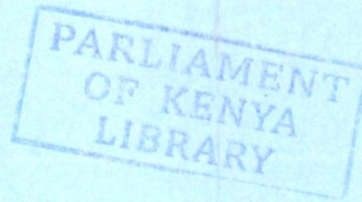


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

Paper Laid
Paper Laid on
Wednesday 17/6/12
By Leader of
Majority Party



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
MULTIMEDIA UNIVERSITY OF KENYA

FOR THE YEAR ENDED
30 JUNE 2014

V II





MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

MULTIMEDIA UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2014

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



MULTIMEDIA UNIVERSITY OF KENYA

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TABLE OF CONTENTS

S/No	TOPIC	PAGE
I.	KEY ENTITY INFORMATION AND MANAGEMENT	ii.
II.	KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)	iii.
III.	KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)	iv.
IV.	THE UNIVERSITY COUNCIL	v.
V.	THE UNIVERSITY COUNCIL (CONTINUED)	vi.
VI.	MANAGEMENT TEAM	vii.
VII.	MANAGEMENT TEAM (CONTINUED)	viii.
VIII.	CHAIRMAN'S STATEMENT	ix.
IX.	REPORT FROM THE VICE CHANCELLOR	xi.
X.	CORPORATE GOVERNANCE STATEMENT	xii.
XI.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xiii.
XII.	REPORT OF THE UNIVERSITY COUNCIL	xiv.
XIII.	STATEMENT OF THE UNIVERSITY COUNCIL RESPONSIBILITIES	xv.
XIV.	REPORT OF THE INDEPENDENT AUDITORS ON THE MULTIMEDIA UNIVERSITY OF KENYA	xvii.
XV.	STATEMENT OF FINANCIAL PERFORMANCE	1
XVI.	STATEMENT OF FINANCIAL POSITION AS AT 30-JUNE-2014	2
XVII.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30-JUNE-2014	3
XVIII.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014	4
XIX.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XX.	NOTES TO THE FINANCIAL STATEMENTS	6-16
XXI.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	17



I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Multimedia University is a fully pledged University of Kenya. The University was previously registered as a constituent College of Jomo Kenyatta University of Agriculture and Technology under legal notice no 155 of 28th November 2008. Prior to this registration the constituent College was registered as ‘The Kenya University of Communications Technology (KCCT)’ a limited company under the Company’s Act (CAP 486) on 23rd November 2000 .KCCT was the successor to the Central Training School (CTS), which was founded in 1948 to provide advanced telecommunications, postal and management training to the employees of the then East African Posts and Telecommunications Corporation.

After the collapse of the East African Community (EAC) in 1977, CTS was taken over by the Kenya Post and Telecommunication Corporation (KPTC). In an effort to match the changing global environment of the telecommunications industry, the Kenyan government introduced partial liberalization of telecommunications services in 1990. CTS was then transformed into an autonomous College - the Kenya College of Communications Technology (KCCT) and incorporated under the Companies Act (cap 486) as a wholly owned subsidiary of the then Kenya Posts and Telecommunications Corporation (KPTC).

Multimedia University College of Kenya was elevated to University status Vide legal notice no.155 and on 4th March, 2013 become a fully pledged University with its own Charter.



MULTIMEDIA UNIVERSITY OF KENYA

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Multimedia University College of Kenya was elevated to University status Vide legal notice no.155 and on 4th March, 2013 become a fully pledged University with its own Charter.



III. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(d) Entity Headquarters

P.O. Box 15653-00503
Magadi Road
Nairobi, Kenya

(e) Entity Contacts

Telephone: (254) (020), 2071391/2/3
E-mail: vc@mmu.ac.ke
Website: www.mmu.ac.ke

(f) Entity Bankers

1. Kenya Commercial Bank
Ongata Rongai Branch
P.O. Box 267
Ongata Rongai

2. Equity Bank Ltd
Ongata Rongai Branch
P.O Box 75104-00200
Nairobi Kenya

3. Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

4. Principal Legal Adviser

J.Thongori & Co. Advocates
P.O Box 45707-00100
Nairobi, Kenya

Miller & Company Advocates
P.O Box 45707-00100
Nairobi

Achach & Company Advocates
P.O Box 4958-00200
Nairobi

Muoki & Company Advocates
P.O Box 41729-00100 Nairobi.

IV. THE UNIVERSITY COUNCIL

 <p>1. Dr. Herbert Misigo Amatsimbi-Chairman</p>	<p>Dr. Herbert Misigo Amatsimbi is a Consultant specializing in History and Economic Development of Kenya and has vast experience in Academia. He is a designer of Governance Training Programmes and is an author and editor of several publications on the history and economic development of Kenya. Dr. Misigo is currently a lecturer of history at the University of Nairobi.</p>
 <p>2. Francesca Boen- Member</p>	<p>Ms. Francesca Cherotich Boen is a Dynamic Human Resource Professional with a proven record of over fifteen years of accomplishments in establishing Human Resource Strategies and Policies. She has strong analytical organizational, interpersonal and presentation skills and has conducted salary surveys within labour markets to determine competitive rates, for peaceful industrial relations.</p>
 <p>3. Dr. Ruth Kagia-Member</p>	<p>Dr. Ruth Kagia is an education and human development expert, advising on education portfolio. Dr. Kagia retired from a distinguished 22 year career at the World Bank, she served as Country Director for Southern Africa, where she managed the Bank's portfolio in South Africa, Botswana, Namibia, Lesotho and Swaziland.</p>



