

(LTD)



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
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REPORT	
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THE AUDITOR-GENERAL

ON

MULTIMEDIA UNIVERSITY OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2019**






MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2015 Certified)

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2021	DAY.
TABLED BY:	
CLERK-AT	

MULTIMEDIA UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2019

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

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MULTIMEDIA UNIVERSITY OF KENYA

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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 (JKUAT) under legal notice no 155 of 28 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 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 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 and incorporated under the Companies Act (cap 486) as a wholly owned subsidiary of the then Kenya Posts and Telecommunications Corporation.

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



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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 National Computing Centre (United Kingdom), Chartered Institute of Procurement and Supply (United Kingdom) and Kenya National Examination council.

(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)



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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 (KCB),
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
Sheria House.
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.

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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.





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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.





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THE UNIVERSITY COUNCIL (CONTINUED)

 <p>7) Mr. Moses Kanagi Member</p>	<p>Alternate to Principal Secretary, National Treasury</p>
<p>8) Ms. Ann Wangui Kaiga Member</p>	<p>Alternate to Principal Secretary, Ministry of Education</p>
 <p>9) Prof. Amb. Festus Kaberia Secretary</p>	<p>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>Prof. Amb. Kaberia has also served as the country as a High Commissioner of Kenya to India.</p>






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III. MANAGEMENT TEAM

 <p>1. Prof. Amb. Festus Kaberia Vice Chancellor</p>	<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 Agriculture and Technology. He also served as a deputy commission secretary at the commission for Higher Education.</p> <p>Prof. Amb. Kaberia has also served as the country as a High Commissioner of Kenya to India.</p>
 <p>2. Prof. Rosebella O. Maranga Deputy Vice Chancellor Administration, Finance and Planning</p>	<p>Deputy Vice Chancellor, in charge of Administration, Finance and Planning. Holder of PhD in Medical /Veterinary Entomology, Master of Management and leadership and previously professor of zoology at Jomo Kenyatta University of Agriculture and Technology.</p> <p>Prof Maranga has a wide range experience in development and administration of institutional policy, institutional strategic planning and budget development and implementation, public finance and procurement, Curriculum development and implementation and research and training.</p>
 <p>3. Prof. Paul Mbatia Deputy Vice Chancellor, Academic Affairs Research & Innovation</p>	<p>Deputy Vice Chancellor in charge of Academic Affairs, Research and Innovation, Prof. Paul Mbatia is an Associate Professor of Sociology who has an impressive record of teaching Sociology at the University of Nairobi for many years. Prior to his appointment at Multimedia University of Kenya, he held various senior administrative positions at the University of Nairobi and also served in leadership positions at the Public Sector, Anglican Church of Kenya and at Community level. Prof. Mbatia is a well-established scholar, youth mentor, mediator and a consultant on Social Development.</p>



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MANAGEMENT TEAM (CONTINUED)



4. Mr. Cornelius Mutangili
Registrar Administration

Mr Mutangili holds a Bachelor of Arts Degree (sociology & Anthropology), University of Nairobi, Master of Arts (Demography), University of Nairobi. Awaiting to defend his PhD Thesis in Leadership and Governance at JKUAT. An experienced Social Science Researcher in General population dynamics, with particular interest in Reproductive Health and behavioral research. He has over 20 years' experience in Administration, having worked as a Senior Administrator, University of Nairobi, Deputy Registrar, Research and Innovation and Registrar, Research and Innovation, Multimedia University of Kenya.



5. Dr. Joash Mulabe
Registrar Academic Affairs

Registrar Academic Affairs Dr. Mulabe has over 25 years' experience in Administration of public universities. He has served in various universities in different capacities. Before joining MMU, he served as deputy registrar at JKUAT.

Dr. Mulabe holds a Bachelor of Arts degree in (Sociology and History-KU); a Master of Business Administration (Human Resource Management - 2005 KU); and a Ph.D. in Human Resource Management and Organizational Behaviour & Theory 2013-UoN. He has also attended relevant short training courses relevant to his career.



6. Mr. Joseph Ndiritu
Finance Officer

Finance Officer Mr. J. Ndiritu has over 30 years of demonstrated experience in Financial management and Audit. He has broad knowledge in the areas of Public Finance and Procurement having served in various public institutions in different capacities. Prior to his appointment he served as the head of the Internal Audit in MMU.

Mr. Ndiritu holds a Masters of Business Administration (Finance) from the University of Nairobi.

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IV. CHAIRMAN'S STATEMENT

On behalf of the Multimedia University of Kenya Council, I hereby present the financial report for the Financial Year 2018-2019. The Financial year 2018-19 has had its challenges and opportunities which the University has surmounted and taken advantage of with the strategic aim of meeting our stakeholders' needs and expectations.

Some of the major challenges that the university faced and is still facing is the reduction in Government capitation and the reduced number of Self Sponsored students due to the 'Mati'angi' effect. This has had a big impact by reducing University's revenues and thus negatively impacting the University's ability to meet its obligations. During this financial period, the Government of Kenya placed great importance on effective management at all public universities. This important issue was taken up by the Council and we are committed to ensuring good management especially of our financial and human capital. With prudent management that is centred on excellent service provision to our students, employees and other stakeholders.

