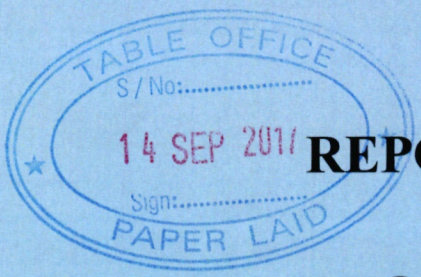
REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Paper laid by the Leader of Majority on 14/09/2017



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF MULTIMEDIA UNIVERSITY OF KENYA

FOR THE YEAR ENDED 30 JUNE 2016

MULTIMEDIA UNIVERSITY OF KENYA
P .O. BOX 15653 - 00503, NAIROBI, KENYA.
(MMU is ISO 9001:2008 Certified)

MULTIMEDIA UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED

JUNE 30, 2016

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Multimedia University is a fully pledged public University wholly owned by the Kenyan government. 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.

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II. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(b) Principal Activities

The principal activity of the University is to provide 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. The University offers Diplomas and Degrees academic Programs. The University also runs academic and professional programmes in collaboration with NCC (UK), CIPS (UK) and KNEC (KENYA).

(c) Fiduciary Oversight Arrangements

- Full Council
- Executive Committee (Ad-hoc)
- Finance and Resource Mobilization Committee
- Audit Committee
- Planning, Establishment, Development and ICT Steering Committee
- Human Resource, Staff Welfare and Disciplinary Committee of Council
- Students Welfare
- Sealing & Honorary Committee (Ad-hoc)

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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

(g) Independent Auditors
Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084-00100,
Nairobi, Kenya.

(h) Principal Legal Adviser

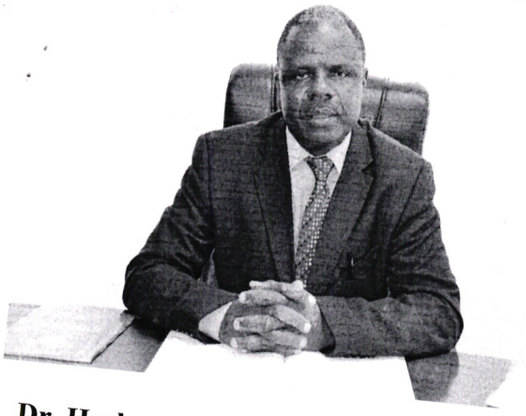
J. Thongori & Co. Advocates
P.O Box 45707-00100, Nairobi.

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

Achach & Company Advocates
P.O Box 4958-00100, Nairobi.

Muchoki Kanga'ta Njenga & Co. Advocates
P. O. Box 926 - 00100, Nairobi.

IV. THE UNIVERSITY COUNCIL

 **1. Dr. Herbert Misigo Amatsimbi-Chairman**	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 Senior Lecturer of History at the University of Nairobi.
 **2. Francesca Boen- Vice Chairperson**	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. She currently holds a senior human resource position in a government institution.
 **3. 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.

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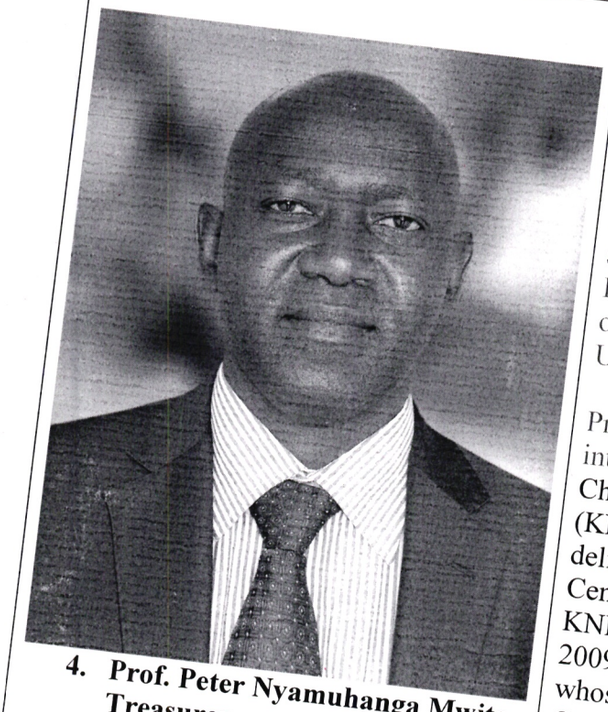
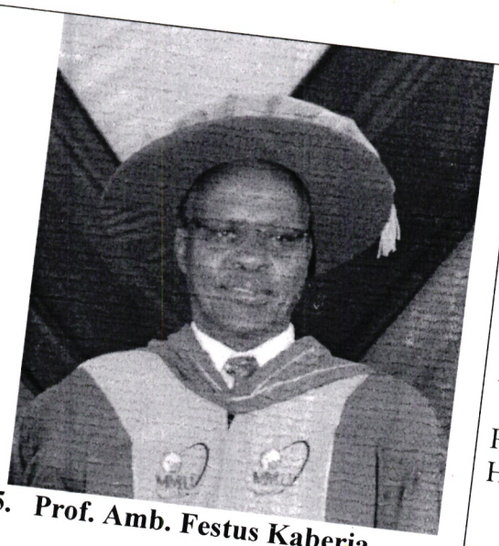


