


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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THE AUDITOR-GENERAL

ON

MULTIMEDIA UNIVERSITY OF KENYA

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



MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2015 Certified)

MULTIMEDIA UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2020

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

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MULTIMEDIA UNIVERSITY OF KENYA

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

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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 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] 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
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 KahindiIha
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.



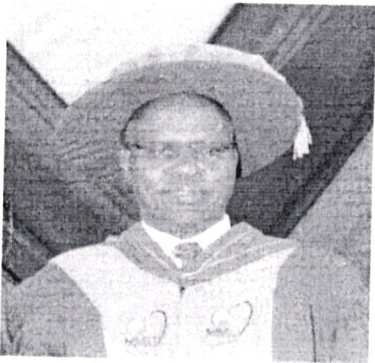


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THE UNIVERSITY COUNCIL (CONTINUED)

| | |
|--|---|
| <p>7) Dr. Stephen Ikikii 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> |



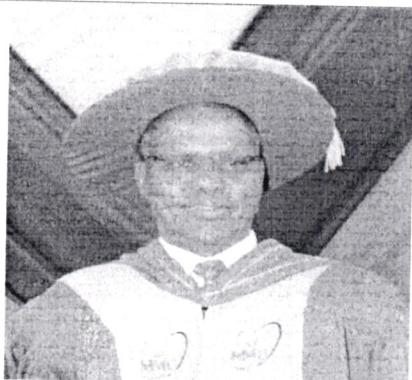


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III. MANAGEMENT TEAM



1. Prof. Amb. Festus Kaberia
Vice Chancellor

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.

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



2. Prof. Rosebella O. Maranga
Deputy Vice Chancellor Administration,
Finance and Planning

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.

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.



3. Prof. Paul Mbatia
Deputy Vice Chancellor, Academic Affairs
Research & Innovation

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.





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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

Multimedia University continues to grow in all areas be it student number, programs offered and the quality of our services. The MMU family has continued to work hard to improve its brand proposition and the institutions infrastructure.

MMU continues to adhere to all regulations on university education and also the laws of the land. As we work towards becoming a leading medium sized university, we continue to implement our strategic plan and ISO 9001:2015. The two have enabled us to follow the path that is true.

Just like other public universities in Kenya, we are facing major challenges in financing our activities especially refurbishments and development of our infrastructure. However, the Council has developed and is implementing strategies and policies that will guide in undertaking activities that generate more revenue to the university and lead to prudent utilization of resources. These strategies and policies will enable the university to unlock the potential it has especially in utilizing its available resources.

As is evident in this financial report the University's revenue has continued to increase but this is offset by the increase in expenses such as staff costs, depreciation and maintenance costs. Being one of the oldest higher learning institutions in the country, the university faces the challenge of having infrastructure that were build a long time ago. This has led to the increase in our maintenance costs. However, the Council has been keen on refurbishment and development of MMU's infrastructure with the aim of reducing costs while offering quality services and environment to our students and cliental.

In conclusion, we would like to thank all our stakeholders and partners especially the Government of Kenya for the continued support. On behalf of the University Council, we also want to thank our dedicated staff and students for their commitment in their work and studies. MMU is heading in the right direction

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

Multimedia University of Kenya (MMU) is committed to providing high quality education that meets international standards. With a history that can be traced to 1945, MMU has been able to tap into its institutional memory to deliver market driven courses that are derived from good research and innovation.

In the few years we have been a university, MMU has been able to find its place among the leading universities in the Country. Our graduates are globally competitive and have good all-rounded skills.

With a target of being the leading medium sized technical university in the region, the Council, Management and staff of MMU have done and achieved a lot through hard work, strategic thinking and prudent management of resources. Though we have many challenges that we need to overcome I am sure that with the team spirit we have we shall surmount all the challenges.

From this financial report, it is evident that the University has limited resources at its disposal. However, management has been able to manage the resources effectively and efficiently in such a way that we have been able to invest in new infrastructure and learning aids.

Our key challenge in the coming years will be to continue offering quality education with the resources at our disposal. Due to the challenge of inadequate resources, management with the guidance of the Council is working tirelessly to develop new areas of revenue generation that will buffer the university's revenues. Already, MMU has begun the production and sales of some of its products such as sanitizer, soap, and antiseptic. The university is also in the process of establishing a brand shop to sell approved branded items to our staff, students, and the general public.

