31,300,000		(15,520,000)		15,780,000		18,977,824	(3,197,824)			-20%
c) General Expenses	299,339,319		(66,983,679)		232,355,640		239,202,086	(6,846,446)			-3%
Total expenditure	922,166,060		(45,171,567)		876,994,493		868,562,822	8,431,671			1%
Surplus for the period	27,848,049				15,334,661		(93,529,169)				

THE CO-OPERATIVE UNIVERSITY OF KENYA

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

- a) **Tuition fees & Other Levies, Income from Co-operative Retreat & Conference Centre, and Repairs and maintenance.** The negative variance in these items of income and expenditure was occasioned by the impact of the Covid-19 pandemic. The income targets were not achieved due to the closure of the all learning institutions in March 2020 as a government mitigation measure against the Covid-19 pandemic.
The Repairs and Maintenance expenditure has a negative variance occasioned by the University's mitigation measures against the Covid-19 pandemic. This was through the setting up of hand washing and sanitization zones, and labelling and directions for effective and recommended social distancing.
- b) **Depreciation and amortization expenses.** The negative variance arose due to the amortization of the intangible assets during the year.
- c) **General Expenses.** The amount of General expenses for the year is inclusive of the amounts of Audit expense, and Other Gains / Losses on the statement of financial performance. This is Audit expense of KSh. 870,000, Foreign exchange gain of KSh. 271,346, and Decrease in provision for bad debts of KSh. 817,097. The foreign exchange gain and decrease in provision for bad debts are items that are out of budget as they can either be gains or losses in a particular financial period. Consequently, they are aggregated with the general expenses so as to get the budget performance.



THE CO-OPERATIVE UNIVERSITY OF KENYA

VIII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

i. Entity Information

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

The principal activity of CUK continues to be the provision of Co-operative Education, Business, and Information Technology and related Disciplines for various stakeholders including the Co-operative movement and the Government. CUK serves as a Centre of academic excellence in the Co-operative Movement in Kenya, together with other mandates as stipulated under the Universities Act No. 42 of 2012, and the Co-operative University of Kenya Charter of 7th October 2016

ii. Statement of Compliance and Basis of Preparation

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

Basis of preparation

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

iii. Adoption of New and Revised Standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

• Public Sector Combinations – IPSAS 40

The objective to issue IPSAS is to cover public sector combinations arising from exchange transactions and treating the same similarly to IFRS 3. This standard has no effect on the University.

b) Early adoption of Standards

The University did not early-adopt any new or amended standards in year 2020.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

- **Unconditional Grants**

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

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

- **Conditional Grants**

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

ii) Revenue from Exchange Transactions

- **Tuition Fees**

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

- **Rendering of Services**

The Co-operative University of Kenya recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to number of days to the service has been rendered as a percentage of the total period of service.

- **Rental Income**

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

b) Budget Information

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

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



c) Investment Property

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

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

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

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

d) Property, Plant and Equipment

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

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

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

e) Inventories

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Co-operative University of Kenya.



f) Provisions

Provisions are recognized when the Co-operative University of Kenya has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

- **Contingent liabilities**

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

g) Nature and Purpose of Reserves

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

- **Capital Fund**

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

- **Accumulated Fund**

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

- **Revaluation Reserve**

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

h) Changes in Accounting Policies and Estimates

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

i) Cash and Cash Equivalents

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



j) Intangible Assets

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

k) Foreign Currency Transactions

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

l) Financial Instruments

i. Financial assets

• **Initial recognition and measurement**

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

• **Receivables**

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

ii. Financial liabilities

• **Initial recognition and measurement**

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

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

m) Related Parties

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



n) Leases

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

o) Employee Benefits.

Retirement Benefit Plans

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

The University does not have any defined benefit plans.

p) Comparative Figures

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

q) Subsequent Events

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

3) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Co-operative University of Kenya's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University. Changes in estimates are reflected in the period in which they become known.



THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. Grants	2019-2020	2018-2019
	KSh	KSh
Unconditional grants		
Government of Kenya	239,214,108	233,678,535
	239,214,108	233,678,535
Conditional grants		
2017-2021 CBA Arrears	55,539,707	-
Projects (LFC)	6,783,379	8,109,200
Research Grants	14,417,166	9,349,564
Special Grants (International Conference)	5,464,452	1,969,217
	82,204,704	19,427,981
Total government grants and subsidies	321,418,812	253,106,516

The 2017 - 2021 Collective Bargaining Agreement (CBA) arrears are amounts released by the Government of Kenya towards settling the personnel costs arising from the CBA signed between the University workers' unions and the Government.

5. Tuition Fees	2019-2020	2018-2019
	KSh	KSh
Main Campus	369,521,642	464,299,149
Nairobi CBD Campus	28,735,078	38,188,390
Meru Campus	598,163	6,434,983
Mombasa Campus	3,569,476	10,826,546
Students Fees Refund	-	(9,267,425)
Total revenue from Tuition fees	402,424,359	510,481,643

The decrease in tuition fees income is due to closure of the University due to the Covid-19 pandemic leading to the loss of the May-August semester.

6. Co-operative Retreat & Conference Centre	2019-2020	2018-2019
	KSh	KSh
Sales from CR&CC	31,495,737	29,044,874
Total from CR&CC	31,495,737	29,044,874

7. Rental revenue from facilities	2019-2020	2018-2019
	KSh	KSh
Rent Income	1,965,738	3,332,230
Total rentals	1,965,738	3,332,230



THE CO-OPERATIVE UNIVERSITY OF KENYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. Other income	2019-2020	2018-2019
	KSh	KSh
Catering	8,254,421	12,111,229
Dispensary	82,181	103,700
Contributions from ATC	1,200,000	1,200,000
Water and Electricity	391,160	448,158
Sale of Farm Produce	118,602	29,850
Co-operator Magazine Income	1,407,400	-
Miscellaneous Income	6,275,243	8,105,530
Total other income	17,729,007	21,998,467

The decrease in catering, dispensary, water and electricity, and miscellaneous income is due to closure of the University due to the Covid-19 pandemic.

9. Employee costs	2019-2020	2018-2019
	KSh	KSh
Basic Salaries	244,660,971	202,291,189
Casual workers	1,166,830	2,271,975
Part time teaching	70,728,378	62,624,880
Gratuity	6,673,684	10,677,741
Pension	32,055,079	31,139,373
House to Office allowance	33,066,750	32,833,674
Other personnel allowances	64,132,862	58,306,270
Group life insurance	2,134,940	3,413,647
Leave allowance	2,814,240	3,384,253
New recruits, passage & Baggage	916,227	1,744,689
House allowances	99,576,320	100,043,749
Employee costs	557,926,281	508,731,440

The increase in Employee Costs is attributed to the payment of the 2017 - 2021 Collective Bargain Agreement arrears in the 2019-2020 Financial year.

10. Board Expenses	2019-2020	2018-2019
	KSh	KSh
Sitting Allowance	3,440,000	5,274,000
Travelling Allowance	379,816	680,688
Subsistence Allowance	316,500	869,000
Medical Scheme	441,994	169,555
Co-opted Members Allowance	53,900	96,000
Chairperson's Honoraria	1,044,000	1,044,000
Total Board Expenses	5,676,210	8,133,243

11. Depreciation and amortization expense	2019-2020	2018-2019
	KSh	KSh
Property, plant and equipment	39,968,367	32,048,564
Intangible asset	6,812,054	-
Total depreciation and amortization	46,780,421	32,048,564

The increase in depreciation is due to the transfer of the completed lecture theatre from work in progress to property, plant and equipment under buildings.