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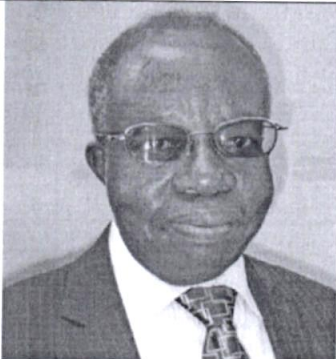
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V. THE UNIVERSITY COUNCIL (CONTINUED)



4. **Dr. Dekha Sheik-Member**

Dr. Dekha Sheikh is a renowned academician in the field of Development Economics, Econometrics, and Food Security. She has been a consultant with UNAIDS Somalia in which she designed and implemented National Aids spending Assessment for Somalia which tracked expenditure on HIV activities in Somalia. Currently, she is as a lecturer, Department of Agribusiness at Kenyatta University.



5. **Eng. Arthur Ogwayo-Member**

Eng. Arthur Ogwayo is a Founder Partner of M&E Consulting Engineers and former President of Federation of African Organizations of Engineers. Eng. Ogwayo has supervised a wide range of projects including street lighting, power distribution and standby power arrangements. He is currently coordinating a Team promoting use of renewable energy to supplement power generation in Kenya through the use of agricultural waste in clean power generation.



6. **Prof. Peter Nyamuhanga Mwita – Member**

Prof. Peter Nyamuhanga Mwita is a well known statistician and scholar. He is the founding Chairman of the Kenya National Bureau of Statistics (KNBS) Board of Directors, where he successfully led the delinking and restructuring processes of the (former) Central Bureau of Statistics into a very competitive SAGA. He successfully led the Bureau in conducting the 2009 Kenya National Population and Housing Census, whose campaign won the United Nations public relations Grand Award. Currently, he is Ag. Dean of the School of Mathematical Sciences at Jomo Kenyatta University of Agriculture and Technology. He is also the current Chairman of Kenya National Statistical Society






7. **Prof. Amb. Festus Kaberia**

Prof. Amb. Festus Kaberia is a Professor of Organic Chemistry and a scholar of great repute. Prior to his appointment to MMU he was a Professor of Organic Chemistry at Jomo Kenyatta University. He also served as a Deputy Commission Secretary at the Commission for Higher Education.

Prof. Amb. Kaberia has also served as the country as a High Commissioner of Kenya to India



VI. MANAGEMENT TEAM

 <p>1. Prof. Amb. Festus Kaberia</p>	<p>Vice Chancellor</p>
 <p>2. Prof. Rosebella Maranga</p>	<p>Deputy Vice Chancellor, Administration, Finance & Planning</p>
 <p>3. Prof. Paul Mbatia</p>	<p>Deputy Vice Chancellor, Academic Affairs Research & Innovation</p>



VII. MANAGEMENT TEAM (CONTINUED)



4.Mr. Caleb Oboch

Ag. Registrar Administration



5.Dr .Livingstone Ngoo

Registrar Academic Affairs



6.Mr. Joseph Ndiritu

Ag. Finance Officer



VIII. CHAIRMAN'S STATEMENT

Introduction

It is a great pleasure to report on behalf of the council of Multimedia University of Kenya on the performance and the many important accomplishments of the institution and financial statements for the 2013/2014 financial year. During the past year, the talented and dedicated management and staff of Multimedia University of Kenya have tirelessly carried out the University's Mission to provide quality training in Engineering, Media and Communication, Information Science and Technology and Business. I am pleased to report that since we were awarded a charter to be a fully fledged university in March 2013; this is the year that the Ministry of Education, Science and Technology in consultation with the University Council appointed a substantive management team. The team is endowed with wealth of experience in both academic and public administration.

MMU's CBD Campus has realised an exponential increase in the number of student and academic programs offered. A firm foothold has been attained in what I would call a good working culture, good corporate governance, and in upholding academic excellence towards meeting the aspirations of the dynamic society that we are in today. The CBD campus targets employees of various organizations in Nairobi, high school graduates and students from other Institutions who are attracted to Multimedia University of Kenya's unique courses that guarantee great careers in Kenya and beyond.

The University continues to review its programmes in line with the markets demands. We try and go in line with the various courses that are new and in demand in the region. Due to this, the university aims at expansion of various fields while still maintaining quality in line with our vision which is to be a world class centre of excellence in training, research and innovation in cutting edge technologies.

Our university offers skilled development, professional and academic programmes at certificate, diploma and degree levels. With the support of the government, we have also been able to increase the number of degrees being offered in different faculties in our university.



MULTIMEDIA UNIVERSITY OF KENYA

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OFFICE OF THE VICE CHANCELLOR

With these increase it is important for me to note that the student population has picked up from the past years 3005 to 4000. Our main focus has been development of ICT and other related disciplines.