We have also set up teams to look at the public-private partnerships that we can partner with to build the universities infrastructure and improve services. We believe that this is the only way we can surmount our financial resource challenge.

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All in all the outlook for MMU is good and bright. We look forward to an improved financial position in the coming years as we work towards our mission.

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 2020.

Multimedia University Council

The MMU Council Members were appointed on 7th August 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
- (iv) Ms Juliet Wambua-Njogu
- (v) Mr. Samson Kahindi Iha

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- (vi) Mr. Kibasui Ndonga
- (vii) Dr. Stephen Ikikii, 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.



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Multimedia University of Kenya is committed to positively impact the society by ensuring we operate in a socially conscious manner the positively impacts society.

The management, staff and students work hand-in-hand to ensure that this objective is attained by advancing the need for affordable and easily accessible education and reducing our negative impact on the environment.

During the year the University was able to plant trees within its campus. The university is also researching on use of solar energy as a way to take advantage of renewable energy and reduce its carbon footprint. The University has also contributed to the mentorship of youth by partnering with partners to undertake various activities such as workshops, conferences, talks etc to enhance their education and better prepare them for the world of work.

The university has also supported its students and have through their clubs and associations assisted the needy in the neighbouring communities.

In the corporate governance area, the university has developed and reviewed many of its policies with the intention of making them up to date with societal expectations. Added to this was the review of the University's attainment of ISO 9001:2015 certification which is set to improve the service provision.

In the long term, MMU intends to review its CSR and other policies to ensure that the University conforms to society's expectation. In the fulfilment of our goal to provide high quality university education and in desire of operating in a sustainable manner, we will remain committed to meeting societal expectations and making the world a better place.



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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, 2020 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, 2020 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: 30/06/2020



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, 2020. 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, 2020, and of the University's financial position as at that date.



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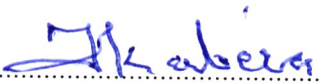
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The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

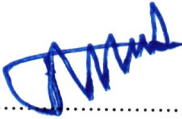
Approval of the financial statements

The University's financial statements were approved by the University Council on 30th July 2020 and signed on its behalf by:



Vice Chancellor

Date... 30/06/2020



Chairman of the Council

Date... 30-6-2020



X. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

In the Financial year 2019/2020 the University realized revenues totalling KES 1,117,793,871. There was a slight increase of 0.9% compared to the previous period (2018/2019) total revenue of KES. 1,076,251,783. Revenue from rendering of services decreased by 29% compared to the previous year. The decrease in revenue can mainly be attributed to Covid19 Pandemic that has affected the economy negatively and interrupted the academic calendar of the university.

Total operating expenses for the financial year totalled to KES. 1,353,752,382. This was decrease of 0.02% from KES. 1,381,842,845 reported in the previous financial year 2018/2019. Employee cost for the period increased from KES. 958,046,326 to KES. 1,019,802,517. The current year (2019/2020) personnel cost is high as a result of payment of collaborative bargaining agreement. There was decrease in repairs and maintenance costs from KES 22,602,194 in the year 2018/2019 to KES 20,670,816 in the year 2019/2020 and a reduction in general expenses from KES to 271,430,446 to KES 188,496,753. This can be attributed to the cost cutting measures that have been put in place and closure of the university due to Covid 19.

On the overall, the university recorded a Financial Deficit of KES 235.9 Million in the financial year 2019/2020 compared to a deficit of KES.305.5 Million in the financial year 2018/2019.

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. 493,038,244 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. 391,349,886. 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 0.31:1. The recommended ratio is 1:1.

The current liabilities of Kshs1,520 Billion exceeded the current asset of Kshs467 Million by 1.053 Million creating a negative working capital.

The net creditors increased by 37% to 1,520 Million from 1,292 Million in the previous year.