Key to excellent service provision is the need to expanding of the University's infrastructure, cutting costs and enhancing revenue generation. The Council has approved a number of measures that we expect to improve service provision and financial management. As board chair, I thank the Government of Kenya for its continued support of the University. MMU being a technical University has a critical role in developing the human capital required for the achievement of the national development agenda. The Council will continue to ensure the university continues to foster its unique niche.

As a Council, we will continue working closely with the Government, management, staff, students and other stakeholders as we work towards achieving academic excellence and continue playing a significant role in serving society.

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

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V. REPORT FROM THE VICE CHANCELLOR

As a public institution, Multimedia University of Kenya is obliged to report its financial management to its stakeholders and the public. As a leading university in Kenya, MMU adheres to International Accounting Standards (IAS) and Government financial policy.

MMU just like other public universities has continued to face financial challenges that have greatly impacted on its development strategy and service provision. However, with the guidance of the Council, the University has begun the process of transforming its management systems so as to achieve efficiencies. To achieve long term financial sustainability, the MMU worked towards the reduction of costs and the generation of more revenue. A key component of this is the need to automate the University's processes thus making them more transparent and fortified against illegal interference.

In the past just concluded financial year, the University was able to achieve a lot despite the limited financial resources. One of the major achievements was the breaking of ground for the construction of an ultramodern library. Added to this, was the ability of MMU to attract new students as is evidenced by the University filling its capacity of first year students under the government-sponsored programme.

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 grateful for the continued support both financial and otherwise that we receive from the Government and our various partners, all of which continues to contribute to these great institutions success.


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

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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, highly skilled and innovative human resource to meet Kenya's development needs as outlined in the national strategy Vision 2030 and the Government Big Four Agenda.

As part of its work plan, the University Council regularly reviews the University's corporate governance framework i.e. policies, procedures, etc 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, employees and other stakeholders. This is done by following the.

This Corporate Governance Statement reaffirms MMU's commitment to the corporate governance framework outlined in the Board Charter, the provisions of Mwongozo and industry best practice during the year ended 30 June 2019.

Multimedia University Council

The MMU Council Members were appointed on 7 Aug 2017 vide gazette Notice No. 7602 and No.7603. The council members are:

- (i) Prof. Johnstone Mutisya Kiamba
- (ii) Ms Amina H Ibrahim
- (iii) Dr Emmanuel Wamalwa, PhD



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- (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.

To effectively undertake its role the Council constituted four working Committees in line with Mwongozo. These committees were: -

- (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 on a matter to be considered by the Council 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, Board Charter, Code of Conduct and Ethics, actualized the conflict of interest register and the confidentiality register. To actualize this, all the Council members upon their induction, took 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.



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VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Multimedia University of Kenya is committed to positively impacting society by ensuring we operate in a socially conscious manner and give back to 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 the University. MMU expects to develop a CSR policy that will guide its operations. We envisage an all-inclusive policy where 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. Key among this is our tree planting programme, donations to needy children's homes, e-waste management and other environmental projects.

MMU will continue to be a good corporate citizen that works to positively impacting society.



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VIII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30, 2019 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, 2019 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: 30/09/2019



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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, 2019. This responsibility includes the following:-

- (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.

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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, 2019, and of the University's financial position as at that date.


The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control. 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 17th September 2019 and signed on its behalf by:


.....
Vice Chancellor

Date... 30/09/2019


.....
Chairman of the Council

Date... 30-09-2019





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X. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

In the Financial Year 2018/2019 the University realized revenues totalling KES 1,076,251,783. This was decrease of 14% from the previous period (2017/2018) total revenue of KES.1,261,822,594. This decrease can mainly be attributed to the reduction in government recurrent funding which declined by 34%. Revenue from rendering of services increased by 8.4 % on the overall with tuition income registering the highest increase of 39 % when compared to the previous year. The increase in tuition income is as a result of increase in the student enrolment. There was a 75% decline in the hotel and conference income due to the hard economic times experienced in the country.

Total operating expenses in the financial year was KES. 1,381,842,845. This was decrease of 6% from KES. 1,469,498,082 reported in the previous financial year 2017/2018. Employee cost for the period decreased from KES. 1,052,535 to KES. 958,046,326. The previous year (2017/2018) personnel cost was high as a result of payment of the arrears relating to collaborative bargaining agreement. There was an increase in repairs and maintenance costs from KES 14,358,775 in the year 2017/2018 to KES 22,602,194 in the year 2018/2019 and a reduction in general expenses from KES to 281,272,657 to KES 271,430,446. 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 305.6 Million in the financial year 2018/2019 compared to a deficit of KES.212 Million in the financial year 2017/2018. The increased deficit arises from observed reduction in reported revenue 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. 467,508,383 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. 298,411,856. This can expose the university to court cases with the employees.





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SECTION C

Key projects and investment decisions the entity is planning/implementing

During the year the university completed the construction of additional lecture halls and it's in the process of putting up a modern library. With enough learning facilities the university will be able to introduce more new courses including the Post graduate courses and the new library will provide a conducive environment for learning and research. 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 0.28:1. The recommended ratio is 1:1.

The current liabilities of Kshs 1,291 Billion exceeded the current asset of Kshs 347 Million by 944 Million creating a negative working capital.