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THE CO-OPERATIVE UNIVERSITY OF KENYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12. Repairs and maintenance	2019-2020 KSh	2018-2019 KSh
Motor Vehicle repairs	2,477,274	2,541,772
Maintenance of Sewerage and water	781,721	520,560
Maintenance of Buildings and station	8,580,902	11,443,242
Maintenance of roads/grounds	-	20,000
Maintenance of computers/printer	3,595,139	4,234,692
Maintenance of plant & equipment	3,542,788	2,548,419
Total repairs and maintenance	18,977,824	21,308,685

The decrease in repairs and maintenance expense is due to closure of the University due to the Covid-19 pandemic.

13. The following are included in general expenses:

	2019-2020 KSh	2018-2019 KSh
Central Services		
Sports facilities	-	29,350
Electricity expenses	12,927,083	10,816,275
Water expenses	916,104	1,064,960
Vehicle licenses & insurance	381,027	713,365
Vehicle fuel and oil	3,729,282	3,079,240
Publishing & Printing	1,334,270	252,820
Advertising and Publicity	9,207,632	5,562,306
Telephone expenses	529,599	475,259
Postal & Courier services	232,520	140,329
Conferences/workshops and seminars	8,702,850	5,434,980
Contracted professional services	4,896,210	7,215,645
Catering cost	25,124,045	22,834,658
Cleaning materials	2,586,500	3,200,606
Outsourced Cleaning Services	9,967,210	9,365,936
External travelling	3,738,086	4,144,936
Gas and fuel	6,225,900	7,169,150
Training expenses/Staff training	2,166,048	2,172,574
Subscription to professional bodies	1,547,416	1,005,269
Utensils & Crockery	686,012	579,532
Performance Contract	761,620	2,545,161
Booked meals for staff	2,639,909	4,454,135
Newspapers	236,400	462,040
Internet services	10,699,629	10,629,133
ISO certification & maintenance	883,900	174,000
Staff welfare	2,967,000	1,968,000
Fumigation services	680,958	-
Generator expenses	619,282	762,450
Rent & rates	15,300,586	25,605,877
Purchase of uniforms	1,067,454	1,418,289
b) Purchase of Drugs	5,349,376	272,066
Medical scheme	34,065,255	26,311,863
Stationery & stores	5,459,400	4,285,805
Purchase of production materials	2,365,982	2,835,733
General insurance	306,939	149,584
Staff group personal accident	343,970	658,524
Set up of ICT infrastructure	3,766,656	5,347,594



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THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

General expenses (cont.):

	2019-2020	2018-2019
	KSh	KSh
Students Welfare		
Inter university games	3,488,170	3,015,620
Students work-study programme	3,600	78,000
Sports equipment	1,149,450	557,899
Students Fee Waivers/Refunds	4,101,990	3,111,926
Academic Costs		
Research, production & extension	10,301,707	16,060,451
Corporate social responsibility	272,500	421,650
Shows & Exhibitions	1,330,335	855,900
c) Library books/e-library/journals	3,445,925	831,770
Curriculum Development	934,698	1,074,650
Alumni association	221,500	673,000
Examination expenses	409,073	1,081,121
Graduation expenses	5,154,821	3,385,938
Leadership for change	3,530,963	8,741,422
HIV/AIDS Control Unit	111,530	127,100
KUCCPS/CUE Accreditation	4,775,380	12,387,000
Administrative Costs		
Legal and Audit Expenses	51,180	1,766,700
Travelling and accommodation	6,310,016	8,658,525
Bank charges/interest	1,783,977	1,736,106
Task Force/Facilitation Allowances	938,000	2,162,135
Official Entertainment	7,100	44,470
VAT Expense	948,867	443,025
Corporation Tax	635,122	-
CR&CC Rebates	262,545	1,049,820
d) Debts Written Off	5,670,259	-
Outsourced Accommodation	1,106,651	3,082,400
Hire of Machinery & Equipment	63,060	190,400
Total general expenses	239,420,529	244,674,472

a) There has been a general decline in the total general expenses for the financial year 2019-2020 due to closure of the University due to the Covid-19 pandemic.

b) There was an increase in Purchase of drugs expense due to the utilization of drugs held in stock in the financial year 2018-2019, and purchase of medical equipment to help fight the Covid-19 pandemic.

c) Library books expense increased as the University continues in its efforts to increase access to online resources to the students. The University also seeks to meet the Universities Standards and Guidelines on budgetary allocation towards Library expenditure.

d) Debts Written Off. The University sought and obtained authority from the Governing Council to write off long-outstanding Student debtors and Seminar debtors.