4. **Prof. Peter Nyamuhanga Mwita**
Treasurer

Prof. Peter Nyamuhanga Mwita –
Treasurer/Chairman Finance Committee
B.Sc.(KU, Kenya), MAppStats.(Macquarie University, Australia), Ph.D. (Technical University of Kaiserslautern, Germany)

Prof. Peter Nyamuhanga Mwita is a well known statistician and scholar. He is Professor of Statistics in the Department of Statistics and Actuarial Sciences and Dean of the School of Mathematical Sciences at Jomo Kenyatta University of Agriculture and Technology.

Prof. Mwita has wide experience in Boardroom interactions and policy formulation. 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 to a very competitive SAGA-KNBS. 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. He is the current Chairman of Kenya National Statistical Society.



5. **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

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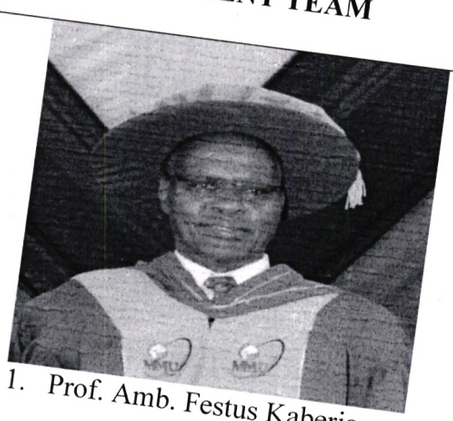
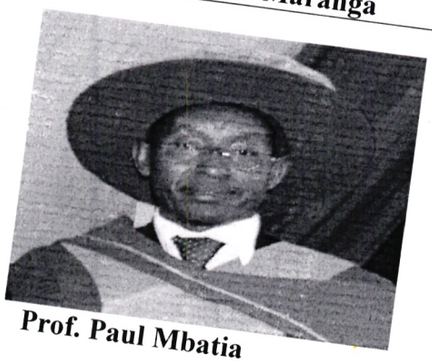
VI. MANAGEMENT TEAM

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

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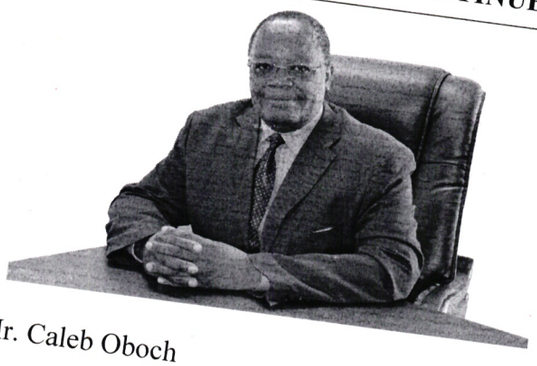
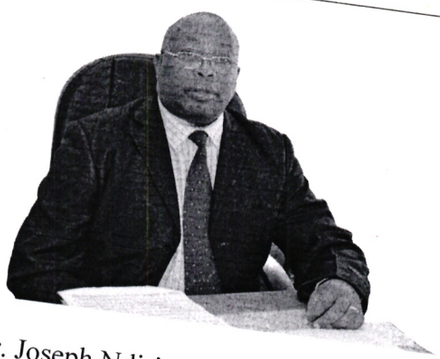
VII. MANAGEMENT TEAM (CONTINUED)

 4.Mr. Caleb Oboch	Ag. Registrar Administration
 5.Mr. Anderson Maina	Ag. Registrar Academic Affairs
 6.Mr. Joseph Ndiritu	Ag. Finance Officer

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VIII. CHAIRMAN'S STATEMENT

I have the pleasure on behalf of the University Council and Management to present to our stakeholders the Annual Report and Financial Statements of Multimedia University of Kenya for the financial year ending June 30, 2016. The annual report helps the University reflect on its performance for the year including the opportunities exploited in an attempt to meets its mandate. The report also assists in identifying areas of performance weakness that require improvement.

GENERAL ECONOMIC OVERVIEW

World real Gross Domestic Product (GDP) growth decelerated to 3.1 percent in 2015 from 3.4 percent in 2014. Global inflation rate eased from 3.5 percent in 2014 t0 3.3 percent in 2015 as a result of decline in international oil and other commodity prices.

Emerging markets and developing economies experienced low prices, weaker capital flows, subdued global trade and increasing market volatility.