The net creditors increased by 37% to 1,291 Million from 942 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: -

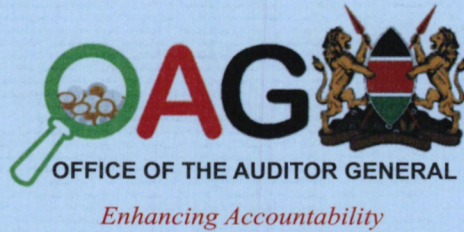
S/No.	Description	Amount – (KShs)
1.	P.A.Y.E	421,041,699
2.	Withholding VAT	36,869,656
3.	VAT	--
4.	Withholding Tax	9,597,028
5.	Staff Pension	298,411,856
	Total	765,920,239

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REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MULTIMEDIA UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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, 2019, 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 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 the Multimedia University of Kenya as at 30 June, 2019 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 Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1.0 Going Concern

During the year under review, the University recorded a deficit of Kshs.305,591,062 (2018 deficit: Kshs.207,675,487) which increased the accumulated deficit from Kshs.833,716,454 in 2017/2018 to Kshs.1,139,307,515 as at 30 June, 2019. Further, the statement of financial position reflects current liabilities of Kshs.1,291,809,342 as at 30 June, 2019 against current assets of Kshs.346,476,519 resulting into a negative working capital of Kshs.945,332,823 and 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 of Kshs.333,883,532, audit fees of Kshs.4,980,000, and taxes amounting to Kshs.467,508,383 to the respective beneficiaries thereby risking fines and penalties.

The University is, therefore, technically insolvent and its continued operations will depend on support by creditors, bankers and the Government.

2.0 Provision for Bad and Doubtful Debts for Long Outstanding Debts

The statement of financial position and as disclosed in Note 12 to the financial statements, reflects receivables from exchange transactions balance of Kshs.86,016,558. This has been arrived at after deducting the provision for bad and doubtful debts of Kshs.178,072,934 from the total receivables of Kshs.264,089,492. The provisions include a balance of Kshs.77,928,486 which has been outstanding for over ten (10) years. The University has provided in the accounts a 100% impairment allowance on these debts since these debts are completely unsupported. Further, included in the receivables from exchange transactions balance are staff debtors' figure of Kshs.20,223,586 which are debts 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.

The University wrote to The National Treasury through the Ministry of Education vide letter ref. MMU/VC/944/VOL.4 dated 29 October, 2014 requesting write off on these debts which were inherited from the defunct Kenya College of Communications Technology.

In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables from exchange transactions balance of Kshs.86,016,558 as at 30 June, 2019.

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

Emphasis of Matter

Budget Control and Performance

The statement of comparative budget and actual amounts for the year ended 30 June, 2019 reflects actual expenditure of Kshs.1,381,842,845 against final expenditure budget of Kshs.1,299,200,000 resulting in an over expenditure of Kshs.82,642,846. Management has not provided any explanation on the over expenditure.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources has not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 University's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the University or to cease operations.

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

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

Those charged with governance are responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu

AUDITOR-GENERAL

Nairobi

03 February, 2021



MULTIMEDIA UNIVERSITY OF KENYA

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XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2019

	Note	2018/2019	2017/2018
		Shs	Shs
Revenue from Non-exchange transactions			
Public contributions and donations	1,19	14,427,006	14,427,007
Government development grant amortization	2,19	39,444,580	29,153,106
Transfers from other governments-Recurrent Grant	2	452,695,209	687,046,022
Total		506,566,795	730,626,135
Revenue from exchange transactions			
Rendering of services	3	570,318,978	529,985,967*
Loss on disposal of asset	3	(633,990)	
Finance Income external investment	4		1,210,493
Total		569,684,988	531,196,459*
Total revenue		<u>1,076,251,784</u>	<u>1,261,822,594*</u>
Expenses			
Employee costs	5	958,046,326	1,052,535,100*
Remuneration of Council Members	6	9,597,783	9,000,463
Depreciation and amortization expense	7	92,646,641	87,483,742
Repairs and maintenance	8	22,602,194	14,358,775
Use of goods and services	9	27,519,456	24,847,345
General expenses	10	271,430,446	281,272,657*
Total expenses		<u>1,381,842,845</u>	<u>1,469,498,082*</u>
Deficit before tax		<u>(305,591,062)</u>	<u>(207,675,487)*</u>
Taxation		--	--
Deficit for the year		<u>(305,591,062)</u>	<u>(207,675,487)*</u>

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



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XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2019

	Note	2018/2019 Shs	2017/2018 Shs
Assets			
Current assets			
Cash and cash equivalents	11	167,309,680	53,304,628
Receivables from exchange transactions	12	86,016,558	73,984,275*
Receivables from non-exchange transactions	13	74,717,826	8,614,077
Inventories	14	18,432,454	15,396,566
Total Current Assets		346,476,519	151,299,546
Non-current assets			
Property, plant and equipment	17	2,892,764,842	2,795,606,563*
Total Non-Current Assets		2,892,764,842	2,795,606,563
Total assets		3,239,241,361	2,946,906,110
Liabilities			
Current liabilities			
Trade and other payables	15	227,240,219	193,130,743*
Payment received in advance	15	107,630,597	76,639,920
Taxation	15	467,508,383	331,966,458
Employee benefit obligation	15	478,194,342	335,363,657*
Refundable deposits from customers	15	11,235,802	10,159,302
Total Current Liabilities		1,291,809,342	947,260,079
Non-Current Liabilities			
Deferred income	16	976,481,187	723,104,138
Total liabilities		2,268,290,529	1,670,364,216
Net assets		970,950,832	1,276,541,893
Equity fund	18	1,269,222,498	1,269,222,498
Accumulated surplus	18	(1,139,307,515)	(833,716,454)*
Revaluation reserve	18	841,035,849	841,035,849
Total Capital reserves and accumulated deficit		970,950,832	1,276,541,893