THE CO-OPERATIVE UNIVERSITY OF KENYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14. Cash and cash equivalents	2019-2020 KSh	2018-2019 KSh
Current Accounts	66,355,865	75,463,994
On-Call Deposits	8,337,392	66,849,671
Fixed Deposits Accounts	4,507,360	4,507,360
Others	811,645	77,570
Total cash and cash equivalents	80,012,262	146,898,595
a) Current account		
Standard Chartered Bank (Account No. 01020448587500)	24,783,764	31,587,199
Co-operative Bank Business Account (Account No. 01136062663600)	15,411,097	4,337,042
Co-operative Bank WE-Effect Project Account (Account No. 01136082663601)	1,791,610	1,288,211
i) Co-operative Bank Research Grants Account (USD) (Account No.02120062663600)	6,705,814	1,007,408
Co-operative Bank Research & Projects Account (Account No. 01120125033500)	9,276,520	37,244,134
Equity Bank GIVE Project Account (Account No. 1630278965967)	8,387,060	-
Sub- total	66,355,865	75,463,994
b) On- Call deposits		
Co-operative Bank Fees Collection Account (Account No. 01129062663600)	7,059,248	54,559,082
Co-operative Bank HELB Collection Account (Account No. 01129062663601)	1,092,908	4,740,941
Co-operative Bank Agency Account (Account No. 01199062663600)	-	38,670
Equity Bank Fees Collection Account (Account No. 1250277107862)	185,236	7,510,978
Sub- total	8,337,392	66,849,671
c) Fixed deposits account		
Co-operative Bank Collateral Account (Account No. 01246062663600)	4,507,360	4,507,360
Sub- total	4,507,360	4,507,360
d) Others		
Cash in hand	811,645	77,570
Sub- total	811,645	77,570
Grand total	80,012,262	146,898,595

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 generated a foreign exchange gain of KSh. 217,346.



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THE CO-OPERATIVE UNIVERSITY OF KENYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15. Receivables from exchange transactions	2019-2020	2018-2019
Current receivables	KSh	KSh
(a) Student debtors	10,944,088	29,885,257
Seminar debtors	11,691,478	5,337,819
Rent & water bills outstanding	3,910,745	2,521,829
Imprest outstanding	223,589	520,699
Rent, Electricity & Telephone Deposits	3,551,200	5,013,272
Advance rent	-	1,524,255
Institute of Co-operative Development Debtors	675,341	1,275,030
Co-operator Magazine Debtors	910,600	-
(b) Less: Provision for Bad Debts	(2,620,520)	(3,437,617)
Total receivables	29,286,521	42,640,544

a) Student debtors is the figure of all student fee balances, overpayments and receivables, for students of Main campus, Nairobi CBD campus, Meru and Mombasa Campuses as at 30 June 2020.

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

b) Movement in provisions for Bad Debts	2019-2020	2018-2019
	KSh	KSh
Balance at the beginning of the year	3,437,617	3,513,417
Provision for the year	594,200	98,800
i) Paid off/ Written off in the year	(1,411,297)	(174,600)
Balance at the end of the year	2,620,520	3,437,617

i) During the financial year 2019-2020, the University sought and obtained authority from the Governing Council to write off long outstanding Seminar debtors amounting to KSh. 1,312,497.