The Country's Gross Domestic Product (GDP) grew by 5.6 percent in 2015 compared to 5.3 percent in 2014. Key macroeconomic indicators remained relatively stable during the period under review. Overall inflation eased from 6.9 percent in 2014 to 6.6 percent in 2015.

EDUCATION SECTOR OVERVIEW

Total University student enrolment is expected to grow by 15 percent from 443,783 in 2014/2015 to 512,924 in 2015/16 compared to a 22 percent increase recorded in 2014/15. During the review period, enrolment in public universities is expected to increase by 16 percent from 363,334 in 2014/15 to 421,783 in 2015/16.

Multimedia University new student enrolment in the year under review was 1967 compared to 1542 the previous year. September 2016 new student enrolment is 2019 in line with the growth in total enrolment in the sector.

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OVERALL PERFORMANCE

There was an improved performance in the financial year 2015/16 as a result of concerted effort by the University Council, Management Board and the entire Staff of Multimedia University.

The total income increased from 958 Million in 2014/15 to 1,033 Million in 2015/16. Net deficit increased to 163 Million in 2015/16 from 152 Million in 2014/15. The results were significantly affected by the increased use of part time lecturers in resourcing in Government sponsored programmes and overall increase in the medical expenditure. Hotel operational performance was impressive registering operational revenue of KES 108Million.

The University Council encourages staff members to be proactive, innovative and focused on service delivery. The University continues to develop facilities to support research and training, ensuring the students learn in a friendly academic environment.

CHALLENGES

There were notable challenges that faced the university in the year under review. While the University Council and Management strategically addressed the eminent effects on overall operational performance, these challenges continue to negate the efforts made. These challenges included: under capitation as funding from Government of Kenya was not commensurate with the increased activities; growth in facilities in relation to increased student numbers, low growth in other income generating segment of the university and other demands in recurrent expenditures.

GOVERNANCE

The University Council continue to be guided by the Constitution of Kenya, 2010 on the issues of leadership, governance and management of public resources. The University Council has adopted the Mwongozo spirit which addresses matters of effectiveness of Boards, transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship.

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CONCLUSION

Multimedia University Council will continue working closely with management to achieve set strategic goal in order to meet the set mandate and actualize the mission and vision of the university.

Dr. Herbert Misigo Amatsimbi
CHAIRMAN OF COUNCIL

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IX. REPORT FROM THE VICE CHANCELLOR

Multimedia University of Kenya Vision is to be a world class of excellence in training, research and innovation in cutting edge technology. The university is committed to providing high quality education and producing competent graduates who are part of the solution in our society's development agenda through adaptation to dynamic world of technologies and innovations.

With profound pleasure I wish to recognize and commend the earnest efforts of the University Council, Management and Staff for steadfastly growing the University to become competitive and a preferred University of choice by the students and one whose products are sought after by the Industries.

During the year under review, Multimedia University of Kenya went through a rigorous process to complete all processes necessary for Certification to the Service quality Standard **ISO 9001:2008.** The University was awarded the certificate on **1st April, 2016**. This is not an end in itself but the beginning of a commitment to the process of continual improvement which is a fundamental requirement for maintenance of the Standard.

The achievement of **ISO 9001:2008 certification** is a great milestone for the university as it positions the institution to compete with the best internationally and enable MMU to offer competitive services at local, regional and international markets.

The University made remarkable efforts towards meeting the aspirations of the Vision 2030 through implementation of the Vision 2030 Flagship projects. The major project under Vision 2030 Flagship was the Construction of Classrooms and Office Block which is still underway and expected to be completed by next year. Other development projects in the University that were carried out in the year included Construction of the External Perimeter wall and the renovation of the University Hotel.

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The University acquired an Enterprise Resource Planning system to facilitate automation of key service areas. The system is still in implementation stages and once completed services will be delivered more efficiently.

The University in pursuit of the commitment in provision of quality education promoted academic staff who had served for a long time to positions commensurate to their qualification and experience to motivate them to disseminate knowledge. In addition, the university developed eleven (11) additional Academic Programmes both for Undergraduate and postgraduate which have since been approved by the University Senate.

The University key challenge is inadequate funding to enable it to continue providing quality education. Owing to scarcity of resources, the University does not have the infrastructural capacity to cope up with the growing numbers of students. The university management will continue to partner with other institutions and stakeholders to further the research & innovations and dissemination of knowledge to students.

We are very grateful for the financial support we receive from the Government of Kenya and our collaborating partners all of which continue to contribute to our success.

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

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X. CORPORATE GOVERNANCE STATEMENT

The government expects the entities it owns to promote and accelerate economic growth and development and to drive the social and economic transformation in Kenya. To do this, MMU, like all other public entities, is required to efficiently allocate it resources so as to achieve its goal of generating competent and high quality human resource in the fields of engineering, computing and IT, media and communication, business and economics and science and technology.

As the corporate governors of MMU, the university Council plays a critical role in ensuring creation, protection and enhancement of stakeholder value. We abide by the principles of transparency, accountability, responsibility and fairness to ensure the operations of the institution are ethical and in line with government expectations.