* Restated amounts

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

.....
J. W. Ndiritu
Finance Officer

Date: 30/9/2019

.....
Amb. Prof. F. Kaberia, PhD, OGW
Vice Chancellor

Date: 30/09/2019

.....
Prof. J. M. Kiamba, PhD, MA, BA, LLB, Dip. Law (KSL)
Chairman of the Council

Date: 30-09-2019

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XIV. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019 Shs	2017/2018 Shs
Cash and cash equivalents at the beginning of the year	11	<u>53,304,628</u>	<u>133,966,910</u>
Prior Period adjustment			
Cash flows from operating activities			
Receipts			
Government grants and subsidies	2	452,695,209	687,046,022
Rendering of services	3	570,318,978	529,985,967*
Finance income – Interest from fixed deposit	4		1,210,492
Total		<u>1,023,014,187</u>	<u>1,218,242,481</u>
Payments			
Compensation of employees	5	958,046,326	1,052,535,100*
Rent paid	10	9,122,432	8,674,840
Other payments	10,8, 9,6	322,027,447	320,804,400*
Net cash flows from operating activities		<u>1,289,196,205</u>	<u>1,382,014,340</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	17	(190,898,909)	(103,937,883)
Proceeds from the disposal of fixed assets	22	460,000	--
Decrease/increase in current receivables	12,13	(78,136,032)*	(5,555,326)
Decrease/increase in trade payables	15	344,549,264*	175,884,313
Decrease/increase in stock	14	(3,035,888)	(4,056,519)
Net cash flows used in investing activities		<u>72,938,434</u>	<u>62,334,585</u>
Cash flows from financing activities			
Receipts/Government Dev. Grant		241,258,080	20,774,992
Grant Laser Optic		65,990,555	--
Net cash flows used in financing activities		<u>307,248,635</u>	<u>20,774,992</u>
Net increase/(decrease) in cash and cash equivalents		<u>114,005,053</u>	<u>(80,662,282)</u>
Cash and cash equivalents at end of the year	11	<u>167,309,680</u>	<u>53,304,628</u>



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XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019

CAPITAL RESERVES & ACCUMULATED DEFICIT					DEFERRED INCOME						
	Equity Fund	Accumulated Surplus	Re-valuation Reserve	Total	GOK Grant	LASER OPTIC	GOK Engineering Donation	Korea Grant	CCK Grant Hostel	CCK Grant	Total
As 30 June 2017	1,269,222,498	(530,742,023)	841,035,849	1,579,516,324	502,155,124	--	212,175,209	3,051,336	1,559,999	21,887,418	740,829,06
For the	--	(207,675,487)*	--	(207,675,487)	20,774,992	--	5,080,173	--	--	--	25,855,165
Prior Year adjustments	--	(95,298,942)*	--	(95,298,942)	--	--	--	--	--	--	--
Grant Amortization	--	--	--	--	(29,153,106)	--	(13,847,909)	(286,062)	(60,000)	(233,035)	(43,580,113)
As 30 June 2018	1,269,222,498	(833,716,453)	841,035,849	1,276,541,894	493,777,010	--	203,407,473	2,765,274	1,499,999	21,654,383	723,104,138
For the year	--	(305,591,062)	--	(305,591,062)	241,258,080	65,990,555	--	--	--	--	307,248,635
Prior Year adjustments	--	--	--	--	--	--	--	--	--	--	--
Grants Amortization	--	--	--	--	(39,444,580)	--	(13,847,909)	(286,062)	(60,000)	(233,035)	(53,871,586)
As 30 June 2019	1,269,222,498	(1,139,307,515)	841,035,849	970,950,832	695,590,510	65,990,555	189,559,564	2,479,212	1,439,999	21,421,348	976,481,187



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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Budget	Actual	Variance	Explanation of material variances
	2018/2019	2018/2019		
	Shs	Shs	Shs	
Revenue				
Public Donations	--	14,427,006	14,427,006	a)
Development Amortization	--	39,444,580	39,444,580	b)
Government grants	576,000,000	452,695,209	(123,304,791)	c)
Rendering of services	689,736,124	569,684,988	(120,051,136)	d)
Total income	1,265,736,124	1,076,251,783	(189,484,341)	
Expenses				
Compensation of employees	928,000,000	958,046,326	(30,046,326)	e)
Repairs and Maintenance	18,000,000	22,602,194	(4,602,194)	f)
General Expenses	314,200,000	271,430,446	42,769,554	g)
Goods and Services	29,000,000	27,519,456	1,480,544	h)
Council Expenses	10,000,000	9,597,783	402,217	
Depreciation	--	92,646,641	(92,646,641)	i)
Bad debts provision	--	--	--	
Total expenditure	1,299,200,000	1,381,842,845	(82,642,846)	
Surplus for the year	(33,463,875)	(305,591,062)	(272,127,187)	