Financial Performance

In the 2013/2014 financial year, the total university revenue was up by 12% with tuition income registering a growth of 38%. This growth can be attributed to increase in the number of students. This was more than offset by increase in staff cost by 22%. However the general including the repair and maintenance and other administrative expenses decreased by 7.5%.

Finally, the university wants to thank the government of Kenya and other organizations for their continued support. On behalf of the University Council, we also want to thank our dedicated staff and students for their commitment in their work and studies.

A handwritten signature in black ink, appearing to read 'Misigo', is written over the printed name of the Chairman of Council.

Dr. Herbert Misigo Amatsimbi
CHAIRMAN OF COUNCIL




IX. REPORT FROM THE VICE CHANCELLOR

The year under review was an eventful one. Looking back, the University's community had many achievements to celebrate and we can take great pride in the many and varied successes of both staff and students. High levels of achievement are reflected in the interrelated domains of teaching, learning and research, as well as in social engagement.

Multimedia University continues to improve its regional rankings and is one of the best ICT Telecommunications and media Training institutes. It was the first to be ranked as the best public University in ICT excellence. Although important gains were made in other areas of teaching, considerable challenges lie ahead. We have to renew our efforts to ensure that all students we admit have adequate opportunities to succeed, and to do everything in our power to help these students overcome prior educational disadvantage. Multimedia University of Kenya continues to grow to be the leading ICT Telecommunications Institute in Africa.

The Institution boasts of its modern day state of the art facilities with a diverse selection of competitive academics and professional programmes. Its enrolment in the field of media and communication is higher than in the Engineering and IT departments despite having a very rich history in the latter. The faculty of business is gaining momentum and is picking up. The University has added another faculty: faculty of science which will include applied physics, industrial chemistry, and analytical chemistry.

We are grateful for the financial support that our government is giving us and to the other stakeholders who that have continued to support us in one way or another.


Amb. Prof. Festus Kaberia, PhD., OGW.
VICE CHANCELLOR



X. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which corporate bodies are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Multimedia University of Kenya, the Council places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the University's activities. The Council has adopted the Code of Best Practice for Corporate Governance issued by the Centre of Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles.

The Council is responsible for the governance of the University and conducts the business and operations of the University with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.



XI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our overall commitment to corporate responsibility is one thing that makes Multimedia University of Kenya a leading institution in the region. As a leading ICT and Technological institute, we have much to contribute to public policy, business and society. We are committed to delivering sustainable value for our stakeholders, including our staff, our clients, our regulators and the community at large.

The University's main aim is to create a Corporate Responsibility programme where the Members of Council, University Management Board and MMU partners facilitate relationships with the community and organizations we are involved with to deliver more than just basic skills. The end game is to utilize the skills and talents at our disposal to provide services and resources that help the organization deliver its objectives more effectively.



XII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the University's affairs.

Principal activities

University provides quality training in Engineering, media, ICT and Business to meet the aspirations of a dynamic society while inculcating a strong research, innovation, production and extension culture with an efficient team of academic and support staff. The University offers training opportunities with the aim of meeting the training needs of the Information and Communication Technology (ICT) sector.

Results

The results of the University for the Year ended June 30, 2014 are set out on page 1

University Council


The members of the Board of the University Council who served during the year are shown on page V& VI. In accordance with the University Act of 2012.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 38 & 39 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Kenya national Audit Office was nominated by the Auditor General to carry out the audit of the Multimedia University for the year/period ended June 30, 2014.

By Order of the Board


Amb. Prof. Festus Kaberia, PhD. OGW.
VICE CHANCELLOR

Date: 06/05/15.....

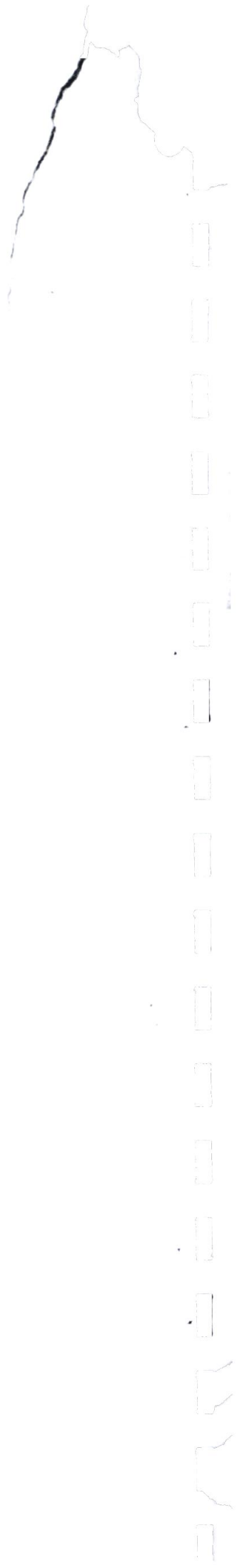


XIII. STATEMENT OF THE UNIVERSITY COUNCIL RESPONSIBILITIES

Section 8(1) 1 of the Public Finance Management Act, 2012 and section 14 &15 of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility 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 entity; (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 University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the University's 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 Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2014, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.