SECTION E

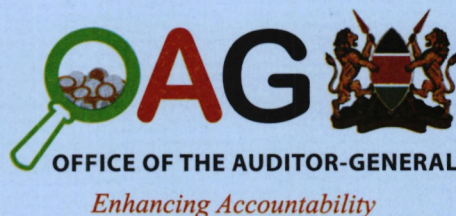
Material arrears in statutory/financial obligations

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 | 445,383,338 |
| 2. | Withholding VAT | 37,553,641 |
| 3. | VAT | -- |
| 4. | Withholding Tax | 10,101,264 |
| 5. | Staff Pension | 391,349,886 |
| | Total | 884,388,130 |

REPUBLIC OF KENYA

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

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 18, which comprise the statement of financial position as at 30 June, 2020, 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 effect of the matters 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 of Kenya as at 30 June, 2020 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 Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1.0 Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions totalling Kshs.149,653,472, as further disclosed in Note 12 to the financial statements. The balance includes the following long outstanding debts:

- (i) Staff debtors' balance totalling Kshs.20,217,329 due from employees of the defunct Kenya College of Communications Technology who have since left the University. No satisfactory explanation was provided by Management why the staff were allowed to leave the University without having paid the outstanding debts.
- (ii) An advance payment totalling Kshs.2,000,000 made to a private company for provision of public and media relations services in 2013. In spite of the payment, the Company did not provide the services.

In view of these issues, the recoverability of the two debts appears uncertain and therefore the receivables from exchange transactions balance totalling Kshs.149,653,473 as at 30 June, 2020 may not be wholly recoverable.

2.0 Material Uncertainty on Going Concern

The statement of financial performance indicates that during the year under review, the University recorded an operating deficit amounting to Kshs.235,968,511 (2019 Kshs.305,591,062) which increased its accumulated deficit from Kshs.1,139,307,515 in 2018/2019 to Kshs.1,375,276,027 as at 30 June, 2020. Further, the statement of financial position reflects current liabilities totalling Kshs.1,520,439,085 against current assets totalling Kshs.466,815,340 resulting in a negative working capital of Kshs.1,053,623,745. Therefore, the University may not be able to meet its financial obligations as and when they fall due. In this regard, the University had as at 30 June, 2020 not remitted to authorities pension and gratuity, and taxes, totalling Kshs.391,802,245, Kshs.493,038,243 respectively.

The University is therefore technically insolvent and its continued operation as a going concern may require financial support from the Government, creditors and bankers. Management has not disclosed the measures it has taken or intends to take to reverse the unsatisfactory performance and financial position.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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.

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. I have determined that there are no key audit matters to report in the year under review.

Other Matter

1.0 Impaired Receivables

Examination of debtor's records disclosed receivables from exchange transactions totalling Kshs.77,928,486 as at 30 June, 2020 which however had been outstanding for over ten (10) years, with some having arisen in 1998. The debts were inherited from the defunct Kenya College of Communications Technology. The University has fully impaired these debts in accordance with Section 157(a) of the Public Finance Management Act, 2012 on write-off of losses proven to be irrecoverable. The records indicated that in

October, 2014, Management wrote to The National Treasury through the State Department for University Education requesting for authority to write-off the debts. No information was provided to confirm whether the permission sought from The National Treasury by Management was granted.

2.0 Budgetary Control and Performance

2.1 Revenue

The statement of comparison of budget and actual amounts indicates that the University's approved revenue budget for the year under review totalled Kshs.1,406,602,860 against actual receipts totalling Kshs.1,117,783,871 resulting to a deficit of Kshs.288,818,989 or 21%. Management attributed the shortfall to unfavorable economic conditions due to the Covid-19 pandemic that reduced income generating opportunities.

2.2 Expenditure

The University's approved expenditure budget for the year totalled Kshs.1,341,602,860 against actual spending of Kshs.1,353,752,382. This occasioned an excess expenditure of Kshs.12,149,522 translating to 1% which was within the allowable variance.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unauthorized Bank Account

During the year under review, the University Council opened a bank account with Cooperative Bank of Kenya. However, the account was opened without authority from The National Treasury as required by Section 28(1) of the Public Finance Management Act, 2012.

Therefore, the Council was in breach of the law.

Further the bank account was left dormant throughout the year and accrued bank charges resulting to a negative bank balance of Kshs.7,217 as at 30 June, 2020.