- (a) The amortization of the deferred income was not taken into account in the budget.
- (b) The amortization income from development grant not budgeted.
- (c) Reduction in government funding led to the decrease in the recurrent grant
- (d) Poor performance of the hotel and conference facilities due to hard economic times led to the reduction in income from rendering of services.
- (e) Increase in the number of courses being offered led to increase in personnel cost beyond the budget.
- (f) Increase in the repairs and renovation works led to increase in cost above the budgeted amount.
- (g) The movements due to cost cutting measures that have been put in place to curb expenditure.
- (h) The movements due to cost cutting measures that have been put in place to curb expenditure.
- (i) The depreciation for PPE was not taken into account in the budget



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XVII.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2019

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 FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

c) Property, plant and equipment – IPSAS 17

Property, plant and equipment are stated at the re-valued 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 FOR THE YEAR ENDED 30 JUNE 2019 *(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.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

S/No.	Description	Current 2018/2019 KShs.	Prior Year 2017/2018 KShs.
1.	Public Contributions and donation – Refer to Note 19		
	CCK other assets	233,035	233,035
	CCK – Hostels	60,000	60,000
	Korea Grant	286,062	286,062
	Sub Total	579,097	579,098
	Government of Kenya – Engineering equipment	13,847,909	13,847,909
	Total	14,427,006	14,427,007
2.	Transfers from the Government		
	Unconditional grants		
	Operational grant-Recurrent grant (Appendix 1)	452,695,209	517,159,181
	Collective Bargaining Agreement (Appendix 1)	--	169,886,841
		452,695,209	687,046,022
	Development Grant Amortization- Refer to Note 19		
	Development Grant Amortization-Refer to note 19	39,444,580	29,153,106
	Total Government Grants	492,139,789	716,199,128
3.	Rendering of services		
	Tuition and other charges	473,469,237	342,369,714*
	Student Accommodation	21,704,212	29,563,219
	Student Catering	16,121,018	13,658,753
	Conference facilities	33,324,094	127,089,280*
	Printing and Laundry	4,389,704	3,141,405
	Club house sales	6,878,677	5,588,801
	Other University Income	14,432,035	8,574,796
	Disposal of fixed asset	(633,990)	--
	Total revenue from the rendering of services	569,684,988	529,985,967
4.	Finance Income – external Investments		
	Equity Bank Interest from fixed deposits	--	1,210,492
	Total Finance Income – external investments	--	1,210,492
5.	Employee costs		
	Salaries and wages	349,753,195	500,998,444*
	Casual Wages	34,169,414	35,043,576
	Resources	137,785,924	79,250,713*
	Pension	64,360,132	58,324,945
	Gratuity	11,257,860	11,160,403
	Medical	31,951,393	35,497,933
	Local Travel, motor car, accommodation, subsistence and Other allowances	8,157,661	8,573,284*
	Foreign Travel	1,706,665	1,822,995





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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

S/No.	Description	Current 2018/2019 KShs.	Prior Year 2017/2018 KShs.
	Housing allowance	173,343,615	172,436,743
	Car allowance & other allowance	134,800,206	140,205,038
	Leave allowance	10,760,260	9,221,028
	Total Employee Costs	958,046,326	1,052,535,100
6.	Remuneration of Council		
	Council Allowances	8,553,783	9,000,463
	Council Honoraria	1,044,000	
	Total Director emoluments	9,597,783	9,000,463
7.	Depreciation and amortization expenses		
	Motor Vehicle	6,045,686	5,998,666
	Furniture and Fitting	7,098,266	6,862,255
	Computers	18,408,178	17,090,102
	Buildings	35,806,425	35,806,425
	Library Books	3,556,363	2,917,230
	Plant and Equipment	21,731,722	18,809,064
	Total Depreciation and amortization	92,646,641	87,483,742
8.	Repairs and maintenance		
	General stores(hardware stores & renovation)	19,198,015	10,459,978
	Vehicles Repairs	673,793	279,390
	Plant and Equipment operations cost	2,730,385	3,619,407
	Total repairs and maintenance	22,602,194	14,358,775
9.	Use of goods and services		
	Cleaning Services	13,263,591	12,420,669
	Security Services	14,255,865	12,426,676
	Total	27,519,456	24,847,345
10.	General Expenses		
	Advertising	12,081,994	20,160,590*
	Audit fees	870,000	750,000
	Staff Education support	1,636,725	1,814,292
	Ceremonies	18,298,816	12,422,529
	Consulting fees	10,470,920	7,588,854
	Catering costs	37,816,406	67,848,461*
	Fuel and oil	3,307,092	5,072,054
	Insurance	12,919,718	12,026,664
	Internet services	15,183,932	12,335,750
	Student Activities	12,002,725	8,653,559*
	Student work study	803,750	1,653,270
	Student Union Expenses	2,367,218	977,710