MULTIMEDIA UNIVERSITY OF KENYA

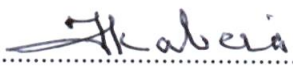
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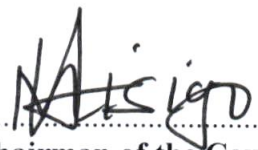
OFFICE OF THE VICE CHANCELLOR

Nothing has come to the attention of the Council to indicate that the University 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 University's financial statements were approved by the University Council on 23rd September 2014 and signed on its behalf by:


.....
Vice Chancellor
Date..... 06/05/15


.....
Chairman of the Council
Date..... 6/5/15

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON MULTIMEDIA UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Multimedia University of Kenya as set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Going Concern

During the year under review, the University recorded a deficit of Kshs.244,745,000 (2012/13 deficit, Kshs.230,186,000) which reduced the accumulated surplus from Kshs.201,769,000 in 2012/13 to a deficit of Kshs.42,976,000 in 2013/14 financial year. Further, the current liabilities of Kshs.480,605,000 as at 30 June 2014 exceeded the current assets of Kshs.246,180,000 resulting into a negative working capital of Kshs.234,425,000 as at the same period. The financial statements of the University have therefore been prepared on a going concern basis on the assumption of continued financial support from the Government, creditors and donors.

2. Payment for Goods not received

On 16 September 2013, the University awarded a contract for supply of 200 double decker beds at a cost of Kshs.2,100,000 vide Local Purchase Order (LPO) No.090D010185 dated 16 September 2013. A day after on 17 September 2013, the supplier presented an invoice No.139 dated 16 September 2013 and was paid Kshs.1,050,000 or 50% of the contract sum before the goods were received. The supplier was subsequently paid the balance of Kshs.1,050,000 on 19 September 2013 still without delivering the double decker beds hence payment for goods not received. The University was therefore in breach of the Law and the propriety of the expenditure of Kshs.2,100,000 could not be ascertained.

3. Receivables from Exchange Transactions

3.1. Included in the receivables from exchange transactions balance of Kshs.155,624,000 as at 30 June 2014 is an amount of Kshs.2,000,000 paid in advance to a firm which signed a contract with the University to provide external Public relations services at a contract sum of Kshs6,394,500. The

contract required an advance payment of 70% of the contract sum to be made to firm. A review of records relating to this procurement revealed that although the University paid Kshs.2,000,000, the firm never provided any services prompting the University to cancel the contract. From the foregoing, it is not clear how the University intends to recover the amount of Kshs2,000,000 so far paid to the firm.

- 3.2.** In addition receivables from exchange transactions balance of Kshs.155,624,000 also includes long outstanding debts totalling Kshs.49,091,207 and Kshs.29,011,140 due from public institutions and former employees respectively which have been outstanding for over seven (7) years. Further, the balance of Ksh.155,624,000 includes hotel debtors balance of Kshs.59,473,964 out of which Kshs.36,367,659 has been outstanding for more than two (2) years and no provision has been made in these financial statements.
- 3.3.** Further, the receivables from exchange transactions balance of Kshs.155,624,000 as at 30 June 2014 is also arrived at after netting off impairment allowance of Kshs.136,973,000 whose nature and basis has not been provided for audit review.

In the circumstances, the accuracy and full recoverability of receivables from exchange transactions balance of Kshs.155,624,000 as at 30 June 2014 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

Others Matters

1.0 Non Compliance with the Public Procurement and Disposal Act, 2005

1.1 Procurement of Goods and Services from Un-qualified Firms

During the year under review, the University procured curtains, a refrigerator, games kits shoes, balls, tyres and other items worth Kshs.1,454,402 from firms that were not in the list of the prequalified suppliers contrary to the provisions of section 25(3) of the Public Procurement and Disposal Act, 2005 which states that the procuring entity shall invite tenders from only the persons who have been

prequalified under this regulation. The University was therefore in breach of the Law.

1.2 Direct Procurement of Consultancy Services

The University in 2012/2013 financial year directly procured consultancy services amounting to Kshs.157,326,957 from Jomo Kenyatta University of Agriculture and Technology (JKUAT) for the Proposed New Engineering Complex building without complying with the requirements set in section 74 of the Public Procurement and Disposal Act, of 2005. As at 30 June 2014, the University had paid a total of Kshs.54,594,241 leaving a balance of Kshs.102,732,711. Although the University relied on section 4 (2) (c) of the Act in the procurement of the consultancy services, reference was not made to section 3(1) of the same Act, where a Government or any Department of the Government is defined separately as a procuring entity. Further, records held by the University indicate that a letter of notification of award was issued to the JKUAT Consultants by the Multimedia University on 2 August 2012. Available information also indicates that Vice Chancellor, Jomo Kenyatta University of Agriculture and Technology nominated a team of seven Consultants on 10 October 2012, two months after the notification of award. It is therefore not clear how the management of Multimedia University identified the consultants before formal appointment was made by the Vice Chancellor of JKUAT. It was however noted that the Consultants raised fee note No.one (1) dated 27 November 2012 for Kshs.110,128,867 out of which the University has so far paid Kshs.54,594,241 or 49.5% of the fee note. No evidence of any report on the consultancy services was availed for audit review. In the circumstances it has not been possible to confirm if the University got value for money in the above transaction. My opinion is not qualified in respect to these matters.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 April 2015