16. Receivables from Non-exchange

Transactions	2019-2020	2018-2019
Current receivables	KSh	KSh
Salary advances outstanding	586,453	1,125,154
a) Recurrent Grants	55,539,707	34,143,356
Total current receivables	56,126,160	35,268,510

Recurrent Grants receivable are government grants received in July 2020 for the financial year 2019/2020. This is the 2017 – 2021 Collective Bargain Agreement Arrears.

17. Inventories	2019-2020	2018-2019
	KSh	KSh
Dry & perishable foods	71,559	591,156
Production materials	235,452	245,050
General stationery	480,896	367,430
Cleaning materials	279,687	527,686
Electrical and hardware	573,946	173,824
Drugs	2,100	1,977,051
Total inventories	1,643,640	3,882,197



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THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18. Investments

	2019-2020	2018-2019
	KSh	KSh
Agri. And Co-operative Training and Consultancy Services	2,825,530	2,825,530
Total investments	<u><u>2,825,530</u></u>	<u><u>2,825,530</u></u>

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



THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. Property, Plant & Equipment

	LAND	BUILDING	PLANT & EQUIPMENT	FURNITURE & FITTING	COMPUTER & ACCESSORIES	MOTOR VEHICLES	TOOLS	OFFICE EOU	TEL. EOU	KITCHEN	TOTAL
	99 YRS	2.5%	10.0%	12.5%	30%	25%	10%	12.5%	20%	10%	
VALUATION AS AT 01/07/2019	1,766,664,000	604,708,483	11,530,784	48,414,945	35,645,518	29,712,800	13,826,244	4,138,358	18,232,559	3,709,655	2,536,583,346
ADDITIONS IN THE PERIOD	-	308,787,604	33,000	22,570,828	5,318,155	36,000	-	263,050	-	-	337,008,637
DISPOSALS	-	-	-	-	-	-	-	-	-	-	-
AS AT 30/06/2020	<u>1,766,664,000</u>	<u>913,496,087</u>	<u>11,563,784</u>	<u>70,985,773</u>	<u>40,963,673</u>	<u>29,748,800</u>	<u>13,826,244</u>	<u>4,401,408</u>	<u>18,232,559</u>	<u>3,709,655</u>	<u>2,873,591,983</u>
DEPRECIATION											
AS AT 30/6/2019	-	74,656,360	2,875,777	20,085,303	22,436,558	19,068,458	8,123,501	1,797,548	6,136,844	1,480,759	156,661,108
CHARGE FOR THE PERIOD	-	20,970,993	868,801	6,353,401	5,558,136	2,670,086	570,274	334,642	2,419,143	222,891	39,968,367
DEPRECIATION ON DISPOSAL	-	-	-	-	-	-	-	-	-	-	-
AS AT 30/06/2020	<u>-</u>	<u>95,627,353</u>	<u>3,744,578</u>	<u>26,438,703</u>	<u>27,994,693</u>	<u>21,738,544</u>	<u>8,693,775</u>	<u>2,132,190</u>	<u>8,555,987</u>	<u>1,703,649</u>	<u>196,629,470</u>
NET BOOK VALUE AS AT 30-06-2020	<u>1,766,664,000</u>	<u>817,868,734</u>	<u>7,819,206</u>	<u>44,547,069</u>	<u>12,968,979</u>	<u>8,010,257</u>	<u>5,132,468</u>	<u>2,269,218</u>	<u>9,676,572</u>	<u>2,006,004</u>	<u>2,676,962,506</u>

THE CO-OPERATIVE UNIVERSITY OF KENYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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



CUK is ISO 9001: 2015 Certified

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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.