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S/No.	Description	Current 2018/2019 KShs.	Prior Year 2017/2018 KShs.
	Sports and Welfare	5,322,878	4,441,662
	Research Costs	1,330,550	703,490
	Academic Trip	9,843,920	--
	Honoraria	8,555,558	7,947,596
	Postage	892,071	726,160
	Printing and stationery	15,718,968	16,754,170
	Library Expenses	1,433,915	1,762,340
	Rental	9,122,432	8,674,840
	Cleaning Materials	9,474,372	9,071,575
	Collaboration fee	5,629,120	5,396,600
	Skills/staff development	6,293,122	5,146,951*
	Increase in bad debts	--	756,792*
	Lab Chemicals	547,296	255,000
	Medical materials	7,213,378	4,265,618
	Office Expenses	676,286	790,464*
	Welfare	371,459	2,359,750
	Bank Charges	756,196	834,972
	Forex Loss	14,423	--
	Out Sourced hotel services	--	26,619,000
	Electricity	36,088,526	33,461,944*
	Hotel Cutlery	832,759	--
	Increase in Bad debts	23,553,923	--
	Total general expenses	271,430,446	281,272,657
11.	Detailed analysis of the cash and cash equivalents		
	Current Account	167,157,800	53,065,524
	Fixed deposits account	--	--
	Others-Cash in Hand	151,880	239,103
	Total Cash and cash equivalents	167,309,680	53,304,627
	Financial Institution		
	a) Current account		
	Kenya Commercial bank-Main account	4,237,959	3,833,729
	Kenya Commercial bank-Madaraka	104,615,097	47,041,058
	Kenya Commercial bank-Hotel Account	1,452,565	1,717,479
	Equity Bank- Development	53,300,006	96,762
	Equity Bank- MMU student collection Account	2,552,501	376,496
	KCB Vice Chancellors Fund	999,670	--
	Total	167,157,800	53,065,524



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S/No.	Description	Current 2018/2019 KShs.	Prior Year 2017/2018 KShs.
	b) Others(specify)		
	Petty Cash	5,485	79,165
	Catering Cash Sale Main Kitchen	--	125,520
	Main Cash Office	146,395	34,418
	Other Cash points	--	--
	Sub- total	151,880	239,103
	Grand- total	167,309,680	53,304,628
12.	Receivables from exchange transactions		
	Current receivables		
	Student Debtors	124,799,245	149,608,869*
	Trade Debtors	92,365,329	60,329,832*
	Staff Debtors	20,223,586	21,041,837
	Supplier Advance Payment	2,000,000	2,000,000
	Prepayment	--	1,986,149
	School fees- Staff Loan	185,103	149,792
	VAT Receivable	23,476,229	--
	KCB Bank Guarantee	1,040,000	--
		264,089,492	235,116,480
	Less: Provision for bad & doubtful debts	178,072,934	161,132,204*
	Total receivables from exchange transaction	86,016,558	73,984,276
13.	Receivables from non-exchange transaction		
	Imprest	7,206,265	8,614,077
	Accrued government Grant	67,511,562	--
	Total t receivables from non-exchange transaction	74,717,826	8,614,077
14.	Inventories		
	Office Tea	63,254	70,597
	Medical supplies	1,948,676	1,234,749
	Stationary stores	5,495,188	6,273,636
	Cleaning Materials	4,284,874	3,664,482
	Maintenance stores	5,277,636	2,137,562
	Main Kitchen-food stores	704,995	1,190,778
	Main Hotel-food stores	498,163	489,502
	Beverages Hotel	159,668	335,260
	Total Inventories at the lower of cost and not realizable value	18,432,454	15,396,566
15.	Trade Payables from Exchange Transaction		
	General Supplies	139,506,501	116,357,646*
	Accrued Payables	10,960,621	--
	Engineering Block fee note	54,429,000	54,429,000
	Staff quarter rent and Telkom rent	22,344,097	22,344,097
		227,240,219	193,130,743





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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

S/No.	Description	Current 2018/2019 KShs.	Prior Year 2017/2018 KShs.
	Taxation		
	Pay as you Earn (P.A.Y.E)	421,041,699	274,092,014
	Value Added Tax	--	12,005,750
	Withholding Vat	36,869,656	37,676,407
	Withholding Tax	9,597,028	8,192,288
	Sub Total	467,508,383	331,966,458
	Employee benefit Obligation		
	Pension	298,411,856	214,975,896
	Gratuity	35,471,676	27,937,948
	Third party payments	50,659,034	46,927,174
	Staff net pay	--	--*
	Imprest Recovery	297,556	--
	Part-time Lecturers	93,354,219	45,522,638*
	Sub Total Employee benefit obligation	478,194,342	335,363,657
	Refundable deposits from customers- Caution Money	11,235,802	10,159,302
	Payment received in advance		
	Bursary	--	--
	HELB	309,000	1,936,915
	Un-receipted bank deposits	9,985,398	8,854,786
	Student and guest payment	90,416,779	60,831,334
	Student union subscription	5,361,429	4,401,229
	Prepaid Catering	223,591	615,655
	Guest advance payment	--	--
	Student Smart ID	1,334,400	--
	Sub Total	107,630,597	76,639,919
	Total trade and other payables	1,291,809,342	947,260,079
16.	Deferred Income- Refer to Note 19		
	MOHEST Development Grant	695,590,510	493,777,010
	CCK Grant-Variou Asset	21,421,348	21,654,383
	CCK Grant -Hostel	1,439,999	1,499,999
	Korea Grant	2,479,212	2,765,274
	G.O.K Engineering Equipment	189,559,564	203,407,473
	Grant for Laser Optic	65,990,555	--
	Total deferred income	976,481,187	723,104,138



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17. NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2019 (Continued)