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

XV. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

Revenue from non-exchange transactions	Note	2013-2014 Kshs'000'	2012-2013 Kshs '000'
Public contributions and donations	1	3,847	3,787
Transfers from other governments – gifts and services-in-kind	2	402,926	411,120
		406,773	414,907
Revenue from exchange transactions			
Rendering of services	3	489,449	403,766
Other income	4	16,728	-
		506,177	403,765
Total revenue		912,950	818,673
Expenses			
Employee costs	5	758,205	617,946
University Council allowances	6	10,083	11,476
Depreciation and amortization expense	7	88,054	89,168
Repairs and maintenance	8	13,510	22,222
General expenses	9	245,531	231,389
Finance costs	10	814	712
Provision of Bad debts	11	41,498	75,946
Total expenses		1,156,945	1,048,859
Deficit for the period		(244,745)	(230,186)

The notes set out on pages 6 to 16 form an integral part of the Financial Statements



MULTIMEDIA UNIVERSITY OF KENYA

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OFFICE OF THE VICE CHANCELLOR

XVI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2013-2014 Kshs'000'	2012-2013 Kshs'000'
Assets			
Current assets			
Cash and cash equivalents	12(i)	72,137	297
Receivables from exchange transactions	13	155,624	181,390
Receivables from non-exchange transactions	14	967	30,338
Inventories	15	17,452	12,347
		246,180	224,372
Non-current assets			
Property, plant and equipment	16	1,615,584	1,669,494
Total assets		1,861,764	1,893,867
Liabilities			
Current liabilities			
Bank overdraft	12(ii)		3,067
Trade and other payables from exchange transactions	17	303,464	287,350
Refundable deposits from customers	18	5,706	4,587
Employee benefit obligation	19	52,383	16,096
Payments received in advance	20	51,928	25,016
Taxation	21	67,124	18,156
		480,605	354,272
Net assets		1,381,159	1,539,594
Capital reserves			
Equity Fund	22	1,269,222	1,269,222
Government grant development	22	120,157	30,000
Korea Grant	22	3,910	4,196
CCK Grant-Hostel	22	1,740	1,800
CCK Grant -Others	22	29,106	32,607
Accumulated surplus(deficit)	22	(42,976)	201,769
Total capital reserves and accumulated deficit		1,381,159	1,539,594

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

Abel
.....
Vice Chancellor

Date: *06/05/15*

N. Njiru
.....
Chairman of the Council

Date: *6/5/15*



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

XVII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Attributable to the owners of the controlling entity

Reserves

	Equity Fund	Government Grant- development	Korea Grant	Accumulated surplus	CCK – Grant- Hostel Renovation	CCK – Grant Other Asset	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs'000	Kshs 000	Kshs '000
Balance as at 30 JUNE 2012	1,269,222	-	4,482	461,955	1,860	36,108	1,773,627
Surplus/(deficit) for the period	-	-	-	(230,186)	-	-	(230,186)
Transfers to/from accumulated surplus(Prior year adjustment)	-	30,000	(286)	(30,000)	(60)	(3,501)	(3,847)
Balance as at 30 JUNE 2013	1,269,222	30,000	4,196	201,769	1,800	32,607	1,539,594
Surplus for the period	-	-	-	(244,745)	-	-	(244,745)
Transfers to/from accumulated surplus	-	90,157	(286)	-	(60)	(3,501)	86,310
Balance as at 30 JUNE 2014	1,269,222	120,157	3,910	(42,976)	1,740	29,106	1,381,159



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

XVIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	2013-2014 Kshs'000'	2013-2014 Kshs'000'
Deficit for the Year	(244,745)	(230,186)
Adjustments for non Cash Items	-	-
Depreciation	88,054	89,168
Amortisation	(60)	(60)
CCK Grant income	(3,501)	(3,501)
Korean Grant	(286)	(286)
Total non Cash Items	84,207	85,321
Deficit before working capital changes in	(160,538)	(144,865)
Changes in working capital		
Decrease in receivables	55,137	13,565
Increase in payables	93,113	231,693
Increase in Stock	(5,105)	(5,456)
Increase in Pension payable	36,287	5,225
Net Cash flows from Operating Activities	179,432	245,027
Cash flows from Investing Activities		
Purchase of fixed Assets	(34,144)	(163,110)
Property and Equipment(Burnt)	-	16,000
Net cash flow from investing Activities	(34,144)	(147,110)
Cash Flow From Financing Activities		
Government Grant received	90,157	-
Net Cash inflow from Financing activities	90,157	-
Net Increase(Decrease) in cash and cash Equivalents	74,907	(46,948)
Prior Year Adjustment	-	(2)
Cash and cash equivalents at the beginning of the year	(2,770)	44,179
Cash and cash equivalents at the end of the year	72,137	(2,771)
Comprising of :		
Cash on Hand	501	297
KCB-Hotel account	494	-
Equity Mmu Account	1,189	-
KCB Main Account	23,830	(1,781)
Bank Balance (KCB Madaraka Account)	46,123	(1,287)
Total Cash and Cash Equivalent	72,137	(2771)