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.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate 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 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 overall 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 or 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 December, 2021



MULTIMEDIA UNIVERSITY OF KENYA

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

(MMU is ISO 9001:2015 Certified)

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2020

| | Note | 2019-2020 Shs | 2018-2019 Shs |
|---|------|----------------------|----------------------|
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | 1,19 | 14,427,006 | 14,427,006 |
| Transfers from other governments- recurrent grant | 2 | 576,176,130 | 452,695,209 |
| Accrued CBA | | 64,602,860 | -- |
| Amortization of development grant | 2,19 | 21,362,789 | 39,444,580 |
| | | 676,568,785 | 506,566,795 |
| Revenue from exchange transactions | | | |
| Rendering of services | 3 | 403,636,536 | 570,318,978 |
| Loss on Disposal of fixed asset | 4 | - | (633,990) |
| Decrease in Bad debts Provision | | 37,578,550 | |
| | | 441,215,086 | 569,684,988 |
| Total revenue | | 1,117,783,871 | 1,076,251,784 |
| Expenses | | | |
| Employee costs | 5 | 1,019,802,517 | 958,046,326 |
| Council Allowances | 6 | 4,159,982 | 9,597,783 |
| Depreciation and amortization expense | 7 | 92,886,750 | 92,646,641 |
| Repairs and maintenance | 8 | 20,670,816 | 22,602,194 |
| Contracted Services | 9 | 27,735,564 | 27,519,456 |
| General expenses | 10 | 188,496,753 | 271,430,446 |
| Total expenses | | 1,353,752,382 | 1,381,842,845 |
| Deficit for the Year | | (235,968,511) | (305,591,062) |

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, 2020

| | Note | 2019-2020 Shs | 2018-2019 Shs |
|--|------|----------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 233,373,597 | 167,309,680 |
| Receivables from exchange transactions | 12 | 149,653,473 | 86,016,558 |
| Receivables from non-exchange transactions | 13 | 67,466,426 | 74,717,826 |
| Inventories | 14 | 16,321,845 | 18,432,454 |
| Total Current Assets | | 466,815,340 | 346,476,519 |
| Non-current assets | | | |
| Property, plant and equipment | 17 | 2,979,297,458 | 2,892,764,842 |
| Long term receivables from exchange transactions | | | |
| Total non - current assets | | 2,979,297,458 | 2,892,764,842 |
| Total assets | | 3,446,112,798 | 3,239,241,361 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade & other payables from exchange transactions | 15 | | |
| Trade Creditors | | 259,592,856 | 227,240,219 |
| Taxation | | 493,038,244 | 467,508,383 |
| Employee benefit Obligation | | 635,387,124 | 478,194,342 |
| Refundable deposits from customers-caution money | | 11,926,802 | 11,235,802 |
| Payments received in advance | | 120,494,059 | 107,630,597 |
| Total current liabilities | | 1,520,439,085 | 1,291,809,342 |
| Non-Current Liabilities | | | |
| Deferred income | 16 | 1,190,691,392 | 976,481,187 |
| Total liabilities | | 2,711,130,477 | 2,268,290,529 |
| Net assets | | 734,982,321 | 970,950,832 |
| Equity Fund | | 1,269,222,498 | 1,269,222,498 |
| Accumulated surplus | | (1,375,276,027) | (1,139,307,515) |
| Revaluation reserve | | 841,035,849 | 841,035,849 |
| Total capital reserves and accumulated deficit | | 734,982,320 | 970,950,832 |
| Total net assets and liabilities | | 3,446,112,797 | 3,239,241,361 |