	Land	Motor vehicles	Furniture and fittings	Computers	Buildings	Others- Library Books	Plant and equipment	Capital Work in progress	Total
Property, plant and equipment									
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	280,000,000	47,989,330	51,991,708	47,754,852	1,746,245,100	33,401,612	295,876,486	373,684,076	2,876,943,163
Additions	--	--	2,906,134	9,212,154	--	131,058	12,527,433	79,161,104	103,937,883
Donations	--	--	--	--	--	--	5,080,174	--	5,080,174
Transfer from w.i.p	--	--	--	--	44,076,170	--	--	(44,076,170)	--
At June 2018	280,000,000	47,989,330	54,897,842	56,967,005	1,790,321,270	33,532,670	313,484,092	408,769,010	2,985,961,220
Additions	--	376,160	1,888,103	4,393,591	--	3,195,666	11,145,979	169,899,410	190,898,909
Disposal	--	(1,760,000)	--	--	--	--	--	--	(1,760,000)
Transfer/adjustments	--	--	--	--	--	--	37,564,971	(37,564,971)	--
As at June 2019	280,000,000	46,605,490	56,785,945	61,360,596	1,790,321,270	36,728,336	362,195,042	541,103,449	3,175,100,129
Depreciation & impairment									
At 1 July 2017	--	6,102,156	6,664,221	14,539,340	35,879,134	21,837,537	17,848,525	--	102,870,914
Depreciation	--	5,998,666	6,862,255	17,090,102	35,806,425	2,917,230	18,809,064	--	87,483,742
As at 30 June 2018	--	12,100,823	13,526,477	31,629,442	71,685,560	24,754,767	36,657,589	--	190,354,656
Depreciation for the year	--	6,045,686	7,098,266	18,408,178	35,806,425	3,556,363	21,731,722	--	92,646,641
Disposals	--	(666,010)	--	--	--	--	--	--	(666,010)
Transfer/adjustment	--	--	--	--	--	--	--	--	--
As at June 2019	--	17,480,499	20,624,743	50,037,620	107,491,985	28,311,130	58,389,310	--	282,335,287
Net book values									
As at June 2019	280,000,000	29,124,991	36,161,203	11,322,976	1,682,829,285	8,417,206	303,805,732	541,103,449	2,892,764,842
At 30 June 2018	280,000,000	35,888,508	41,371,366	25,337,564	1,718,635,710	8,777,903	276,826,503	408,769,010	2,795,606,563



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18. FUNDS AND RESERVES	2018/2019 Kshs	2017/2018 Kshs
a) Equity Fund	1,269,222,498	1,269,222,498

There was no change in the capital fund during the financial year 2018/2019

b) Accumulated deficit

The accumulated fund brought forward from 2017/2018 was Kshs (833,716,453). This has been negatively affected by the current year 2018/2019 deficit of Kshs (305,591,062) bringing the current accumulated fund to Kshs (1,139,307,515).

	2018/2019 KShs 000	2017/2018 KShs 000
Balance b/d	(833,716,453)	(530,742,023)
Current year Deficit	(305,591,062)	(207,675,487)*
Prior Year Adjustment	--	(95,298,942)*
Closing Balance	(1,139,307,515)	(833,716,453)

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 2018/2019 therefore no movement in the revaluation reserve.

	2018/2019 KShs 000	2017/2018 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.

	2018/2019 KShs 000	2017/2018 KShs 000
Balance b/d	1,499,999	1,559,999
Amortization of grant	(60,000)	(60,000)
Total	1,439,999	1,499,999



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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.

	2018/2019	2017/2018
	KShs 000	KShs 000
Balance b/d	21,654,383	21,887,418
Amortization of grant	(233,035)	(233,035)
Total	21,421,348	21,654,383

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.

	2018/2019	2017/2018
	KShs 000	KShs 000
Balance b/d	2,765,274	3,051,337
Amortization of grant	(286,062)	(286,062)
Total	2,479,212	2,765,274

d) Government development grant

The university receives development grant from the government through state department for university education for various projects. During the year 2018/2019 the university received a grant of Kshs 241,258,080 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.

	2018/2019	2017/2018
	KShs 000	KShs 000
Balance b/d	493,777,010	502,155,124
Grant received	241,258,080	20,774,992
Amortization of grant	(39,444,580)	(29,153,106)
Total	695,590,510	493,777,010

e) Research Infrastructural Grant-Laser Optic

During the financial year 2018/2019 the university received a research infrastructural grant of Kshs 65,990,555 from the ministry of education for the establishment of National Laser Training and research centre. The grant will be amortized as the grant is utilized for the purposes of matching revenue with the expenses.





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Bank Statement Date	Amount (KShs)	The year to which the account relates
06/4/2019	65,990,555	2018/2019

f) 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.

	2018/2019 KShs 000	2017/2018 KShs 000
Balance b/d	203,407,473	212,175,210
Grant received	--	5,080,173
Amortization of grant	(13,847,909)	(13,847,909)
Total	189,559,564	203,407,473

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 2018/2019	Kshs 000 2016/2017
Loans to staff members	20,222,882	21,191,630

21. The total number of the employees on permanent and contract basis as at 30th June 2019 was four hundred and four (404).

