

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 07 MAY 2019

DAY: TUE

TABLED BY: LDM

CLERK AT THE TABLE: M. Lemwa

REPORT

PARLIAMENT  
OF KENYA  
LIBRARY

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
MULTIMEDIA UNIVERSITY

FOR THE YEAR ENDED  
30 JUNE 2018



Additionally, examination of a sample of student debts revealed that out of the outstanding amount of Kshs.244,460,282, recoverability of the debts totaling to Kshs.101,723,862 is doubtful as the same has since been included in non-existent or inactive students as detailed below:

<b>Student Status</b>	<b>Debt (Kshs.)</b>
Withdrawn	50,449,032
Suspended	138,500
Repeat externally	62,146
Registration	12,301,775
Expelled	1,408,085
Discontinued	7,510,751
Deregistered	4,299,489
Deferred	245,000
Deceased	329,004
Completed	16,820,290
Academic Leave	8,159,790
<b>Total</b>	<b>101,723,862</b>

In the circumstances, it has not been possible to confirm that the receivables from exchange transactions balance of Kshs.159,950,450 as at 30 June 2018 is fairly stated.

## 2.2.2 Unexplained Variance

As reported previously the financial statement balances were at variance with supporting schedules as shown here below:

	<b>Component/ Particulars</b>	<b>Financial statement balance Kshs.</b>	<b>Support Schedule balance Kshs.</b>	<b>Variance Kshs.</b>
1	Student debtors	196,650,798	195,022,420	1,628,378
2	Trade debtors	104,939,533	95,917,521	9,022,012
3	Staff debtors	23,570,370	22,910,549	659,821
	<b>Total</b>	<b>325,160,701</b>	<b>313,850,490</b>	<b>11,310,211</b>

Although the management is aware of the above anomaly, no reconciling statement on the two sets of records was availed for audit review.

In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables from exchange transactions balance of Kshs.159,950,450 as at 30 June 2018.

### **3.0 Other Prior Year Unresolved Matters**

#### **3.1 Construction of Multimedia Engineering Complex**

Multimedia University College of Kenya (MUCK) Council as it was known by then approved the design and construction of an engineering Complex for the University College in 2012. The project was included in the College's procurement plan and budgeted for as was required by the Public Procurement laws and regulations. The aim of the project was to enhance the college's capacity to train engineers. The complex was to be built within 3 years from 2013 to 2016.

The MMUCK was then a constituent College of Jomo Kenyatta University of Agriculture and Technology (JKUAT) requested JKUAT to provide it with consultancy services for the design & supervision of the complex in line with Section 4(2) of the Public Procurement & Disposal Act of 2015.

JKUAT provided designs & supervision of consultancy services through its consultancy arm by availing a team of seven (7) individual consultants. The consultancy team undertook a substantial portion of the task by forwarding all the drawings of the proposed construction of the engineering complex together with a partial fee note charge of Kshs.54,594,241 that was paid.

MMUCK became chartered as a fully-fledged Public University and now referred to as Multimedia University (MMU) commenced a tender for the construction of the proposed Engineering Complex on 27 September 2013. However the viability of the proposed project was evaluated and it was resolved that the funding model that was based on taking a loan against the University land title deed for the project was not viable. The tender for the construction was then cancelled.

In the circumstances it has not been possible to confirm if the University got the value for its money on the payment of kshs.54,594,241 or whether the amount remain a sunk cost. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Multimedia University in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most Significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

## Other Matter

### Budgetary Control & Performance

#### 1.1 Revenue

According to the statement of comparison of budget and actual amounts, the University had an approved Revenue budget of Kshs.1,266,000,000 for the financial year 2017/2018 against actual receipts of Kshs.1,257,605,164 resulting to a deficit of Kshs.8,394,835. This was attributed majorly to the fact the University did not receive the anticipated tuition fees revenue due to the staff strike that disrupted learning, reduction in number of students and non-facilitation of the programmed third semester. However there is a need by the University to refocus on the budgeting on its own locally generated funds to avoid over budgeting and its own challenges.

Revenue	Budget 2017/2018 Kshs.	Actual 2017/2018 Kshs.	Variance Over/(Under) Kshs.	%
Public contributions and donations	--	14,427,007	14,427,007	100
Government grants and subsidies	543,000,000	716,199,128	173,199,128	31.9
Rendering of services	723,000,000	526,979,029	(196,020,971)	(27.1)
<b>Total income</b>	<b>1,266,000,000</b>	<b>1,257,605,164</b>	<b>(8,394,835)</b>	<b>(0.66)</b>

#### Expenditure

The University had an approved expenditure budget of Kshs.1,298,149,999 for the financial year 2017/2018 against actual spending of Kshs.1,469,797,927. This occasioned an excess expenditure of Kshs.171,647,928 translating to 13.2%. This occurred mainly due to Increase in staff cost as a result of the implementation of the 2013-2017 Collective Bargaining Agreement (CBA). However the University management had not sought approval from the line Ministry and the National Treasury for exceeding budget by 13% as per requirement of Section 4.1 of Treasury circular No.14/2016 dated 13 July 2016.

Expenses	Budget 2017/2018 Kshs.	Actual 2017/2018 Kshs.	Variance Over/(Under) Kshs.	%
Compensation of employees	890,200,000	1,051,715,614	161,515,614	18.1
General Expenses	384,950,000	312,923,268	(72,026,731)	(18.7)
Rent paid	11,000,000	8,674,840	(2,325,160)	(21.1)
Council Expenses	12,000,000	9,000,463	(2,999,537)	(25)
Depreciation	--	87,483,742	87,483,742	-
<b>Total expenditure</b>	<b>1,298,149,999</b>	<b>1,469,797,927</b>	<b>(171,647,928)</b>	<b>(13.2)</b>

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

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

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



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

**Nairobi**

**10 April 2019**



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2018

	Note	2017/2018	2016/2017
		Shs	Shs
<b>Revenue from Non-exchange transactions</b>			
Public contributions and donations	1	14,427,007	14,543,932
Transfers from other governments	2	716,199,128	516,413,274
<b>Total</b>		<b>730,626,135</b>	<b>530,957,206</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	3	525,768,537	523,260,787
Finance Income external investment	4	1,210,493	4,213,940
<b>Total</b>		<b>526,979,030</b>	<b>527,474,727</b>
<b>Total revenue</b>		<b>1,257,605,165</b>	<b>1,058,431,933</b>
<b>Expenses</b>			
Employee costs	5	1,051,715,614	782,539,713
Remuneration of Council Members	6	9,000,463	11,998,339
Depreciation and amortization expense	7	87,483,742	84,379,075
Repairs and maintenance	8	14,358,775	24,569,349
Use of goods and services	9	24,847,345	21,305,643
General expenses	10	282,391,989	306,060,536
<b>Total expenses</b>		<b>1,469,797,928</b>	<b>1,230,852,655</b>
<b>Deficit before tax</b>		<b>(212,192,763)</b>	<b>(172,420,721)</b>
Taxation		--	--
<b>Deficit for the period</b>		<b>(212,192,763)</b>	<b>(172,420,721)</b>

The notes set out on pages 6 to 19 form an integral part of the Financial Statements.