* Restated amounts

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

Ms Leneah Munene
Ag. Finance Officer

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

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

Date: 30/06/2020

Date: 30/06/2020

Date: 30-6-2020





MULTIMEDIA UNIVERSITY OF KENYA

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XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2019-2020 | 2018-2019 |
|---|-----------|----------------------|----------------------|
| | | Shs | Shs |
| Cash and cash equivalents at the beginning of the Year | 11 | 167,309,680 | 53,304,627 |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public contributions and donations | | | |
| Re-current Government grants | 2a | 576,176,130 | 452,695,209 |
| Accrued Government grant- CBA | | 64,602,860 | |
| Interest from Fixed Deposit | 4 | - | - |
| Rendering of services | 3 | 403,636,536 | 570,318,978 |
| Decrease in Bad debts provision | | 37,578,550 | - |
| | | 1,081,994,076 | 1,023,014,187 |
| Payments | | | |
| Employees Costs | 5 | 1,019,802,517 | 958,046,326 |
| Rent paid | 10 | 7,652,040 | 9,122,432 |
| General expenses-Other payments | 10,8,9,6 | 233,411,075 | 322,027,447 |
| Net cash flows from operating activities | | 1,260,865,632 | 1,289,196,205 |
| Cash flows from investing activities | | - | - |
| Purchase of property, plant, equipment, and intangible assets | 17 | (179,419,366) | (190,898,909) |
| Proceeds from disposal of fixed asset | | - | 460,000 |
| (Decrease)/increase in current receivables | | (56,594,286) | (78,136,032) |
| (Decrease)/increase in trade payables | | 228,629,743 | 344,549,264 |
| (Decrease)/increase in stocks | | 2,110,609 | (3,035,888) |
| Net cash flows used in investing activities | | (5,064,527) | 72,938,434 |
| Cash flows from financing activities | | | |
| Receipts -government grant development | | 250,000,000 | 241,258,080 |
| Grant Laser Optic | | - | 65,990,555 |
| Increase in deposits | | - | - |
| Net cash flows used in financing activities | | 250,000,000 | 307,248,635 |
| Net increase/(decrease) in cash and cash equivalents | | 66,063,916 | 114,005,053 |
| Cash and cash equivalents at end of the quarter | 11 | 233,373,596 | 167,309,680 |



MULTIMEDIA UNIVERSITY OF KENYA
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XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2020

| CAPITAL RESERVES & ACCUMULATED DEFICIT | | | | | DEFERRED INCOME | | | | | | | Total |
|--|---------------|---------------------|---------------------|---------------|-----------------|-------------|--------------------------|-------------|------------------|------------|---------------|-------|
| | Equity Fund | Accumulated Surplus | Revaluation Reserve | Total | GOK Grant | LASER OPTIC | GOK Engineering Donation | Korea Grant | CCK Grant Hostel | CCK Grant | Total | |
| 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 | |
| Grant Amortization | - | - | - | - | (39,444,580) | - | (13,847,909) | (286,062) | (60,000) | (233,035) | (53,871,586) | |
| 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 | |
| For the year | - | (235,968,511) | - | (235,968,511) | 250,000,000 | - | - | - | - | - | 250,000,000 | |
| Grant Amortization for the year | - | - | - | - | (21,362,789) | - | (13,847,909) | (286,062) | (60,000) | (233,035) | (35,789,795) | |
| 30 June 2020 | 1,269,222,498 | (1,375,276,027) | 841,035,849 | 734,982,320 | 924,227,721 | 65,990,555 | 175,711,655 | 2,193,150 | 1,379,999 | 21,188,312 | 1,190,691,392 | |



XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

| | Budget 2019/2020 | Actual 2019/2020 | Variance | Explanation of material variances |
|-----------------------------|----------------------|----------------------|---------------------|---|
| | Shs | Shs | Shs | |
| Revenue | | | | |
| Public Donations | -- | 14,427,006 | (14,427,006) | a) |
| Development Amortization | -- | 21,362,789 | (21,362,789) | b) |
| Government grants | 640,778,990 | 640,778,990 | -- | |
| Rendering of services | 765,823,870 | 403,636,536 | 362,187,334 | c) |
| Decrease in Bad debts | | 37,578,550 | (37,578,550) | |
| Total Revenue | 1,406,602,860 | 1,117,783,871 | 288,818,989 | |
| Expenses | | | | |
| Compensation of employees | 965,662,860 | 1,019,802,517 | (54,139,657) | e) |
| Repairs and Maintenance | 20,805,000 | 20,670,816 | 134,184 | |
| General Expenses | 316,635,000 | 188,496,752 | 128,138,247 | f) |
| Contracted Services | 28,500,000 | 27,735,564 | 764,436 | |
| Council Expenses | 10,000,000 | 4,159,982 | 5,840,018 | |
| Depreciation | | 92,886,751 | (92,886,751) | g) |
| Total expenditure | 1,341,602,860 | 1,353,752,382 | (12,149,522) | |
| Surplus for the year | 65,000,000 | (235,968,511) | 300,968,512 | |

- (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) Hard economic times due to Covid19 led to the reduction in income from rendering of services.
- (d) Increase in the number of courses being offered led to increase in personnel cost beyond the budget.
- (e) Increase in the repairs and renovation works led to increase in cost above the budgeted amount
- (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 2020

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.