22. During the financial year 2018/2019 a vehicle by the registration number KBL 334 G was disposed of. The value of the vehicle as per the revaluation carried out in the financial year 2015/2016 was 1,760,000. At the time of disposal, the vehicle had an accumulated depreciation of Ksh 666,010.00 The vehicle was disposed at Kshs 460,000.00 This resulted to a loss on disposal of Ksh 633,990.00





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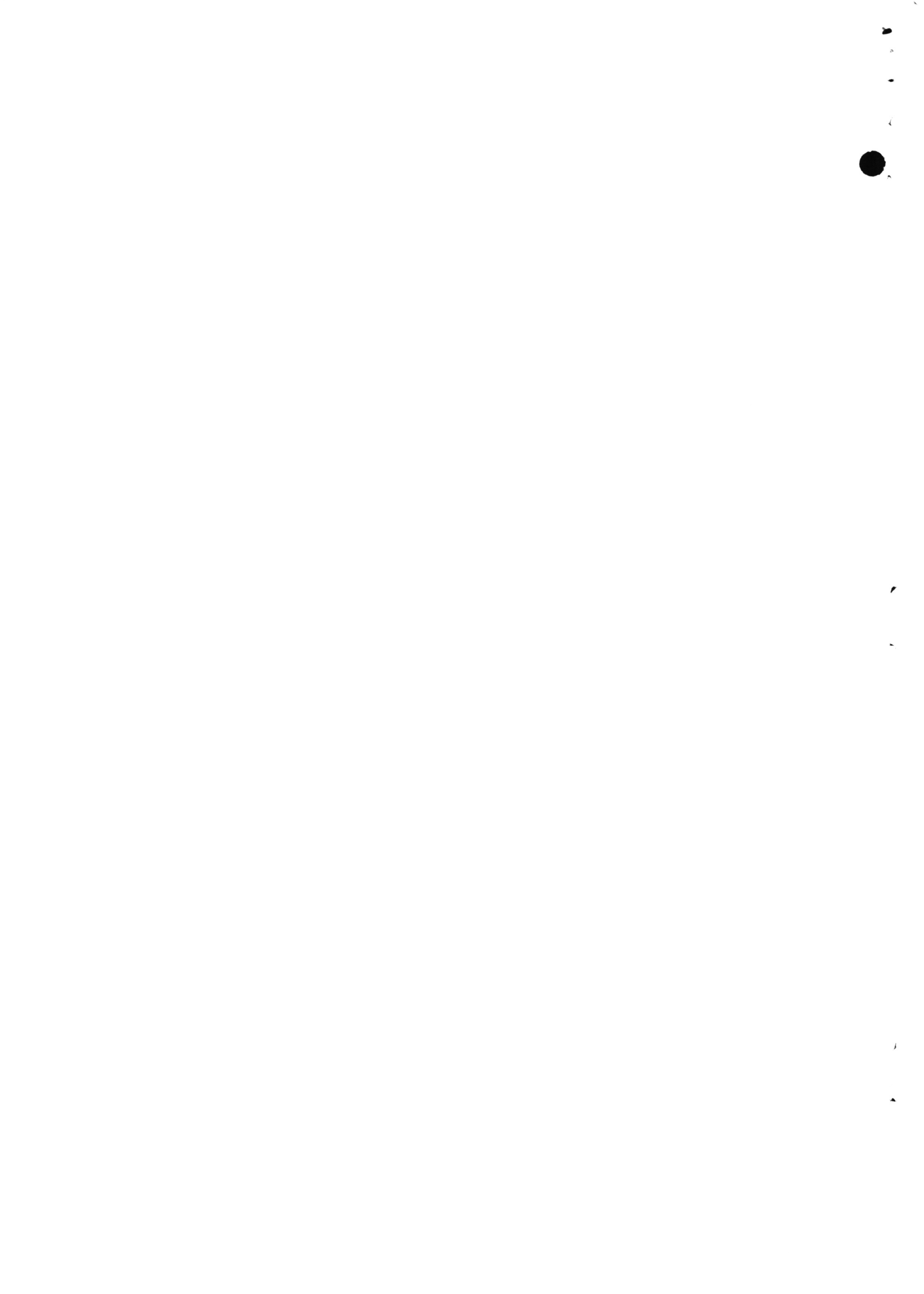
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APPENDIX 1:

BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF UNIVERSITY EDUCATION

Recurrent Grant

Bank Statement Date	Amount (KShs)	The year to which the account relates
08/02/2018	32,753,712	2018/2019
08/30/2018	32,753,712	2018/2019
10/01/2018	32,753,712	2018/2019
11/07/2018	32,753,712	2018/2019
12/03/2018	30,788,489	2018/2019
12/27/2018	30,788,489	2018/2019
02/01/2019	32,098,637	2018/2019
03/07/2019	32,098,637	2018/2019
03/28/2019	30,133,415	2018/2019
05/02/2019	32,753,711	2018/2019
06/06/2019	32,753,711	2018/2019
06/28/2019	32,753,711	2018/2019
09/07/2019	67,511,561	2018/2019
TOTALS	452,695,209	



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BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF UNIVERSITY EDUCATION

Recurrent Grant

Bank Statement Date	Amount (KShs)	The year to which the account relates
02/13/2019	10,658,080	2018/2019
02/13/2019	103,000,000	2018/2019
02/13/2019	25,000,000	2018/2019
05/28/2019	102,600,000	2018/2019
Total	241,258,080	

Grant- Laser Optic Project

Bank Statement Date	Amount (KShs)	The year to which the account relates
06/4/2019	65,990,555	2018/2019