While following the Board Guidelines and the provisions of *Mwongozo,* the Council shall endevours to lead the institution into a greater economic standing, higher education ranking and to address the challenges facing the institution.

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XI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Multimedia University of Kenya is committed to our corporate Social Responsibility. We refer ourselves as a socially responsible company and take our commitment to the environment and the communities in which we operate seriously. 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 organisations we are involved with to deliver more than just basic skills. We endeavour to give back to the community and the environment, treating people with respect and dignity. The ultimate goal is to impact the society with the skills and knowledge that we offer and achieve our objectives.

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XII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30, 2016 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, 2016 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.

By Order of the Board

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

Date: 04/07/17

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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, 2016. 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, 2016, and of the University's financial position as at that date.

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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. 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 16th September 2016 and signed on its behalf by:

.....	.....
Vice Chancellor	**Chairman of the Council**
Date 04/07/17	Date 04/07/17.

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MULTIMEDIA UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Multimedia University of Kenya set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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.

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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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 misstatements.

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 circumstance, 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.163,582,000 (2014/15 - deficit, Kshs.151,765,000) which reduced the accumulated surplus from negative Kshs.194,741,000 in 2014/2015 to negative Kshs.358,321,000 in 2015/2016. Further, the current liabilities of Kshs.682,461,000 as at 30 June 2016 exceeded the current assets of Kshs.387,699,000 resulting to a negative working capital of Kshs.294,762,000. As a result, the University was unable to meet its financial obligations as and when they fell due. In particular it was unable remit pension and taxes of Kshs.89,552,000 and Kshs.251,929,000 respectively to the respective beneficiaries thereby risking fines and penalties. The University is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the Government, creditors and donors.

2. Inaccuracies in the Financial Statements

The following differences were noted between the financial statement balances and the supporting schedule balances:

Cash and cash equivalents	**Financial Statements Balance Kshs.**	**Supporting Schedules Balance Kshs.**	**Differences Kshs.**
-KCB Hotel	8,895,000	8,896,000	(1,000)
-Equity-MMU	2,716,000	2,715,000	1,000
-KCB Madaraka	62,194,000	62,192,000	2,000
-Equity bank development	26,532,000	26,534,000	(2,000)
-Equity fixed deposit	62,303,000	60,000,000	2,303,000

Statement of cashflow

- Increase in receivables	9,000	10,000	1,000
- Increase in payables	136,182,000	136,018,000	64,000
- Increase in pension payable statement of comparison of budget and actual amount	10,008,000	10,171,000	(163,000)
- surplus for the period	163,683,000	163,582,000	101,000

In addition, Note ii (g) to the financial statements indicates that provisions for bad debts are charged at 2% of the gross receivables. However, during the year under review, the gross receivables from exchange transactions amounted to Kshs.335,350,000 whose calculated provision of Kshs.6,707,000 for bad debts differs from the figure of Kshs.139,029,000 reported in the financial statements by an unexplained difference of Kshs.132,322,000.

In the circumstances, the accuracy, validity ad completeness of the financial statements for the year ended 30 June 2016 cannot be confirmed.

3. Receivables from Exchange Transactions

Included in the receivables from exchange transactions balance of Kshs.196,321,000 as at 30 June 2016 is an amount of Kshs.59,493,964 in respect of hotel debtors out of which a balance of Kshs.13,443,861 has been outstanding for more than two years. Although management has adequately provided for these debts in the financial statements, available information indicates that the recovery process has been slow. In the circumstances, the recoverability of the receivables from exchange transaction balance of Kshs.196,321,000 cannot 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 Multimedia University of Kenya as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 of the Laws of Kenya.

Other Matter

1. Outstanding Prior Year Issue

1.1 Direct Procurement of Consultancy Services

As previously reported, the University directly procured consultancy services amounting to Kshs.157,326,957 directly 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 to JKUAT 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 JKUAT 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, JKUAT. It was however noted that the consultants raised their first fee note (No.1) on 27 November 2012 for Kshs.110,128,867 out of which the University has so far paid Kshs.54,594,241 or 49.5%. 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 obtained value for its money spent on this transaction.

My opinion is not qualified in respect to this matter.