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

	2019-2020 KSh	2018-2019 KSh
Cost at the start of the year	-	647,900
Accumulated depreciation at the start of the year	-	(306,658)
Net book value of disposals	-	341,242
Disposal Proceeds	-	(80,700)
(Gain) / Loss on disposal	-	260,542

20. Intangible Assets

	2019-2020 KSh	2018-2019 KSh
Valuation		
As At The Beginning of the Financial Year	27,535,514	2,818,800
Additions In The Period	720,000	24,716,714
Transfers	-	-
As At the End of the Financial Year	28,255,514	27,535,514
Amortization		
As At The Beginning of the Financial Year	-	-
Charge of the period	6,812,054	-
As At the End of the Financial Year	6,812,054	-
	21,443,460	-

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 over a useful life of three year. The University fifty year Master Plan has been amortized over fifty years.



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21. Work In Progress	BAL B/F	<u>ADDITIONS</u>	<u>TRANSFERS</u>	TOTAL
Drilling of Borehole	3,313,550	-	-	3,313,550
a) Lecture Theatre	331,344,871	-	(331,344,871)	-
Construction of Water Tank tower	-	3,424,100		3,424,100
b) Construction of Ultra Modern Learning Resource Centre	145,894,475	112,786,376	-	258,680,851
Balance carried down	<u>480,552,896</u>	<u>116,210,476</u>	<u>(331,344,871)</u>	<u>265,418,501</u>

- a) The construction of the Lecture theatre was completed in the financial year 2019-2020. The amount has been transferred to property, plant and equipment under buildings.
- b) Construction of Ultra Modern Learning Resource Centre: The project is on Phase 1A which includes Construction of Library, Gate house and Sports field.

22. Trade and other payables from exchange transactions

	2019-2020	2018-2019
	KSh	KSh
Trade payables	53,631,888	50,102,692
Unidentified Bankings	4,936,125	1,644,837
Unallocated Bursaries	2,130,304	1,933,757
Caution Money	8,920,000	7,510,000
Student Union Fees	850,000	11,854,550
Payroll Liabilities	90,342,086	24,776,862
Insurance Claims Payable	4,509,420	-
Tablet/Laptop Over deductions	30,514	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	<u>167,090,337</u>	<u>98,723,212</u>

- a) The payroll liabilities comprise of 2017 - 2021 Collective Bargain Agreement arrears paid in the month of July 2020, and statutory pension payable to CUK pension scheme that is yet to be paid due to cashflow challenges occasioned by the Covid-19 pandemic.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

23. Trade and other payables from non-exchange transactions

	2019-2020	2018-2019
	KSh	KSh
Development Payables	24,590,609	97,401,336
Total development payables	24,590,609	97,401,336

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

24. Long Term Liabilities

	2019-2020	2018-2019
	KSh	KSh
Construction of Library Retentions	22,505,836	11,227,198
Total Long term liabilities	22,505,836	11,227,198

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

25. Capital Reserve Fund

	2019-2020	2018-2019
	KSh	KSh
At start of Year	1,189,915,073	1,024,954,082
Government of Kenya	100,000,000	164,860,991
Development partners	-	100,000
At end of the Year	1,289,915,073	1,189,915,073

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

26. Revaluation Reserves

	2019-2020	2018-2019
	KSh	KSh
At start of Year	1,836,080,920	1,856,906,702
Excess Depreciation on Revaluation\Additions		
Asset Additions	(29,502,596)	(20,825,782)
At end of the Year	1,806,614,324	1,836,080,920

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



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

27. Accumulated Deficits	2019-2020	2018-2019
	KSh	KSh
At start of Year	(113,821,716)	(136,674,389)
a) Excess Depreciation on Revaluation	29,502,596	20,825,782
b) Changes During the Year	850,690	(8,964)
Surplus/(Deficit) for the Year	(93,529,169)	2,035,855
At end of the Year	(176,997,599)	(113,821,716)

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

27. Financial Risk Management Disclosure.

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

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

28. Related Party Balances.

a) Nature of related party relationships

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

The entity is related to

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



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b) Related party transactions	2019-2020	2018-2019
	KSh	KSh
Transfers from related parties'	394,753,815	349,787,238
At end of the Year	394,753,815	349,787,238