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

XIX. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

		Original budget	Adjust- ments	Final budget	Actual on compare- able basis	Performance difference
		2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Note	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Revenue						
Public contributions and donations		-	-	-	3,847	3,847
Government grants and subsidies		385,167	-	385,167	402,926	17,759
Rendering of services	23	605,190	-	605,190	489,449	(115,741)
Other Income		-	-	-	16,728	16,728
Total income		990,357	-	990,357	912,950	(77,407)
Expenses						
Compensation of employees	24	620,207	-	620,207	758,205	(137,998)
University Council allowances		14,328	-	14,328	10,083	4,245
Repairs & maintenance		20,098	-	20,098	13,510	6,588
Finance cost		120	-	120	814	(694)
General Expenses		247,498	-	247,498	245,531	1,966
Depreciation Expense		88,000	-	88,000	88,054	(54)
Provision for Bad debt		-	-	-	41,498	(41,498)
Total expenditure		990,251	-	990,251	1,157,695	(167,445)
Surplus for the period		106	-	106	(244,745)	(244,851)





MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

XX. NOTES TO THE FINANCIAL STATEMENTS

I Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

II Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Transfers from other government entities

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) 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 entity and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

Revenue represents the invoiced value of services net of value added tax and is recognized when the service has been rendered to customers.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

All property, 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.





MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation

Freehold land is not depreciated.

Depreciation on other property and equipment is calculated on a straight-line basis using the following annual rates:

▪ Buildings	2%
▪ Plant & Machinery	6%
▪ Furniture & Fittings	12.5%
▪ Computers & Printers	30%
▪ Motor Vehicles	12.5%
▪ Library books	20%

d) Research and development costs

The Entity expenses research costs as incurred.

e) Financial instruments – IPSAS 29

Financial assets and financial liabilities are recognized in the balance sheet when the University becomes a party to the contractual provisions of the instrument.

f) Inventories – IPSAS 12

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University.

g) Provisions – IPSAS 19

The University reviews its debtor's portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amount that is irrecoverable especially due from students. Currently the University provide for bad debts as general provision of 2%.

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

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Changes in accounting policies and estimates – IPSAS 3

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j) Employee benefits – IPSAS 25

Retirement benefit plans

The Entity provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a 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 year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

k) Related parties – IPSAS 20

The University 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. Members of key management are regarded as related parties and comprise the University Council, University top management and other members of staff

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short term liquid investment which are readily convertible to known amounts of cash and which are within three months to maturity when acquired.

m) Comparative figures

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

n) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

REVENUE ANALYSIS FOR PERIOD ENDING 30TH JUNE 2014

DESCRIPTION

REVENUE FROM NON-EXCHANGE TRANSACTIONS

1. Public Contributions and Donations

	2014	2013
	Shs 000	Shs 000
Grant-CCK	3,501	3,501
Korea grant	286	286
Hostel amortization	60	-
	3,847	3,787

2. Transfers from other Governments

	2014	2013
	Shs 000	Shs 000
Government grant-recurrent	346,650	311,000
Government grant CBA	56,276	38,500
		61,620
	402,926	411,120

3. Rendering of services

	2014	2013
	Shs 000	Shs 000
Tuition and other student charges	336,042	243,489
Other income University-miscellaneous	9,201	
Catering-student	24,662	21,813
Hostel accommodation	26,058	28,866
Other income hotel	6,845	14,519
Club house sales	4,463	4,373
Hotel catering	15,171	30,342
Hotel accommodation & meeting hall charges	65,832	58,856
Printing	1,175	1,507
Total revenue from the rendering of services	489,449	403,765

4. Other income

	2014	2013
	Shs 000	Shs 000
Refund of CBA money to joint University Board	(11,504)	-
Money received from inter University sharing	26,732	-
Insurance claim	1,500	-
Total other income	16,728	-



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANALYSIS OF EXPENDITURE FOR PERIOD ENDING 30TH JUNE 2014

	2014 Shs 000	2013 Shs 000
5. Employee costs		
Basic Salary	282,407	264,407
Car & Other Allowances	134,798	61,198
Gratuity	14,750	22,028
Casual wages(Admin)	33,469	34,644
Resource fees	70,766	45,298
Leave Allowance	5,717	7,985
House Allowance	160,626	139,301
Pension Costs	45,263	32,458
Medical expenses	10,409	10,628
Total Employee Costs	758,205	617,946
	2014 Shs 000	2013 Shs 000
6. Remuneration of University Council		
University Council Allowances	7,842	11,476
Honoraria for Chancellor	1,284	
Honoraria for Chairman of the council	957	
Total Councillors' remuneration	10,083	11,476
	2014 Shs 000	2013 Shs 000
7. Depreciation		
Property, plant and equipment	88,054	89,168
	2014 Shs 000	2013 Shs 000
8. Repairs and maintenance		
General stores(Hardware)	9,510	12,068
Motor vehicle repairs	2,121	3,532
Furniture & Equipment operation Cost	1,879	6,622
Total repairs and maintenance	13,510	22,222



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS *Continued*

9. General Expenses

The following are included in general expenses:

	2014	2013
	Shs 000	Shs 000
General Stores(stationer stores)	11,112	7,090
Messing Costs(Food stuff cost)	67,390	63,114
Cleaning Materials	8,383	5,831
Medical Stores	1,287	2,881
Cooking gas	2,609	-
Fuel & motor vehicle expenses	8,707	2,702
Electricity	24,616	26,615
Vehicle running expenses	-	8,304
Postal & Telephone	1,194	1,035
Internet services	4,260	5,001
Graduation cost	-	4,882
Student union exp	2,244	3,370
Water	1,028	1,481
Sports & welfare	3,567	4,730
Student activities	4,588	1,437
Non deductible vat	12,940	8,236
Hire of student lab	1,009	2,088
Cash advances written off	20	-
Photocopy expenses	1,467	-
Hotel Bedding and Linen	-	2,016
Hotel Cutlery and Crockery	666	537
Main Kitchen Cutlery and Crockery	323	1,116
Student Work study	206	465
Cleaning Services	6,081	5,391
Incidental expenses & ceremonies	8,234	6,542
Office Expenses(Tea)	2,847	2,830
Research costs	945	342
Incidental training-Collaboration fee	600	-
External Honoraria	1,410	496
Legal Costs	-	9,267
Marketing & public relations	6,675	10,212
Library expenses	786	514
Rental expenses	4,148	862
Insurance	15,160	2,768
Security charges	11,050	9,703
Burnt Building	-	16,000
Staff Education support Fund	1,434	-
Staff development	1,351	1,861
Honoraria	-	13
Travelling & subsistence-Local	3,574	6,238
Travelling & subsistence-External	1,244	3,043
Professional Consultancy(includes Legal Fees)	21,626	1,625
Audit fees	750	750
	245,531	231,389



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014	2013
	Shs 000	Shs 000
10. Finance Costs		
Bank Charges	814	711
11. Provision for bad debts	41,498	75,946
12(i) Cash and cash equivalents	2014	2013
	Shs 000	Shs 000
Bank	71,636	
Cash-on-hand and in transit	501	297
Total cash and cash equivalents	72,137	297
(ii) Bank Overdraft		
KCB Madaraka Account		(1,287)
KCB Main Account		(1,780)
Total		(3,067)
13. Receivables from exchange transactions		
	2014	2013
	Shs 000	Shs 000
Current receivables		
Service debtors (Trade Debtors)	258,896	235,304
Other exchange debtors:		
Staff Loans	30,868	36,911
Supplier Advance Payment	2,833	4,650
Less: Provision for Bad debts	(136,973)	(95,475)
Total current receivables	155,624	181,390
14. Receivables from non-exchange contracts		
Current receivables	2014	2013
	Shs 000	Shs 000
Staff Imprest	967	4,421
Government Grant		25,917
Total current receivables	967	30,338
15. Inventories		
	2014	2013
	Shs 000	Shs 000
Messing store	2,992	1,640
Hard Ware Store	4,253	4,178
Cleaning Materials	2,762	2,916
Stationery	3,486	2,751
Medical Store	3,959	862
Total inventories at the lower of cost and net realizable value	17,452	12,347





MULTIMEDIA UNIVERSITY OF KENYA
P.O. BOX 15653 -00503, NAIROBI, KENYA.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16.PPE

	Land	Building	Plant and Machinery	Beds & Mattresses	Furniture & Equipment	Motor Vehicle	Computers & Printers	Library Books	Work in Progress	Total
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
At 1 July 2012	280,000	1,226,110	229,541	-	256,200	35,344	117,885	9,835	36,586	2,191,501
Additions	-	-	120	-	7,464	-	9,964	1,813	115,921	135,281
Disposals	-	(20,000)	-	-	-	-	-	-	-	(20,000)
Transfers/adjustments	-	-	-	-	-	-	-	-	27,829	27,829
At 30 June 2013	280,000	1,206,110	229,661	-	263,664	35,344	127,849	11,648	180,335	2,334,611
Additions	-	-	3	7,527	1,850	-	1,153	1,514	22,096	34,144
Disposals	-	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-
At 30 June 2014	280,000	1,206,110	229,664	7,527	265,514	35,344	129,002	13,162	202,432	2,368,755
Depreciation and impairment										
At 1 July 2012	-	(171,882)	(145,494)	-	(147,197)	(11,765)	(97,944)	(5,666)	-	(579,949)
Depreciation	-	(24,182)	(13,780)	-	(32,958)	(4,418)	(11,500)	(2,330)	-	(89,168)
Disposal	-	4,000	-	-	-	-	-	-	-	4,000
At 30 June 2013	-	(192,064)	(159,274)	-	(180,155)	(16,183)	(109,444)	(7,996)	-	(665,177)
Depreciation	-	(24,122)	(13,780)	(941)	(33,189)	(4,418)	(8,971)	(2,632)	-	(88,054)
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2014	-	(216,186)	(173,054)	(941)	(213,344)	(20,601)	(118,415)	(10,628)	-	753,171
Net book values										
At 30 June 2014	280,000	989,924	56,610	6,586	52,169	14,743	10,587	2,534	202,432	1,615,584
At 30 June 2013	280,000	1,014,046	70,388	-	83,509	19,161	18,404	3,652	180,335	1,669,494





MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Trade and other payables from exchange transactions