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

Nairobi

07 August 2017

XV. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

Revenue from non-exchange transactions	**Note**	**2015/2016 Kshs'000'**	**2014/2015 Kshs '000'**
Public contributions and donations	1	3,409	3,847
Amortization of government development grant	2(a)	17,211	13,259
Transfers from other governments	2(b)	435,565	402,927
		456,185	**420,033**
Revenue from exchange transactions			
Rendering of services	3	576,579	515,974
Other income	4	247	22,174
		576,826	**538,148**
Total revenue		**1,033,011**	**958,181**
Expenses			
Employee costs	5	789,227	716,760
University Council allowances	6	9,596	9,921
Depreciation and amortization expense	7	97,325	91,765
Repairs and maintenance	8	15,820	30,571
General expenses	9	283,506	257,943
Finance costs	10	1,118	931
Provision of Bad debts	11		2,055
Total expenses		**1,196,593**	**1,109,946**
Deficit for the period		**(163,582)**	**(151,765)**

The notes set out on pages 6 to 18 form an integral part of the Financial Statements

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XVI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2015/2016 Kshs'000'	2014/2015 Kshs'000'
Assets			
Current assets			
Cash and cash equivalents	12	167,211	151,994
Receivables from exchange transactions	13	196,321	164,331
Receivables from non-exchange transactions	14	4,813	36,813
Inventories	15	19,353	12,215
		387,699	**365,353**
Non-current assets			
Property, plant and equipment	16	**2,475,006**	1,570,774
Total assets		**2,862,704**	**1,936,127**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	272,070	261,932
Refundable deposits from customers	18	7,883	6,594
Employee benefit obligation	19	89,716	79,545
Payments received in advance	20	60,863	61,350
Taxation	21	251,929	126,851
		682,461	**536,272**
Net assets		**2,180,243**	**1,399,855**
Capital reserves			
Equity Fund	22	1,269,222	1,269,222
Government grant development	22	400,807	294,465
Korea Grant	22	3,337	3,624
CCK Grant-Hostel	22	1,620	1,680
CCK Grant -Others	22	22,542	25,605
Revaluation Reserve	22	841,036	
Accumulated surplus(deficit)	22	(358,321)	(194,741)
Total capital reserves and accumulated deficit		**2,180,244**	**1,399,855**

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

.....
Vice Chancellor

Date.....4/7/17.....

.....
Chairman of the Council

Date.....4/7/17.....

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

XVII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Attributable to the owners of the controlling entity

Reserves

	Equity Fund	Government Grant-development	Revaluation Reserve	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	Kshs '000
Balance as at 30 JUNE 2014	**1,269,222**	**120,157**	--	**3,910**	**(42,976)**	**1,740**	**29,106**	**1,381,159**
Surplus/(deficit) for the period	-	-	--	-	(151,764)	-		(151,764)
Grant Amortization	-	(13,259)	--	(286)		(60)	(3,501)	(17,106)
Grant for the Year		187,567	--					187,567
Balance as at 30 JUNE 2015	**1,269,222**	**294,464**	--	**3,623**	**(194,739)**	**1,680**	**25,605**	**1,399,856**
Surplus for the period	-	-	841,036	-	(163,582)			677,454
Grant received during the period		123,554						123,554
Transfers to accumulated surplus	-	(17,211)		(286)	-	(60)	(3,063)	(20,620)
Balance as at 30 JUNE 2016	**1,269,222**	**400,807**	**841,036**	**3,337**	**(358,321)**	**1,620**	**22,542**	**2,180,244**

XVIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2015/2016 Kshs'000'	2014/2015 Kshs'000'
Deficit for the Year	**(163,582)**	**(151,765)**
Adjustments for non Cash Items		
Depreciation	97,325	91,765
Amortisation	(60)	(60)
Government grant amortisation	(17,211)	(13,259)
CCK Grant income	(3,063)	(3,501)
Korean Grant	(286)	(286)
Total non Cash Items	**76,705**	**74,659**
Deficit before working capital changes in	**(86,877)**	**(77,106)**
Changes in working capital		
Increase in receivables	9	(44,553)
Increase in payables	136,182	29,741
Increase in Stock	(7,138)	5,236
Increase in Pension payable	10,008	27,161
Net Cash flows from Operating Activities	**139,060**	**17,585**
Cash flows from Investing Activities		
Purchase of fixed Assets	(160,520)	(48,189)
Net cash flow from investing Activities	**(160,520)**	**(48,189)**
Cash Flow From Financing Activities		
Government Grant received	123,554	187,567
Net Cash inflow from Financing activities	**123,554**	**187,567**
Net Increase(Decrease) in cash and cash Equivalents	**15,217**	**79,857**
Cash and cash equivalents at the beginning of the year	151,994	72,137
Cash and cash equivalents at the end of the year	**167,211**	**151,994**
Cash on Hand	150	296
KCB-Hotel account	8,895	1,783
Equity MMU Account	2,716	3,765
Equity Fixed deposit	62,303	61,244
KCB Main Account	4,420	9,945
KCB Madaraka	62,194	6,121
Equity Development Account	26,532	68,840
Total Cash and Cash Equivalent	**167,211**	**151,994**

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XIX. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