# MULTIMEDIA UNIVERSITY OF KENYA


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

**(MMU is ISO 9001:2008 Certified)**


## XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2018

	Note	2017/2018	2016/2017
Assets		Shs	Shs
<b>Current assets</b>			
Cash and cash equivalents	11	53,304,628	133,966,910
Receivables from exchange transactions	12	159,950,450	164,785,287
Receivables from non-exchange transactions	13	8,614,077	7,556,680
Inventories	14	15,396,566	11,340,047
<b>Total Current Assets</b>		<b>237,265,721</b>	<b>317,648,923</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	2,797,809,635	2,774,072,250
<b>Total Non Current Assets</b>		<b>2,797,809,635</b>	<b>2,774,072,250</b>
<b>Total assets</b>		<b>3,035,075,356</b>	<b>3,091,721,174</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	191,040,086	166,516,312
Payment received in advance	15	76,639,919	102,941,985
Taxation	15	331,966,458	272,190,365
Employee benefit obligation	15	334,841,892	220,496,302
Refundable deposits from customers	15	10,159,302	9,230,802
<b>Total Current Liabilities</b>		<b>944,647,657</b>	<b>771,375,766</b>
<b>Non Current Liabilities</b>			
Deferred income	16	723,104,138	740,829,084
<b>Total liabilities</b>		<b>1,667,751,795</b>	<b>1,512,204,851</b>
<b>Net assets</b>		<b>1,367,323,561</b>	<b>1,579,516,324</b>
Equity fund	18	1,269,222,498	1,269,222,498
Accumulated deficit	18	(742,934,786)	(530,742,023)
Revaluation reserve	18	841,035,849	841,035,849
<b>Total capital reserves and accumulated deficit</b>		<b>1,367,323,561</b>	<b>1,579,516,324</b>

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

  
.....  
Vice Chancellor

Date 25/03/19 .....

  
.....  
Chairman of the Council

Date 25/3/19 .....



# MULTIMEDIA UNIVERSITY OF KENYA

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

## XIV. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2018

		2017/2018	2016/2017
		Shs	Shs
<b>Cash and cash equivalents at the beginning of the quarter</b>	11	133,966,910	167,210,562
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	2a	687,046,022	491,926,500
Rendering of services	3	525,768,537	523,260,787
Finance income – Interest from fixed deposit	4	1,210,492	4,213,941
<b>Total</b>		<b>1,214,025,051</b>	<b>1,019,401,228</b>
<b>Payments</b>			
Compensation of employees	5	1,051,715,614	782,539,713
Rent paid	10	8,674,840	6,601,760
Other payments	10,8,9 .6	321,923,732	357,332,107
<b>Net cash flows from operating activities</b>		<b>1,382,314,186</b>	<b>1,146,473,581</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	17	(106,140,955)	(157,727,446)
Decrease/increase in current receivables	12,13	3,777,444	28,792,728
Decrease/increase in trade payables	15	173,271,891	88,915,161
Decrease/increase in stock	14	(4,056,519)	8,013,430
<b>Net cash flows used in investing activities</b>		<b>66,851,861</b>	<b>(32,006,127)</b>
<b>Cash flows from financing activities</b>			
Receipts/Government Dev. Grant		20,774,992	125,834,829
<b>Net cash flows used in financing activities</b>		<b>20,774,992</b>	<b>125,834,829</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(80,662,282)</b>	<b>(33,243,651)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>11</b>	<b>53,304,628</b>	<b>133,966,910</b>



**XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2018**

CAPITAL RESERVES & ACCUMULATED DEFICIT					DEFERRED INCOME					
	Equity Fund	Accumulated deficit	Revaluation Reserve	Total	GOK Grant	GOK Engineering Donation	Korea Grant	CCK Grant Hostel	CCK Grant	Total
As 30th June 2016	1,269,222,498	(358,321,302)		<b>910,901,196</b>	400,807,069	--	3,337,398	1,619,999	22,542,191	<b>428,306,657</b>
For the period		(172,420,721)	841,035,849	<b>668,615,128</b>	125,834,829	225,718,308	--		--	351,553,137
Grant Amortization	--	--	--	--	(24,486,774)	(13,543,099)	(286,062)	(60,000)	(654,773)	<b>(39,030,708)</b>
<b>As 30th June 2017</b>	<b>1,269,222,498</b>	<b>(530,742,023)</b>	<b>841,035,849</b>	<b>1,579,516,324</b>	<b>502,155,124</b>	<b>212,175,210</b>	<b>3,051,337</b>	<b>1,559,999</b>	<b>21,887,418</b>	<b>740,829,087</b>
For the period	--	(212,192,763)	--	<b>(212,192,763)</b>	20,774,992	5,080,173	--	--	--	<b>25,855,165</b>
Prior Year adjustments	--	--	--	--	--	--	--	--	--	--
Grants Amortization	--	--	--	--	(29,153,106)	(13,847,909)	(286,062)	(60,000)	(233,035)	<b>(43,580,113)</b>
<b>As 30th June 2018</b>	<b>1,269,222,498</b>	<b>(742,934,786)</b>	<b>841,035,849</b>	<b>1,367,323,561</b>	<b>493,777,010</b>	<b>203,407,473</b>	<b>2,765,274</b>	<b>1,499,999</b>	<b>21,654,383</b>	<b>723,104,138</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Budget 2017/2018	Actual 2017/2018	Variance	Explanation of material variances
	Shs	Shs	Shs	
<b>Revenue</b>				
Public contributions and donations	--	14,427,007	14,427,007	(a)
Government grants and subsidies	543,000,000	716,199,128	173,199,128	(b)
Rendering of services	723,000,000	526,979,029	(196,020,971)	(c)
<b>Total income</b>	<b>1,266,000,000</b>	<b>1,257,605,164</b>	<b>(8,394,835)</b>	
<b>Expenses</b>				
Compensation of employees	890,200,000	1,051,715,614	161,515,614	(d)
General Expenses	384,950,000	312,923,268	(72,026,731)	(e)
Rent paid	11,000,000	8,674,840	(2,325,160)	
Council Expenses	12,000,000	9,000,463	(2,999,537)	(f)
Depreciation	--	87483,742	87,483,742	(g)
<b>Total expenditure</b>	<b>1,298,149,999</b>	<b>1,469,797,927</b>	<b>(171,647,928)</b>	
<b>Surplus for the period</b>	<b>(32,150,000)</b>	<b>(212,192,763)</b>	<b>(180,042,763)</b>	

(a) The amortization of the deferred income was not taken into account in the budget.

(b) The difference is as a result of the CBA payment that had not been factored in the budget.

(c) Reduction in the student numbers for the May 2018 semester due to the overall performance of the students in the KCSE and the long lecturers strike led to reduction in the revenue from tuition. In addition the political atmosphere in the country affected the hotel and conference business negatively.

(d) The difference is due to the CBA payment that had not been factored in the budget.

(e) The movements due to cost cutting measures that have been put in place to curb expenditure.

(f) The movements due to cost cutting measures that have been put in place to curb expenditure.