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

c) Key management remuneration	2019-2020	2018-2019
	KSh	KSh
University Council	5,219,960	6,289,243
University Management Board	71,200,192	70,709,061
At end of the Year	76,420,152	76,998,304

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

d) Due from related parties	2019-2020	2018-2019
	KSh	KSh
Due from Ministry of Education	55,539,707	34,143,356
Due from other Ministries SC's & SAGA's	-	4,064,108
At end of the Year	55,539,707	38,207,464

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

29. Employees.

The University has Two hundred eighty (285) employees composed of Two hundred twenty eight (228) Permanent and Pensionable and fifty seven (57) on contract. This comprises sixty one (61) Academic members of staff and Two hundred twenty four (224) Non-teaching members of staff. The University operates a defined contribution scheme for permanent and pensionable employees.

30. Going Concern.

The University's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As of 30 June 2020, the University registered a deficit of KSh. 93,529,169, and closed the year with a negative working capital of KSh. 24,612,363 due loss of the May – August Semester due to the Covid-19 pandemic. The University has leveraged on technology and rolled out a robust e-learning environment for all its students so as to turn around this deficit in the 2020/2021 financial year..

31. Reporting Currency.

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



THE CO-OPERATIVE UNIVERSITY OF KENYA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

32. Events after the Reporting Period.

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

33. Ultimate and Holding Entity

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





THE CO-OPERATIVE UNIVERSITY OF KENYA


XIX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR 2017/2018 FINANCIAL YEAR

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

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


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


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


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

THE CO-OPERATIVE UNIVERSITY OF KENYA

XX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

S. No.	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual per quarter	Sources
1	Construction of Lecture Theatre	331,344,871	-	0%	-	-	GOK
2	Consultancy for Construction of Ultra-Modern Library & Learning Resource Centre	98,000,000	33,622,495	34%			
3	Construction of Ultra-Modern Library & Learning Resource Centre	373,091,295	228,482,456	61%	100,000,000	25,000,000	GOK
4	Upgrade of Sewer System	96,000,000	-	0%	96,000,000	24,000,000	Co-op Bank
5	Construction of Classrooms	15,000,000	-	0%	15,000,000	3,750,000	CUK
	Total	913,436,166	262,104,951		211,000,000	52,750,000	



THE CO-OPERATIVE UNIVERSITY OF KENYA

XXI. Appendix 2: INTER-ENTITY TRANSFERS

Inter-Entity Transfers Reconciliation Form					
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	2019-2020
Ministry of Education	294,753,815.00	-	100,000,000.00	394,753,815.00	394,753,815.00
Total	294,753,815.00	-	100,000,000.00	394,753,815.00	394,753,815.00
Breakdown of Transfers from State Department for University Education					
FY:2019/2020					
a)	Recurrent Grants	Bank Statement Date	Amount (KSh)	FY to Which the Amounts Relate	
		08.08.2019	19,934,509.00	2019-2020	
		29.08.2019	19,934,509.00	2019-2020	
		01.10.2019	19,934,509.00	2019-2020	
		01.11.2019	19,934,509.00	2019-2020	
		09.12.2019	19,934,509.00	2019-2020	
		27.12.2019	19,934,509.00	2019-2020	
		02.04.2020	19,934,509.00	2019-2020	
		03.02.2020	19,934,509.00	2019-2020	
		04.30.2020	19,934,509.00	2019-2020	
		05.14.2020	19,934,509.00	2019-2020	
		06.16.2020	19,934,509.00	2019-2020	
		06.29.2020	19,934,509.00	2019-2020	
		07.06.2020	55,539,707.00	2017-2021 CBA Arrears	
		Total	294,753,815.00		
b)	Development Grants	Bank Statement Date	Amount (KSh)	FY to Which the Amounts Relate	
		22.11.2019	37,047,805.00	2019-2020	
		03.17.2020	62,952,195.00	2019-2020	
		Total	100,000,000.00		