		Original budget	Adjust-ments	Final budget	Actual on compare-able basis	Performance difference
		2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
Revenue	**Note**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Public contributions and donations		-	-	-	3,409	3,409
Government grant amortization					17,211	17,211
Government grants and subsidies		441,000	-	441,000	435,565	(5,435)
Rendering of services	26	622,154	-	622,154	576,579	(45,575)
Other Income		-		-	247	247
Total income		**1,063,154**	**-**	**1,063,154**	**1,033,011**	**(30,143)**
Expenses						
Compensation of employees	27	814,812	-	814,812	789,227	25,585
University Council allowances		13,000		13,000	9,596	3,404
Repairs & maintenance		28,560	-	28,560	15,820	12,740
Finance cost		1,000	-	1000	1,118	(118)
General Expenses		354,271	-	354,271	283,506	70,765
Depreciation Expense		-	-	-	97,325	(97,325)
Provision for Bad debt		-	-	-	-	-
Total expenditure		**1,211,643**	**-**	**1,211,643**	**1,196,593**	**15,050**
Surplus for the period		**(148,489)**	**-**	**(148,489)**	**(163,683)**	**(15,193)**

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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 in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted 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 indirect 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment – IPSAS 17

Property, plant and equipment are stated at the revalued cost less accumulated depreciation and impairment losses with the exception of lease holds land and library books costs which are carried at cost. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation

Leasehold land is not depreciated.

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

S/No.	Description	Percentage
1.	Buildings	02%
2.	Plant &Machinery	06%
3.	Furniture & Fittings	12.5%
4.	Computers & Printers	30%
5.	Motor Vehicles	12.5%
6.	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.

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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

i) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

REVENUE ANALYSIS FOR YEAR ENDED 30TH JUNE 2016

DESCRIPTION
REVENUE FROM NON-EXCHANGE TRANSACTIONS

1. Public Contributions and Donations

	2015/2016 Shs 000	2014/2015 Shs 000
Grant-CCK	3,063	3501
Korea grant	286	286
Hostel amortization	60	60
	3,409	**3,847**

2. Transfers from other Governments

(a) Development grant- amortization	**17,211**	**13,259**
(b) Government grant-recurrent received 2015/2016	435,565	402,927
	435,565	**402,927**

3. Rendering of services

Tuition and other student charges	408,062	402,636
Other income University-miscellaneous	12,004	9,232
Catering-student	20,436	23,380
Hostel accommodation	22,613	25,157
Other income hotel	3,193	895
Club house sales	6,922	7,491
Hotel catering	2,290	1,864
Hotel accommodation & meeting hall charges	95,791	44,393
Printing	1,839	926
Interest Income-Fixed Income	3,429	
Total revenue from the rendering of services	**576,579**	**515,974**

4. Other income

Refund of CBA money to joint University board		
Money received from inter University sharing	247	2,674
Insurance claim		19,500
Total other income	**247**	**22,174**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANALYSIS OF EXPENDITURE FOR PERIOD ENDING 30TH JUNE 2016

	2015/2016 Shs 000	2014/2015 Shs 000
5. Employee costs		
Basic Salary	262,403	243,837
Car & Other Allowances	128,004	135,222
Gratuity	12,141	8,909
Casual wages (Admin.)	31,907	33,739
Resource fees	109,941	76,323
Leave Allowance	15,033	8,481
House Allowance	158,802	152,643
Pension Costs	42,242	42,842
Medical expenses	28,753	14,765
Total Employee Costs	**789,227**	**716,760**
6. Remuneration of University Council		
University Council Allowances	7,268	7,593
Honoraria for Chancellor	1,284	1,284
Honoraria for Chairman of the council	1,044	1,044
Total Councillors' remuneration	**9,596**	**9,921**
7. Depreciation		
Property, plant and equipment	97,325	91,765
8. Repairs and maintenance		
General stores(Hardware)	12,393	26,456
Motor vehicle repairs	3,427	2,650
Furniture & Equipment operation Cost		1,465
Total repairs and maintenance	**15,820**	**30,571**

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NOTES TO THE FINANCIAL STATEMENTS Continued)

9. General Expenses

The following are included in general expenses:

	2015/2016 Shs 000	2014/2015 Shs 000
General Stores(stationer stores)	14,322	11,917
Messing Costs(Food stuff cost)	69,790	57,371
Cleaning Materials	2,991	10,477
Medical Stores	5,650	8,626
Stock Provision	-	
Fuel & motor vehicle expenses	3,523	3,677
Electricity	29,968	26,984
Postal & Telephone	1,104	875
Internet services	11,844	9,673
Student union exp	3,546	1,881
Water	791	1,080
Sports & welfare	4,695	2,738
Student activities	12,352	7,782
Non deductible vat		23,648
Hire of student lab	-	
Provision for cash	-	1,413
Photocopy expenses		2,413
Hotel Cutlery and Crockery	730	83
Main Kitchen Cutlery and Crockery	5,707	6,138
Student Work study	18,981	19,484
Cleaning Services	1,050	1,635
Incidental expenses & ceremonies	-	2,290
Office Expenses(Tea)	938	803
Research costs	7,038	
Incidental training-Collaboration fee	15,508	6,286
Honoraria	2,556	818
Marketing & public relations	9,772	2,910
Library expenses	7,980	11,763
Rental expenses	11,556	9,333
Insurance	2,942	2,078
Security charges	5,626	6,253
Staff Education support Fund	10,413	3,921
Staff development	3,154	3,804
Travelling & subsistence-Local	18,228	9,039
Travelling & subsistence-External	750	750
Professional Consultancy(includes Legal Fees)	**283,506**	**257,943**
Audit fees		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015/2016 Shs 000	2014/2015 Shs 000
10. Finance Costs		
Bank Charges	1,118	931
	-	2,055
11. Provision for bad debts		
12 Cash and cash equivalents		
KCB- Hotel Account	8,895	1,783
Equity Bank –MMU Account	2,716	3,765
KCB- Main Account	4,420	9,945
KCB –Madaraka Account	62,194	6,121
Equity Bank Development Account	26,532	68,840
Equity Fixed Deposit	62,303	61,244
Cash In Hand	150	296
Total cash and cash equivalents	**167,211**	**151,994**
13. Receivables from exchange transactions		
Current receivables		
Trade Debtors	102,699	113,695
Student Debtors	201,236	157,968
Staff Loans	29,388	29,696
Supplier Advance Payment	2,000	2,000
School fees – staff loan	27	
Less: Provision for Bad debts	(139,029)	(139,028)
Total current receivables	**196,321**	**164,331**
14. Receivables from non-exchange contracts		
Current receivables		
Staff Imprest	4,813	3,236
Government Grant		33,577
Total current receivables	**4,813**	**36,813**
15. Inventories		
Messing store	1,920	2,098
Hard Ware Store	4,525	2,098
Cleaning Materials	4,206	4,795
Stationery	7,094	2,529
Medical Store	1,608	695
Total inventories at the lower of cost and net realizable value	**19,353**	**12,215**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16.PPE

	Land	Building	Plant and Machinery	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**
At 1 July 2014	**280,000**	**1,206,110**	**229,664**	**273,041**	**35,344**	**129,002**	**13,162**	**201,195**	**2,367,519**
Additions	-	-	7,165	22,093	-	11,805	44	7,083	48,190
Disposals	-	-	-	-	-		-		-
Transfers/adjustments	-	-	**7,514**	-	-		-	(7,514)	-
At 30 June 2015	**280,000**	**1,206,110**	**244,343**	**295,134**	**35,344**	**140,807**	**13,206**	**200,764**	**2,415,709**
Additions	-		15,560	9,986	12,968	16,618	5,741	99,648	160,520
Prior year Adjustment	-	-	-	-	-		-	-	-
Transfer/adjustments	-	15,277		-	-		-	**(15,277)**	-
At 30 June 2016	**280,000**	**1,221,387**	**259,903**	**305,120**	**48,312**	**157,425**	**18,947**	**285,135**	**2,576,229**
Revaluation Adjustment		524,858	(201,394)	(256,732)	(18,010)	(131,452)			(82,730)
Total cost after revaluation	**280,000**	**1,746,245**	**58,510**	**48,388**	**30,302**	**25,973**	**18,947**	**285,135**	**2,493,499**
Depreciation and impairment									
At 1 July 2014	-	**(216,186)**	**(173,054)**	**(214,285)**	**(20,601)**	**(118,415)**	**(10,628)**	-	**(753,170)**
Depreciation	-	(24,122)	(14,661)	(36,892)	(4,418)	(9,128)	(2,544)	-	**(91,766)**
Disposal	-	-	-	-	-		-		-
At 30 June 2015	-	**(240,309)**	**(187,715)**	**(251,177)**	**(25,019)**	**(127,544)**	**(13,172)**	-	**(844,936)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Dep for the period before revaluation		(23,760)	(15,168)	(37,098)	(5,874)	(10,104)	(3,686)		**(95,690)**
Dep after revaluation		(954)	(96)	(165)	(103)	(213)	(104)		**(1,635)**
Total depreciation charge for period		**(24,715)**	**(15,264)**	**(37,263)**	**(5,978)**	**(10,316)**	**(3,789)**		**(97,325)**
Total Accumulated depreciation		**(265,022)**	**(202,979)**	**(288,440)**	**(30,997)**	**(137,860)**	**(16,962)**		**(942,260)**
Accumulated dep to revaluation reserve		264,069	202,882	288,275	30,893	137,647			**923,767**
Accumulated dep 30.06.2016	-	**(953)**	**(97)**	**(165)**	**(103)**	**(213)**	**(16,962)**		**(18,493)**
At 30 June 2016	**280,000**	**1,745,292**	**58,412**	**48,223**	**30,199**	**25,761**	**1,985**	**285,135**	**2,475,006**
At 30 June 2015	**280,000**	**965,801**	**56,630**	**43,957**	**10,325**	**13,262**	**34,838**	**200,764**	**1,605,578**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Trade and other payables from exchange transactions