(g) The depreciation for PPE was not taken into account in the budget



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

**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.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

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



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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, 2018.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)*

	Current 2017/2018	Prior Year 2016/2017
	Shs	Shs
<b>1. Public contributions and donations</b>		
CCK other assets	233,036	714,773
CCK-Hostels	60,000	
Korea Grant	286,062	286,062
Government of Kenya-Engineering equipment	13,847,909	13,543,098
<b>Total</b>	<b>14,427,007</b>	<b>14,543,932</b>
<b>2. Transfers from the Government</b>		
<b>Unconditional grants</b>		
Operational grant-Recurrent grant (Appendix 1)	517,159,181	491,926,500
Collective Bargaining Agreement (Appendix 1)	169,886,841	
	<b>687,046,022</b>	<b>491,926,500</b>
<b>Development Grant Amortization</b>		
Development Grant Amortization	29,153,106	24,486,774
<b>Total Government Grants</b>	<b>716,199,128</b>	<b>516,413,274</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)*

<b>3. Rendering of services</b>		
Tuition and other charges	341,922,185	395,461,942
Student Accommodation & Catering	43,221,972	37,438,246
Conference facilities	123,319,379	70,707,310
Printing and Laundry	3,141,405	3,421,738
Club house sales	5,588,801	7,028,335
Other University Income	8,574,796	9,203,216
<b>Total revenue from the rendering of services</b>	<b>525,768,537</b>	<b>523,260,787</b>
<b>4. Finance Income – external Investments</b>		
Equity Bank Interest from fixed deposits	1,210,492	4,213,914
<b>Total Finance Income – external investments</b>	<b>1,210,492</b>	<b>4,213,914</b>
<b>5. Employee costs</b>		
Salaries and wages	501,090,679	271,480,394
Casual Wages	35,043,576	33,171,589
Resources	78,636,713	68,222,591
Pension	58,324,945	47,835,902
Gratuity	11,160,403	12,979,445
Medical	35,497,933	35,080,632
Travel, motor car, accommodation, subsistence and Other allowances	10,098,557	11,875,077
Housing allowance	172,436,743	162,121,227
Car allowance & other allowance	140,205,038	127,936,588
Leave allowance	9,221,028	11,836,268
<b>Total Employee Costs</b>	<b>1,051,715,614</b>	<b>782,539,713</b>
<b>6. Remuneration of Council</b>		
	--	--
Mileage	409,430	603,420
Sitting Allowance	2,947,000	3,888,400
P.A.Y.E	1,263,000	1,581,200
Domestic Travel	730,866	205,949
Travelling & Accommodation	3,650,166	3,978,600
Other Council Expenses		1,740,770
<b>Total Director emoluments</b>	<b>9,000,463</b>	<b>11,998,339</b>
<b>7. Depreciation and amortization expenses</b>		
Motor Vehicle	5,998,666	5,998,666
Furniture and Fitting	6,862,255	6,498,964
Computers	17,090,102	14,326,455
Buildings	35,806,425	34,924,902
Library Books	2,917,230	4,877,479
Plant and Equipment	18,809,064	17,752,608
<b>Total Depreciation and amortization</b>	<b>87,483,742</b>	<b>84,379,075</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

<b>8. Repairs and maintenance</b>		
Renovations	10,459,978	20,859,244
Vehicles Repairs	279,390	2,136,162
Plant and Equipment operations cost	3,619,406	1,573,943
<b>Total repairs and maintenance</b>	<b>14,358,775</b>	<b>24,569,349</b>
<b>9. Use of goods and services</b>	--	--
Cleaning Services	12,420,669	9,300,140
Security Services	12,426,676	12,005,503
<b>Total</b>	<b>24,847,345</b>	<b>21,305,643</b>
<b>10. General Expenses</b>		
Advertising	19,028,090	9,053,622
Audit fees	750,000	750,000
Staff Education support	1,814,292	2,789,797
Ceremonies	12,422,529	31,294,849
Consulting fees	7,588,854	17,484,218
Catering costs	66,642,974	69,724,332
Fuel and oil	5,072,054	4,298,825
Insurance	12,026,664	11,681,914
Internet services	12,335,750	11,703,660
Student Activities	8,319,950	11,760,588
Student work study	1,653,270	573,399
Student Union Expenses	977,710	2,220,327
Sports and Welfare	4,441,662	4,471,581
Research Costs	703,490	975,786
Honoraria	7,947,596	11,176,288
Postage	726,160	939,671
Printing and stationery	16,754,170	25,588,381
Library Expenses	1,762,340	869,865
Rental	8,674,840	6,601,760
Cleaning Materials	9,071,575	5,476,995
Collaboration fee	5,396,600	4,485,000
Skills/staff development	4,754,951	11,622,564
Increase in bad debts	5,872,131	21,346,734
Lab Chemicals	255,000	1,041,161
Medical materials	4,265,618	4,585,989
Office Expenses	684,226	46,443
Welfare	2,359,750	297,600
Bank Charges	834,972	698,957
Out Sourced hotel services	26,619,000	
Electricity	32,635,770	32,500,230
<b>Total general expenses</b>	<b>282,391,989</b>	<b>306,060,536</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

<b>11.Detailed analysis of the cash and cash equivalents</b>		
	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Shs</b>	<b>Shs</b>
Current Account	53,065,525	68,480,841
Fixed deposits account	-	65,068,821
Others-Cash in Hand	239,103	417,248
<b>Total Cash and cash equivalents</b>	<b>53,304,628</b>	<b>133,966,910</b>
<b>Financial Institution</b>		
<b>a) Current account</b>		
Kenya Commercial bank-Main account	3,833,729	1,740,562
Kenya Commercial bank-Madaraka	47,041,058	25,223,783
Kenya Commercial bank-Hotel Account	1,717,479	4,325,599
Equity Bank- Development	96,762	36,432,462
Equity Bank- MMU student collection Account	376,496	758,436
<b>Total</b>	<b>53,065,524</b>	<b>68,480,841</b>
<b>b) Fixed deposits account</b>		
Equity Bank	--	65,068,821
<b>Sub- total</b>	<b>--</b>	<b>65,068,821</b>
<b>c) Others(specify)</b>		
Petty Cash	--	59,971
Catering Cash Sale Main Kitchen	79,165	42,130
Main Cash Office	125,520	315,147
Other Cash points	34,418	
<b>Sub- total</b>	<b>239,103</b>	<b>417,248</b>
<b>Grand- total</b>	<b>53,304,628</b>	<b>133,966,910</b>
<b>12.Receivables from exchange transactions</b>		
<b>Current receivables</b>		
Student Debtors	244,460,282	196,650,798
Trade Debtors	60,546,081	104,939,533
Staff Debtors	21,191,630	23,570,370
Less: Provision for bad & doubtful debts	166,247,543	160,375,412
<b>Total receivables from exchange transaction</b>	<b>159,950,450</b>	<b>164,785,287</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)*

	2017/2018	2016/2017
<b>13. Receivables from non-exchange contracts</b>	<b>Shs</b>	<b>Shs</b>
Imprest	8,614,077	7,556,680
<b>Total current receivables</b>	<b>8,614,077</b>	<b>7,556,680</b>
<b>14. Inventories</b>		
Catering Stores	2,086,137	1,649,601
Medical supplies	1,234,749	1,263,200
Stationary stores	6,273,636	3,037,727
Cleaning Materials	3,664,482	1,880,110
Hardware stores	2,137,562	3,509,409
<b>Total Inventories at the lower of cost and not realizable value</b>	<b>15,396,566</b>	<b>11,340,047</b>
<b>15. Trade Payables from Exchange Transaction</b>		
Trade payables	191,040,086	166,516,311
Payments received in advance	76,639,919	102,941,985
Taxation	331,966,458	272,190,366
<b>Employee benefit Obligation</b>		
Pension & Gratuity	242,913,844	144,201,931
Third party payments	46,927,174	29,142,995
Staff net pay	92,235	
Part-time Lecturers	44,908,638	47,151,376
<b>Sub Total Employee benefit obligation</b>	<b>334,841,892</b>	<b>220,496,302</b>
<b>Total creditors from exchange transactions</b>	<b>934,488,356</b>	<b>762,144,964</b>
<b>Refundable deposits from customers-Caution Money</b>	<b>10,159,302</b>	<b>9,230,802</b>
<b>Total Current Liabilities</b>	<b>944,647,658</b>	<b>771,375,765</b>
<b>16. Deferred Income</b>		
MOHEST Development Grant	493,777,010	502,155,124
CCK Grant-Variou Asset	21,654,383	1,887,417
CCK Grant –Hostel	1,499,999	1,559,999
Korea Grant	2,765,274	3,051,336
G.O.K Engineering Equipment	203,407,473	212,175,210
<b>Total deferred income</b>	<b>723,104,138</b>	<b>740,829,087</b>



17. NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Continued)

	Land	Motor vehicles	Furniture and fittings	Computers	Buildings	Others-Library Books	Plant and equipment	Capital Work in progress	Total
<b>Property, plant and equipment</b>									
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
At 1 July 2016	280,000,000	30,301,900	48,387,500	25,971,900	1,746,245,100	18,946,519	58,509,500	285,134,989	2,493,497,408
Additions	--	17,687,430	3,604,208	21,782,952		14,455,092	11,648,677	88,549,087	157,727,446
Donations	--	--	--			--	225,718,308	--	225,718,308
<b>At June 2017</b>	<b>280,000,000</b>	<b>47,989,330</b>	<b>51,991,708</b>	<b>47,754,852</b>	<b>1,746,245,100</b>	<b>33,401,612</b>	<b>295,876,486</b>	<b>373,684,076</b>	<b>2,876,943,163</b>
Additions	--	--	2,906,134	9,212,154	--	131,058	12,527,433	81,364,176	106,140,955
Donations	--	--	--	--		--	5,080,174	--	5,080,174
Transfer/adjustments	--	--	--	--	44,076,170	--	--	(44,076,170)	--
<b>As at June 2018</b>	<b>280,000,000</b>	<b>47,989,330</b>	<b>54,897,842</b>	<b>56,967,005</b>	<b>1,790,321,270</b>	<b>33,532,670</b>	<b>313,484,092</b>	<b>410,972,082</b>	<b>2,988,164,291</b>
<b>Depreciation &amp; impairment</b>									
At 1 July 2016	--	103,490	165,258	212,884	954,232	16,960,058	95,917	--	18,491,840
Depreciation	--	5,998,666	6,498,964	14,326,455	34,924,902	4,877,479	17,752,608	--	84,379,075
Impairment Acc dep. Written off to revaluation reserve									
<b>Acc.Dep As at 30 June 2017</b>	<b>--</b>	<b>6,102,156</b>	<b>6,664,221</b>	<b>14,539,340</b>	<b>35,879,134</b>	<b>21,837,537</b>	<b>17,848,525</b>	<b>--</b>	<b>102,870,914</b>
<b>Depreciation for the period</b>	<b>--</b>	<b>5,998,666</b>	<b>6,862,255</b>	<b>17,090,101</b>	<b>35,806,425</b>	<b>2,917,230</b>	<b>18,809,064</b>	<b>--</b>	<b>87,483,742</b>
Disposals	--	--	--	--		--	--	--	--
Transfer/adjustment	--	--	--	--		--	--	--	--
<b>Acc. Dep As at June 2018</b>	<b>--</b>	<b>12,100,823</b>	<b>13,526,477</b>	<b>31,629,441</b>	<b>71,685,560</b>	<b>24,754,767</b>	<b>36,657,589</b>	<b>--</b>	<b>190,354,656</b>
<b>Net book values</b>									
<b>As at June 2018</b>	<b>280,000,000</b>	<b>35,888,508</b>	<b>41,371,366</b>	<b>25,337,564</b>	<b>1,718,635,710</b>	<b>8,777,903</b>	<b>276,826,503</b>	<b>410,972,082</b>	<b>2,797,809,635</b>
<b>At 30 June 2017</b>	<b>280,000,000</b>	<b>41,887,174</b>	<b>45,327,487</b>	<b>33,215,512</b>	<b>1,710,365,965</b>	<b>11,564,074</b>	<b>278,027,960</b>	<b>373,684,076</b>	<b>2,774,072,248</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2008 Certified)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

18. FUNDS AND RESERVES	2017/2018 Kshs	2016/2017 Kshs
a) Equity Fund	1, 269,222,498	1, 269,222,498

There was no change in the capital fund during the financial year 2017/2018

### b) Accumulated deficit

The accumulated fund brought forward from 2016/2017 was Kshs (532,679,555). This has been negatively affected by the current year deficit of Kshs (211,714,433) bringing the current accumulated fund to Kshs (744,393,988).

	2017/2018 KShs 000	2016/2017 KShs 000
Balance b/d	(530,742,023)	(358,321,302)
Current year Deficit	(212,192,764)	(172,420,721)
<b>Closing Balance</b>	<b>(742,934,788)</b>	<b>(530,742,023)</b>

### c) Revaluation reserve

During the year 2015/2016 the university engaged Sec & M Company to revalue its fixed assets and this resulted to a revaluation of reserve of Kshs 841,035,849. There was no revaluation of the fixed assets in the year 2017/2018 therefore no movement in the revaluation reserve.

	2017/2018 KShs 000	2016/2017 KShs 000
Revaluation reserve	841,035,849	841,035,849

## 19. Deferred Income

Deferred income relates to grants and donations that have been received by the university over a period of time and continue to be amortized. These include:-

### a) CCK Grant- Hostel

The university received Kshs 3,000,000 for construction of Senior Hostel from CCK. This is amortized at the rates of 2% annually.

	2017/2018 KShs 000	2016/2017 KShs 000
Balance b/d	1,559,999	1,559,999
Amortization of grant	(60,000)	(60,000)
<b>Total</b>	<b>1,499,999</b>	<b>1,559,999</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

### b) CCK Grant other assets

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. This continues to be amortized over the useful life of the assets.

	2017/2018	2016/2017
	KShs 000	KShs 000
Balance b/d	21,887,418	22,542,191
Amortization of grant	(233,035)	(654,773)
<b>Total</b>	<b>21,654,383</b>	<b>21,887,418</b>

### c) Korea donation

The University received grant of equipment worth Kshs.4, 767,708 from Korea. This continues to be amortized over the useful life of the equipment.

	2017/2018	2016/2017
	KShs 000	KShs 000
Balance b/d	3,051,337	3,337,398
Amortization of grant	(286,062)	(286,061)
<b>Total</b>	<b>2,765,274</b>	<b>3,051,337</b>

### d) Government development grant

The university receives development grant from the government through state department for university education for various projects. During the year 2017/2018 the university received a grant of Kshs 20,774,992 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. This grant is amortized over the useful life of the assets acquired.

#### Deferred Income Government grant

	2017/2018	2016/2017
	KShs 000	KShs 000
Balance b/d	502,155,124	400,807,069
Grant received	20,774,992	125,834,829
Amortization of grant	(29,153,106)	(24,486,774)
<b>Total</b>	<b>493,777,010</b>	<b>502,155,124</b>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

### e) Engineering Equipment donation

During the year 2016/2017 the university received lab equipment worth of Kshs 225,718,308 and an addition of equipment worth Kshs 5,080,173 in 2018/2017 from the ministry of education, science and technology (state department for university education). The grant will be amortized over the useful life of the equipment.

	2017/2018	2016/2017
	KShs 000	KShs 000
Balance b/d	212,175,210	--
Grant received	5,080,173	225,718,308
Amortization of grant	(13,847,909)	(13,543,099)
<b>Total</b>	<b>203,407,473</b>	<b>212,175,210</b>

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.

## 20. RELATED PARTY TRANSACTIONS

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

	Kshs 000 2017/2018	Kshs 000 2016/2017
<b>Loans to staff members</b>	<b>21,191,630</b>	<b>23,570,370</b>

21. The total number of the employees on permanent and contract basis as at 30<sup>th</sup> June 2018 was four hundred and two (402).