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

d) 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% |

e) Research and development costs

The Entity expenses research costs as incurred.

f) 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.

g) 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.

h) 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.

i) Nature and purpose of reserves

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

j) 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.

k) 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.

l) 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

m) 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.

n) Comparative figures

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

o) 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, 2020.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

| S/No. | Description | 2019-2020 | 2018-2019 |
|-----------|--|--------------------|--------------------|
| | | Shs | Shs |
| 1. | Public Contributions & 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 | 579,097 |
| | Amortization of the – Engineering equipment | 13,847,909 | 13,847,909 |
| | Total | 14,427,006 | 14,427,006 |
| 2. | Transfers from the Governments gifts & services-in-kind | | |
| | Unconditional grants | | |
| | Operational grant-Recurrent grant (Appendix 1) | 576,176,130 | 452,695,209 |
| | Collective Bargaining Agreement (Appendix 1) | 64,602,860 | -- |
| | | 640,778,990 | 452,695,209 |
| | Development Grant Amortization- | | |
| | Development Grant Amortization-Refer to note 19 | 21,362,789 | 39,444,580 |
| | Development Grant received 2017 | -- | -- |
| | Total Government Grants | 662,141,778 | 492,139,789 |
| 3. | Rendering of services | | |
| | Tuition and other charges | 328,998,587 | 473,469,237 |
| | Student Accommodation | 19,689,152 | 21,704,212 |
| | Student Catering | 12,111,505 | 16,121,018 |
| | Conference facilities | 27,036,205 | 33,324,094 |
| | Printing and Laundry | 3,596,595 | 4,389,704 |
| | Club house sales | 4,776,039 | 6,878,677 |
| | Other | 7,428,453 | 14,432,035 |
| | Disposal of fixed asset | | (633,990) |
| | Total revenue from the rendering of services | 403,636,536 | 569,684,988 |
| | Decrease in Provision for Bad debts | 37,578,550 | |
| 4. | Finance Income – external Investments | | |
| | Equity Bank Interest from fixed deposits | -- | -- |
| | Total Finance Income – external investments | | |
| 5. | Employee costs | | |
| | Salaries and wages | 410,480,826 | 349,753,195 |
| | Casual Wages | 26,300,336 | 34,169,414 |
| | Resources | 141,756,390 | 137,785,924 |



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| S/No. | Description | 2019/2020 KShs. | 2018/2019 KShs. |
|------------|---|----------------------|--------------------|
| | Employees related costs – contributions to pensions and medial aids | | |
| | Pension | 75,885,749 | 64,360,132 |
| | Gratuity | 988,881 | 11,257,860 |
| | Medical | 35,850,734 | 31,951,393 |
| | Local Travel, motor car, accommodation, subsistence and Other allowances | | |
| | Local Travel | 6,862,798 | 8,157,661 |
| | Foreign Travel (external travel) | 712,588 | 1,706,665 |
| | Housing benefits, car allowances & other allowances | | |
| | Housing allowance | 171,275,887 | 173,343,615 |
| | Car allowance & other allowance | 140,737,462 | 134,800,206 |
| | Leave allowance | 8,950,867 | 10,760,260 |
| | Total Employee Costs | 1,019,802,517 | 958,046,326 |
| 6. | Remuneration of Council | -- | -- |
| | Council Allowances | 4,159,982 | 9,597,783 |
| | Total Council emoluments | 4,159,982 | 9,597,783 |
| 7. | Depreciation and amortization expenses | | |
| | Motor Vehicle | 6,045,686 | 6,045,686 |
| | Furniture and Fittings | 7,306,012 | 7,098,266 |
| | Computers | 15,448,262 | 18,408,178 |
| | Buildings | 35,806,425 | 35,806,425 |
| | Library books | 6,028,801 | 3,556,363 |
| | Plant and Machinery | 22,251,565 | 21,731,722 |
| | Total depreciation and amortization | 92,886,750 | 92,646,641 |
| 8. | Repairs and maintenance | | |
| | General stores (hardware stores & renovation) | 12,095,391 | 19,198,015 |
| | Plant and equipment operations cost | 7,930,945 | 673,793 |
| | Vehicles repairs | 644,479 | 2,730,385 |
| | Total repairs and maintenance | 20,670,816 | 22,602,194 |
| 9. | Contracted Services | | |
| | Cleaning Services | 12,188,689 | 13,263,591 |
| | Security services | 15,546,876 | 14,255,865 |
| | Total contracted services | 27,735,564 | 27,519,456 |
| 10. | General Expenses | | |
| | Advertising | 9,490,208 | 12,081,994 |
| | Audit fees | 1,700,000 | 870,000 |