	2015/2016 Shs 000	2013/2014 Shs 000
General supplies	82,010	96,456
Engineering Block fee note	54,429	54,429
Gratuity and other allowances	22,603	13,648
Third-party payments	22,811	18,107
Part time lectures	67,972	54,212
Casual Payment	-	2,736
Other payables	22,344	22,344
Total trade and other payables	**272,170**	**261,932**

18. Refundable deposits from customers

Caution Money	7,883	6,594
Total deposits	**7,884**	**6,594**

19. Pension Obligation

Unpaid Pension	89,552	79,545
NSSF	164	
	89,716	**79,545**

20.Payments received in advance

Helb	2,047	
Unidentified bank deposit	9,112	
Student Advance Payment	46,725	
Student Union Subscription	2,323	
Prepaid Catering	655	
	60,863	**61,350**

21. Taxation

Pay as you Earn	220,343	123,106
Withholding Vat	19,642	
Withholding Tax	4,764	
Value Added Tax	7,180	3,745
	251,929	**126,851**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22.

Capital reserves	**2015/2016 Kshs 000**	**2014/2015 Kshs 000**
Equity Fund	1,269,222	1,269,222
Government grant development	400,807	294,465
Korea Grant	3,337	3,624
CCK Grant-Hostel	1,620	1,680
CCK Grant -Others	22,542	25,605
Revaluation Reserve	841,036	
Accumulated surplus (deficit)	**(358,321)**	**(194,739)**
TOTAL	**2,180,244**	**1,399,856**

23. GRANTS

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

	2015/2016 Kshs 000	**2014/2015 Kshs 000**
Balance b/d	1,680	1,740
Amortization of grant	(60)	(60)
Total	**1,620**	**1,680**

(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

	2015/2016 Kshs 000	**2014/2015 Kshs 000**
Balance b/d	29,229	33,016
Amortization of grant	(3,349)	(3,787)
Total	**25,880**	**29,229**

The amount of Kshs 25,880 is the balance of the grant after the amortization as at 30.06.2016. The same reflected in statement of changes in net asset (CCK grant Kshs 22,542 and Korea grant Kshs 3,337).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) During the year 2015/2016 the university received a grant of Kshs 123.6 Million from the government for development project. The deferred income method is applied in the treatment of development grant since it gives the full disclosure of the grant received.

Deferred Income Government grant

	2015/2016 Kshs 000	2014/2015 Kshs 000
Balance b/d	294,464	120,157
Grant received	123,554	187,567
Amortization of grant	(17,211)	(13,259)
Total	**400,807**	**294,464**

24. RELATED PARTY TRANSACTIONS

(a) The following are the material related party transactions for the year:

	Kshs 000 2015/2016	Kshs 000 2014/2015
Loans to staff members	**29,492**	**29,696**

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

(b) Out of the total employee cost, Kshs.49.5 Million relates to the salary of Senior Management team of the University.

25. **(a)** During the year the university engaged Sec & M Company to revalue its assets and the same was re-valued as follows

	Cost after revaluation Kshs	Cost before revaluation Kshs
Lease hold land	4,650,000	280,000
Buildings	1,848,868	1,221,387
Plant & Machinery	58,510	259,904
Furniture & Equipment	48,388	305,120
Motor Vehicle	30,302	48,312
Computer Accessories	25,972	157,425

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Included in the revaluation figure for building is Kshs.102.6 Million which relates to items which are work in progress. When adjusting the re-valued amount these has been left out since the figure will keep fluctuating as the work progresses.

(e) The financial statements have not been adjusted with the re-valued amount relating to land since the land is a lease hold land in accordance with IAS 17.

26. (a) During the financial year the university had anticipated introduction of new courses and increase in the number of students however the introduction of the new courses delayed due to many requirements by CUE .This contributed to the adverse variance between the budgeted and the actual income realised.

(b) In addition to the above the University had targeted to dispose of the obsolete items in the university and this income had been budgeted for under other university incomes. However the disposal didn't take place due to a non- responsive tendering process and this has contributed to the difference between the actual and the budgeted revenue.

27. (a) The budget had taken into the account the employment of staff to fill in the acting position however the process delayed and the same didn't take place during the financial year resulting to the indicated variance in the employee compensation.

(b) Due to the executive order that state parastatals should reduce seminars and retreat for council /board members and the reduction in the number of meeting the council expenses incurred was less than the budgeted amount.

(c) Due to cash constraints the university embarked on a cost reduction process and some of the tasks budgeted for under repair and maintenance and general expenses didn't take place during the financial year.

28. The total number of the employees on permanent and contract basis as at 30th June 2016 was 392.

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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	Resolved	June 2016
	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	
	Long outstanding receivables	These are old debts the management inherited from the past. However the hotel manager and the finance officer will ensure the procedures are followed and the debts are collected	Hotel Manager and Finance Office	Ongoing	

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Vice Chancellor

Date: 04/07/17

.....
Chairman of the Council

Date: 4/7/2017

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