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## APPENDIX 1:

### BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF UNIVERSITY EDUCATION

#### Recurrent Grant

Bank Statement Date	Amount (KShs)	The year to which the account relates
08/24/2017	40,235,916.00	2017/2018
09/05/2017	40,235,916.00	2017/2018
10/04/2017	40,235,915.00	2017/2018
11/06/2017	40,235,916.00	2017/2018
12/05/2017	40,235,916.00	2017/2018
01/09/2018	40,235,916.00	2017/2018
02/09/2018	5,721,365.00	2017/2018
02/09/2018	40,235,916.00	2017/2018
03/14/2018	5,721,365.00	2017/2018
03/14/2018	40,235,916.00	2017/2018
04/09/2018	40,235,916.00	2017/2018
04/13/2018	5,721,365.00	2017/2018
06/12/2018	5,721,365.00	2017/2018
06/12/2018	40,235,916.00	2017/2018
06/12/2018	5,721,365.00	2017/2018
06/12/2018	40,235,916.00	2017/2018
06/29/2018	5,721,365.00	2017/2018
06/29/2018	40,235,916.00	2017/2018
<b>TOTALS</b>	<b>517,159,181.00</b>	



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## Collective Bargaining Agreement

Bank Statement Date	Amount (KShs)	The year to which the account relates
19/07/2017	70,829,394.60	2017/2018
03/07/2017	64,729,255.35	2017/2018
01/12/2017	28,606,826.00	2017/2018
02/01/2018	5,721,365.00	2017/2018

## Development GVT Grant

Bank Statement Date	Amount (KShs)	The year to which the account relates
04/19/2018	20,774,992.00	2017/2018

# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MULTIMEDIA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

---

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Multimedia University set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Multimedia University as at 30 June 2018 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the University's Act, 2012 of the Laws of Kenya.

#### Basis for Qualified Opinion

##### 1. Going Concern

During the year under review, the University recorded a deficit of Kshs.212,192,763 (2017 deficit: Kshs.172,420,721) which increased the accumulated deficit from Kshs.530,742,023 in 2016/2017 to Kshs.742,934,786 as at 30 June 2018. Further, the statement of financial position reflects current liabilities of Kshs.944,647,657 as at 30 June 2018 against current assets of Kshs.237,265,721 resulting into a negative working capital of Kshs.707,381,936 as at the same time the University was unable to meet its financial obligations as and when they fall due. In particular the university was unable to remit pension and gratuity and taxes of Kshs.242,913,844 and Kshs.331,966,458 respectively to the respective beneficiaries thereby risking fines and penalties.

The University is therefore technically insolvent and its continued operation as a going concern was dependent upon the support of its creditors, bankers and Government.

## 2.0 Receivables from Exchange Transactions

### 2.1 Unexplained Variance

The Financial statements balances were at variance with supporting schedules balances as shown below:

Item	Amended Schedules/ Supported Kshs.	Financial Statements Kshs.	Variance Kshs.
Students	243,116,362.50	244,460,282.00	1,343,919
Trade	101,981,013.60	60,546,081.00	(41,434,932)
Staff	20,118,307.36	21,191,630.00	1,073,322)
<b>Gross Debtors</b>	<b>365,215,683.46</b>	<b>326,197,993.00</b>	<b>(39,017,690)</b>
Old Debts	(77,928,485.72)	-	77,928,485
<b>Total Debtors</b>	<b>287,287,197.74</b>	<b>-</b>	<b>(287,287,197)</b>
Provision for Bad Debts 2% / 50%	(164,382,505.40)	(166,247,543.00)	(1,865,037)
<b>Net Debtors</b>	<b>200,833,178.06</b>	<b>159,950,450.00</b>	<b>(40,882,728)</b>

Although the Management is aware of the above anomaly, no evidence of any efforts being made to reconcile the two sets of records was availed for audit.

In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables from exchange transactions balance of Kshs.159,950,450 as at 30 June 2018.

### 2.2 Prior year matters

#### 2.2.1 Long outstanding debts

As disclosed in note 12 to the financial statements, the receivables from exchange transactions balance of Kshs.159,950,450 includes trade debtors totaling to Kshs.60,546,081 however excluded from this amount is a balance of Kshs.77,928,486 which has been outstanding for over ten (10) years and some of which date back to year 1998. Although management has adequately provided for these debts in the financial statements, available information indicate that the recovery process has been slow. It was also noted that the balance of kshs159,950,450 was arrived at after netting off impairment allowances totaling Kshs.166,247,543 and whose nature and supporting analysis was not availed for audit review. Further, included in the receivables from exchange transactions balance is staff debtors figure of Kshs.21,191,630 which includes debts totaling Kshs.22,910,549 due from the defunct Kenya College of Communications Technology staff who have since left the University. No satisfactory explanation was provided as to how the University cleared the former employees without recovering the outstanding debts.



**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 YEAR ENDED**

**30 JUNE, 2018**

---

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

i



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## TABLE OF CONTENTS

S/No.	TOPIC	PAGE
I	KEY ENTITY INFORMATION AND MANAGEMENT	iii
II	THE UNIVERSITY COUNCIL	vi
III	MANAGEMENT TEAM	ix
IV	CHAIRMAN'S STATEMENT	xi
V	REPORT FROM THE VICE CHANCELLOR	xii
VI	CORPORATE GOVERNANCE STATEMENT	xiv
VII	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xvi
VIII	REPORT OF THE UNIVERSITY COUNCIL	xvii
IX	STATEMENT OF THE UNIVERSITY COUNCIL RESPONSIBILITIES	xviii
X	MANAGEMENT DISCUSSION AND ANALYSIS	xx
XI	REPORT OF THE AUDITOR – GENERAL	xxii
XII	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018	1
XIII	STATEMENT OF FINANCIAL POSITION AS AT 30 <sup>TH</sup> JUNE 2018	2
XIV	STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018	3
XV	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018	4
XVI	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018	5
XVII	NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018	6-17
	APPENDIX 1: BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF UNIVERSITY EDUCATION	18-19



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## 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 28<sup>th</sup> 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 23<sup>rd</sup> 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 4<sup>th</sup> March 2013 to become a fully pledged University with its own Charter.



**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**

- [i] Full Council
- [ii] Executive Committee (Ad-hoc)
- [iii] Finance and Resource Mobilization Committee
- [iv] Audit Committee
- [v] Planning, Establishment, Development and ICT Steering Committee
- [vi] Human Resource, Staff Welfare and Disciplinary Committee of Council
- [vii] Students Welfare
- [viii] Sealing & Honorary Committee (Ad-hoc)



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

---

## 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](mailto:vc@mmu.ac.ke)  
Website: [www.mmu.ac.ke](http://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 – Office of the Auditor General,  
Anniversary Towers, University Way,  
P.O. Box 30084-00100,  
Nairobi, Kenya.

**(h) Principal Legal Adviser**

1. Office of the Attorney General
2. J. Thongori & Co. Advocates  
P.O. Box 45707-00100, Nairobi.
3. Miller & Company Advocates  
P.O. Box 45707-00100, Nairobi.
4. Muchoki Kanga'ta Njenga & Co. Advocates  
P. O. Box 926 - 00100, Nairobi.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## II. THE UNIVERSITY COUNCIL



**1) Prof. Johnstone Mutisya Kiamba  
Chairman**

Prof. Kiamba has over 30 years career experience having held management and teaching positions in various organisations. He has held various public service positions in Kenya, Botswana and South Africa. He is currently a consultant on regional development and environmental planning.