	2014	2013
	Shs 000	Shs 000
General supplies	144,857	152,838
Engineering Block fee note	54,429	80,129
Gratuity and other allowances	29,321	24,920
Third-party payments	13,083	-
Part time lectures	36,808	7,119
Casual Payment	2,622	-
Other payables	22,344	22,344
Total trade and other payables	303,464	287,350

18. Refundable deposits from customers

	2014	2013
	Shs 000	Shs 000
Cautious Money	5,706	4,587
Total deposits	5,706	4,587

19. Pension Obligation

	2014	2013
	Shs 000	Shs 000
Unpaid Pension	51,018	16,096
NSSF Penalty	1,365	-
	52,383	16,096

	2014	2013
	Shs 000	Shs 000
20. Payments received in advance	51,928	25,016

21 Taxation

	2014	2013
	Shs 000	Shs 000
Pay as You Earn	62,465	18,156
	4,659	-
Value Added Tax		
	67,124	18,156

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MULTIMEDIA UNIVERSITY OF KENYA
P .O. BOX 15653 - 00503, NAIROBI, KENYA.
OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22.	2014 Kshs 000	2013 Kshs 000
Capital reserves		1,269,222
Equity Fund	1,269,222	30,000
Government grant development	120,157	4,196
Korea Grant	3,910	1,800
CCK Grant-Hostel	1,740	32,607
CCK Grant -Others	29,106	201,769
Accumulated surplus (deficit)	(42,976)	1,539,594
TOTAL	1,381,157	1,539,594

23. GRANTS

- a) Grant comprises Senior Hostel construction worth Kshs.3, 000,000. This is amortized at the rates of 2% annually.

	2013/2014 Kshs 000	2012/2013 Kshs 000
Balance b/d	1,800	1,860
Amortization of grant	(60)	(60)
Total	1,740	1,740

- b) The University received a grant of Kshs 100 million from CCK during the 2007/2008 financial year to cater for development expenditure and in the financial year 2011/2012 the University also received grant of equipment worth Kshs.4, 767,708 from Korea.

As per the IFRS/IAS 20 there are basically two methods of accounting for the grant, income method and capital method. The University has applied the Income approach because it gives full disclosure of the grant received by CCK and Korea.

Deferred Income Grant

	2013/2014 Kshs 000	2012/2013 Kshs 000
Balance b/d	36,802	40,589
Amortization of grant	(3,786)	(3,787)
Total	33,016	36,802

The amount of Kshs 33,016,000 is the balance of the grant after the amortization as at 30.06.2014. The same reflected in statement of changes in net asset (Kshs 3,910,000 and Kshs 29,106,000).



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- c) The University received a grant of Ksh 30,000,000 from the government for construction of the engineering block development for the financial year 2012/2013. In addition during the financial year 2013/2014 the university received Ksh 75,700,000 towards the construction of the same. Ksh 14,456,804.20 was also received in the year 2013/2014 for consultancy work relating to proposed renovation of hotel complex, main conference hall laundry and kitchen refurbishment.

	2013/2014 Kshs 000	2012/2013 Kshs 000
Balance b/d	30,000	-
Grant received from Government during the year	90,157	30,000
Amortization of grant	-	-
Total	120,157	30,000

24. RELATED PARTY TRANSACTIONS

The following are the material related party transactions for the year:

	2012/2014 Kshs 000	2012/2013 Kshs 000
Loans to Members of staff	30,868	36,911
Total	30,868	36,911

The above transactions were carried out in the ordinary course of business at Arm's length.

25. The main variance in the revenue between the actual and the budget is due to reduction in the number of conferences held at the hotel in the last financial year due to the Interruption by the elections.
26. The difference between the budget and the actual balance for employee cost is as a result Increase in salary after negotiations between the national union body and the government. This was not factored in the initial budget. The government funded the arrears fully.

27. LAND

LR.No.	Acreage	Value (KShs.)
12813	75.99 hectares	280M





MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

OFFICE OF THE VICE CHANCELLOR

XXI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	No asset Register	The process of developing the asset register is ongoing	Finance Officer	Ongoing	June 2015
	Staff Establishment- Half the University staff are on contract	The staff will be absorbed on permanent basis on the expiry of the contract period	Human Resource Manager	Resolved	
	Corporate debtors- some customers are invoiced many times before they honour the previous debt	These are old debts the management inherited from the past. However the hotel manager will ensure the procedures are followed and the debts are collected	Hotel Manager and Finance Office	Ongoing	

Thabero

 Vice Chancellor

Date: *06/05/15*.....

NATSIGO

 Chairman of the Council

Date: *6/5/15*.....



MULTIMEDIA UNIVERSITY OF KENYA

P .O. BOX 15653 - 00503, NAIROBI, KENYA.

Annex 1

Government Development Grant received during the financial year 2013/2014

DATE	AMOUNT KSHS (‘000’)	RECEIPT NUMBER	PURPOSE
21-08-2013	25,700.00	120R027236	Construction of the Engineering Block
24-09-2013	20,000.00	120R031817	Construction of the Engineering Block
24-10-2013	30,000.00	120R032138	Construction of the Engineering Block
08-04-2014	14,456.00	120R043615	Consultancy work relating to hotel, Conference hall, Kitchen and Laundry renovation
TOTAL	90,157.00		