Prof. Kiamba holds a Doctor of Philosophy in Urban & Regional Planning, Nottingham University, UK. He is a member of the Botswana Institute of Town & Regional Planners, South African Council for Town & Regional Planners, Kenya Institute of Planners and is an Advocate of the High Court of Kenya.



**2) Ms. Amina H. Ibrahim  
Vice Chairperson**

Ms. Ibrahim has over 15 years working experience in the Education and NGO sectors. She is currently the Managing Director of Leeban Consulting Limited and has previously worked at Action Aid and UNICEF.

Ms. Ibrahim holds a Masters in Development from University of London (SOAS), United Kingdom and is also a graduate of the INSEAD Executive Leadership Program among other short courses.



**3) QS. Kibasui Ndonga  
Treasurer**

Mr. Ndonga has over 38 years working experience in the construction industry. He is previously worked for Mavji Construction Company and the Ministry of Public Works.

Mr. Ndonga holds a Masters in Business Administration from Jomo Kenyatta University of Agriculture and Technology.

He is a Registered Quantity Surveyor, Member of the Institute of Quantity Surveyors of Kenya (IQSK), Member of Architectural Association of Kenya (Quantity surveyor's Chapter) and an Associate Member of the Institute of Arbitrators of Kenya.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## THE UNIVERSITY COUNCIL (CONTINUED)



**4) Dr. Emmanuel Wamalwa  
Member**

Dr. Wamalwa has over 15 years working experience in the humanitarian and development sector. He is the Head of Health Programs at CARE International, Kenya and has previously worked for the Kenya Red Cross Society, AMPATH, Kenya Medical Research Institute and the Ministry of Health, Kenya.

Dr. Wamalwa holds a Doctor of Philosophy in Disaster Management & Sustainable Development from Masinde Muliro University of Science and Technology.



**5) Mr. Samson Kahindi Iha  
Member**

Mr. Iha has over 23 years working experience in the education sector. He is currently Assistant Language Programmes Manager, Coast Region at Bible Translation & Literacy (BTL-EA) and has previously worked for the Teachers Service Commission.

Mr. Iha holds a Masters of Arts in Project Planning & Management.



**6) Ms. Juliet Wambua-Njogu  
Member**

Ms. Wambua-Njogu has over 15 years working experience in the banking and hospitality industries. She is currently the Managing Director of The Alba Hotels Limited. She previously worked at Standard Chartered Bank and Barclays Bank.

Ms. Wambua-Njogu holds a Master of Business Administration from Warwick Business School, United Kingdom and is also a graduate of the Strathmore University Owner Manager Program.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## THE UNIVERSITY COUNCIL (CONTINUED)



**7) Mr. Moses Kanagi  
Member**

Alternate to Principal Secretary,  
National Treasury



**8) Mr. Zachary Ooko  
Member**

Alternate to Principal Secretary,  
National Treasury



**9) Prof. Amb. Festus Kaberia  
Secretary**

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.

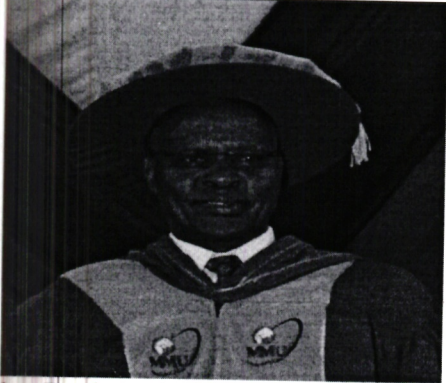




# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## III. MANAGEMENT TEAM

	<p>Vice Chancellor 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.</p>
<p>1. Prof. Amb. Festus Kaberia</p>	<p>Prof. Amb. Kaberia has also served as the country as a High Commissioner of Kenya to India.</p>
	<p>Deputy Vice Chancellor, Administration, Finance &amp; Planning</p>
<p>2. Prof. Rosebella Maranga</p>	
	<p>Deputy Vice Chancellor, Academic Affairs Research &amp; Innovation</p>
<p>3. Prof. Paul Mbatia</p>	


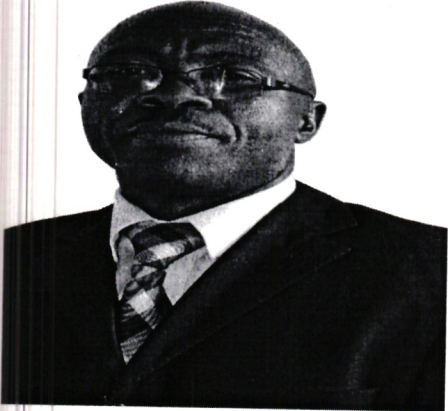



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## MANAGEMENT TEAM (CONTINUED)

 <p><b>4. Mr. Cornelius Mutangili</b></p>	<p>Registrar Administration</p>
 <p><b>5. Dr. Joash Mulabe</b></p>	<p>Registrar Academic Affairs</p>
 <p><b>6. Mr. Joseph Ndiritu</b></p>	<p>Ag. Finance Officer</p>



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## IV. CHAIRMAN'S STATEMENT

On behalf of the Multimedia University of Kenya Council, I present the financial report for the 2017/2018 Financial Year.

As a reputable organisation and following the legal requirements of financial reporting, this report is essential to provide accountability in a transparent manner in all our operations.

The accounting period has had its challenges, but the University remains steadfast in its pursuit of being an internationally recognized university. The Council which took office in August, 2017 is focused and committed to ensuring that this University continues to grow while providing high quality education.

As we move into the next financial year, the Council is committed to prudent financial management while ensuring that the University provides high quality services to its students, staff and other stakeholders. Key is the expending of the University's infrastructure especially the library, lecture halls, improving hostels and enhancing revenue from income generating units. To cut on costs, we are looking at full automation of our systems and a critical review of each cost item to ensure value for money.

As board chair, I thank the Government for the continued support of the university and its programmes. MMU being a technical University has great potential to assist the country achieve its development agenda which is heavily reliant on technical skills. The Council will continue to ensure the university continues to cultivate its unique niche.

As a council we will continue to advance MMU's Vision of being a world class center of excellence in training, research innovation and consultancy.

**Prof. Johnstone M. Kiamba, PhD, MA, BA, LLB, Dip. Law (KSL)**  
**CHAIRMAN OF THE UNIVERSITY COUNCIL**



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

---

## V. REPORT FROM THE VICE

Multimedia University of Kenya is committed to providing high quality education, producing competent graduates and endeavours to excel in the areas of training, Research, Technology Innovation and consultancy to achieve our vision and mission.

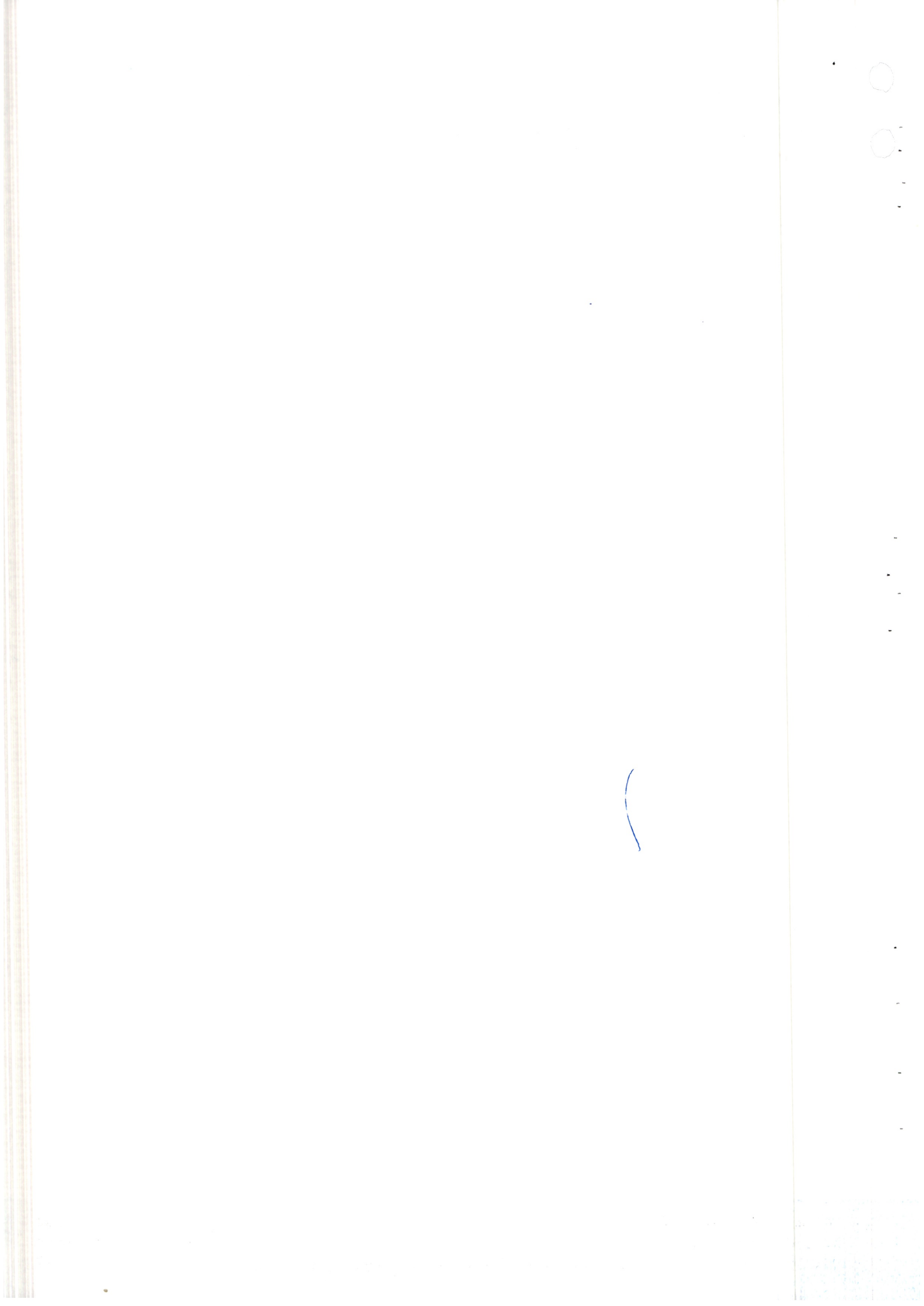
With pride, I can say that MMU has continued to grow and achieve its mandate while at the same time cutting a clear niche for itself as a leading technical university in the region.

In the past financial year a lot has been achieved through hard work, strategic thinking and prudent management of limited financial resources. MMU just like other public universities has continued to face financial challenges that have greatly impacted on its development strategy and service provision. Though we have a long way to go and many challenges to overcome, I am cognizant of the fact that we shall forge ahead and achieve all our goals.

Key among the challenges has been the reduced number of potential students due to the 'Matiangi Effect' and the continued reduction of government capitation. It is with this in mind that the University is looking at how best to reduce costs while increasing revenue generation.

A positive story is that the University has been able to fill its capacity of 1<sup>st</sup> year students under the government sponsored programme for the last two years. Our challenge in the coming financial year is to improve and continue providing quality education to our students and continue partnering with institutions to improve the knowledge of our staff and students in their specific areas of specialization.

We are very grateful for the continued financial support that we receive from the government.





# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

---

We also wish to appreciate collaborations that we have had with other partners, all of which continue to contribute to our successes.

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



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## VI. CORPORATE GOVERNANCE STATEMENT

Multimedia University of Kenya (MMU) is a chartered public University established by the Kenyan Government under the Universities Act No. 42 of 2012 and the Multimedia University of Kenya Charter 2013.

As a government agency the University is expected to promote and accelerate economic growth and development and to drive the social and economic transformation in Kenya.

To do this, the University, is required to efficiently allocate its resources so as to achieve its goal of producing competent and highly skilled quality human resource to meet Kenya's development needs.

The University Council regularly reviews the University's corporate governance framework to ensure that MMU operates within the Kenyan legal framework especially the Universities Act 2012 and in so doing ensuring that the University meets the needs of its students, staff and other stakeholders. This is done by following the Board Charter and the provisions of Mwongozo.

This Corporate Governance Statement outlines the key components of the corporate governance framework during the year ended 30 June 2018.

### **Multimedia University Council**

The MMU Council Members were appointed on vide Gazette Notice No.7602 and No.7603. The Council Members are:

- (i) Prof. Johnstone Mutisya Kiamba, PhD
- (ii) Ms. Amina H Ibrahim
- (iii) Dr. Emmanuel Wamalwa, PhD
- (iv) Ms. Juliet Wambua-Njogu
- (v) Mr. Samson Kahindi Iha
- (vi) Mr. Kibasui Ndonga
- (vii) Mr. Moses Kanagi, PS REP. National Treasury
- (viii) Ms. Ann Wangui Kaiga PS REP. Ministry of Education
- (ix) Amb. Prof. Festus Kaberia, Vice Chancellor and Secretary to the Council.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

---

The Council was inaugurated on 14<sup>th</sup> September, 2017. The Council constituted four working Committees in line with Mwongozo. These committees are -

- (i) Planning, Finance and Resource Mobilization
- (ii) Human Resource and Staff Welfare
- (iii) Academic and Students Welfare
- (iv) Audit, Risk and Governance

## **Conflict of Interest, Ethics and Conduct**

In order to ensure that any conflict of interest of a Council member in a particular matter to be considered by the Board is brought to the attention of the Council, the Council has ensured appropriate procedures are put into place through the approval of the Anti-Corruption Policy, Code of Conduct and Ethics and actualized the conflict of interest register and the confidentiality register. Upon their induction, all the Council members took and signed an Oath of Office. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, the same is dealt with in line with set government guidelines.



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

---

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Multimedia University of Kenya is committed to positively impacting the society by ensuring we operate in a socially conscious manner and give back to the society.

The management, staff and students choose to do this by advancing the cause for education, lending a helping hand to the needy and improving the environment around us.

MMU's main aim is to create a CSR programme where the society we operate in is positively impacted by University. MMU expects to develop a CSR policy that will guide its operations. We envisage an all-inclusive policy were Members of Council, University Management Board and MMU partners can work with one purpose for the betterment of society.

To date, MMU has continued to undertake CSR projects in the neighbouring communities with great success.



# MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2008 Certified)

## VIII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30, 2018 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, 2018 are set out on page 1-5

### University Council

The members of the University Council who served during the year are shown on page VI & VII. 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: 25/03/19



# MULTIMEDIA UNIVERSITY OF KENYA

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

**(MMU is ISO 9001:2008 Certified)**

## IX. 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, 2018. 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, 2018, and of the University's financial position as at that date.



# MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2008 Certified)

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 31<sup>st</sup> July 2018 and signed on its behalf by:

Handwritten signature in blue ink, appearing to read 'K. Kaberia'.

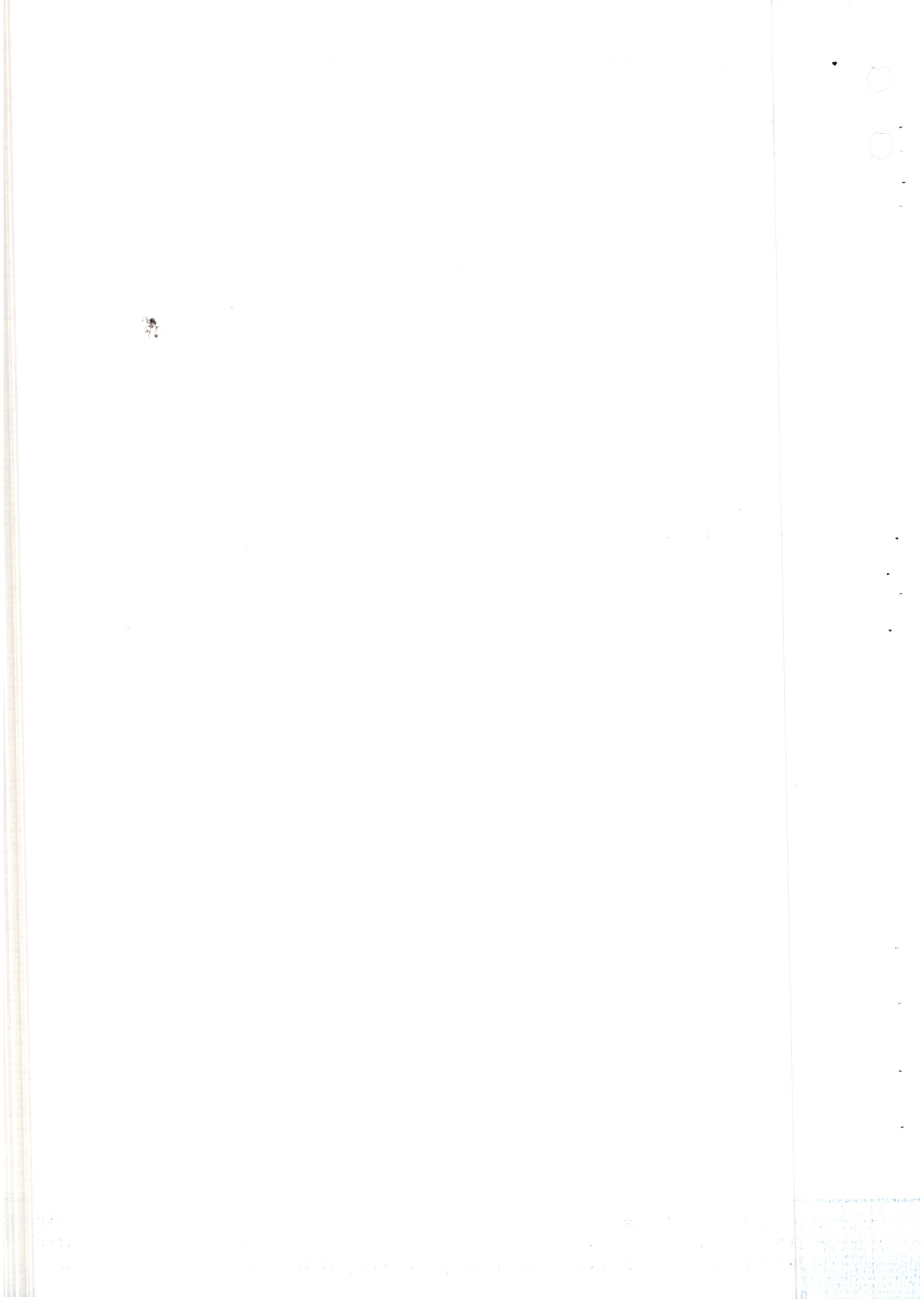
.....  
Vice Chancellor

Date 25/03/19.....

Handwritten signature in blue ink, appearing to read 'M. M. M.'.

.....  
Chairman of the Council

Date 25/3/19.....





# MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2008 Certified)

## X. MANAGEMENT DISCUSSION AND ANALYSIS

### SECTION A

#### The entity's operational and financial performance

In the Financial Year 2017/2018 the University realized revenues totalling KES 1, 257,605,164. This was an increase of 19% over the previous period (year 2016/2017) total revenue of KES.1, 058,431,934. The University registered a decline in tuition income in 2017/2018 of 14% (fourteen percent) from KES.395, 461,942 reported in 2016/2017 financial year to 341,922,185 in the financial year 2017/2018. Student hostel and accommodation revenue increased to KES 43,221,972 in 2017/2018 from KES.37, 438,246 in 2016/2017. The overall decline in student related revenue can be attributed to the drop in student intake due to the overall country performance in the form four examinations and the prolonged lecturers strike that affected the timing of the academic semesters.

Hotel conference facility and club house registered revenue of KES 128,908,180 in the year 2017/2018. This was mainly due to increase in advertising. This was an increase of 65% compared to KES 77,735,645 in the 2016/2017 financial year. Government of Kenya recurrent support increased to KES.517,159,181 from KES.491,926,500 in 2016/2017, a 5% increase. In addition the university received KES 169,886,841 Million towards collective bargaining agreement.

Total operating expenses in the financial year was KES.1, 469,797,927. This was an increase of 19% from KES.1, 230,852,655 reported in the previous financial year 2016/2017. Employee cost for the period increased from KES.782, 539,713 to KES.1, 051,715,615. This was as a result of increase in salary due to collaborative bargaining agreement. There was a reduction in repairs and maintenance costs from 24,569,349 to 14,358,775 and a reduction in general expenses from 306,060,536 to 249,756,219. This was as a result of the cost cutting measures that have been put in place.

On the overall, the university recorded a Financial Deficit of KES 212.2 Million in the financial year 2017/2018 compared to a deficit of KES.172.4 Million in the financial year 2016/2017. The increased deficit arises from observed reduction in reported revenue and moderate increase in total expenses for the period.

### SECTION B

#### Entity's compliance with statutory requirements

The University has complied with the statutory requirements to a large extent. However due to the cash flow constraints, the university has not been able to comply with its statutory obligation amounting to Kshs.331, 966,458 relating to various taxes. This exposes the university to the contingent liabilities in case penalties are imposed. Additionally the university has not remitted employee pension amounting to Kshs.242, 913,844. This can expose the university to court cases with the employees.





# MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2008 Certified)

## SECTION C

### Key projects and investment decisions the entity is planning/implementing

The university is currently putting up lecture halls and planning to put up a new library. With enough learning facilities the university will be able to introduce more new courses including the Post graduate courses.

Security has been an issue of concern in many learning institutions, to address this and enhance the safety of the students; the university has put up a perimeter wall around the campus and currently installing CCTV cameras around the university. The renovation the student centre and hotel have also been completed. All these projects are being funded by the government through development grant.

## SECTION D

### Major risk facing the entity

#### a) Liquidity Risks

Currently the university is not able to meet all of its short term obligations. The University has a current asset ratio of 0.25:1. The recommended ratio is 1:1.

The current liabilities of Kshs 944.46Million exceeded the current asset of Kshs 237 Million by 707 Million creating a negative working capital.

The net creditors increased by 22% to 944 Million as at 30<sup>th</sup> June 2018 from 771 Million in the previous year.

## SECTION E

### Material arrears in statutory/financial obligations

Due to cash flow constraints the university has the following arrears relating to statutory obligation:-

S/No.	Description	Amount – (KShs)
1.	P.A.Y.E	274,092,014
2.	Withholding VAT	37,676,407
3.	VAT	12,005,750
4.	Withholding Tax	8,192,288
5.	Staff Pension	214,975,896
	<b>Total</b>	<b>546,942,355</b>