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| S/No. | Description | 2019-2020 KShs. | 2018-2019 KShs. |
|-------|-------------------------------|--------------------|--------------------|
| | Staff Education Support | 1,488,327 | 1,636,725 |
| | Ceremonies | 9,387,473 | 18,298,816 |
| | Consulting fees | 1,358,925 | 10,470,920 |
| | Catering costs | 26,774,161 | 37,816,406 |
| | Fuel and oil | 2,782,959 | 3,307,092 |
| | Insurance | 9,678,451 | 12,919,718 |
| | Legal expenses | 3,838,907 | - |
| | Internet services | 17,595,812 | 15,183,932 |
| | Student Activities | 5,510,381 | 12,002,725 |
| | Student work study | 249,350 | 803,750 |
| | Student Union Expenses | 616,280 | 2,367,218 |
| | Sports and welfare | 3,694,847 | 5,322,878 |
| | Academic trips | 3,319,427 | 9,843,920 |
| | Cooking gas | - | - |
| | Research Cost | 4,714,245 | 1,330,550 |
| | Honoraria | 8,042,544 | 8,555,558 |
| | Postage | 883,059 | 892,071 |
| | Printing and stationery | 11,797,222 | 15,718,968 |
| | Library Expenses | 1,730,738 | 1,433,915 |
| | Rental | 7,652,040 | 9,122,432 |
| | Cleaning Materials | 6,829,070 | 9,474,372 |
| | Collaboration fee | 6,501,224 | 5,629,120 |
| | Skills/staff development | 3,950,561 | 6,293,122 |
| | Increase in Bad debts | - | - |
| | Lab Chemicals | 551,241 | 547,296 |
| | Medical materials | 4,882,819 | 7,213,378 |
| | Office expenses | 648,816 | 676,286 |
| | Welfare | 578,051 | 371,459 |
| | Bank charges | 3,492,906 | 756,196 |
| | Forex Loss | - | 14,423 |
| | Electricity | 28,756,709 | 36,088,526 |
| | Hotel Cutlery | - | 832,759 |
| | Increase Bad debts Provisions | - | 23,553,923 |
| | Total general expenses | 188,496,753 | 271,430,446 |



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| S/No. | Description | 2019/2020 KShs. | 2018/2019 KShs. |
|------------|---|--------------------|--------------------|
| 11. | Detailed analysis of the cash and cash equivalents | | |
| | Current Account | 233,272,272 | 166,806,894 |
| | Fixed deposits account | - | - |
| | Others-Cash in Hand | 101,325 | 151,880 |
| | Total Cash and cash equivalents | 233,373,597 | 166,958,774 |
| | Financial Institution | | |
| | a) Current account | | |
| | KCB -Main Account | 1,902,672 | 4,237,959 |
| | KCB-Madaraka A/c | 52,024,166 | 104,615,097 |
| | KCB -Hotel A/C | 1,754,205 | 1,452,565 |
| | Equity Bank -MMU A/C Student collection a/c | 186,001 | 2,552,501 |
| | Equity Bank -Development A/C | 124,955,682 | 53,300,006 |
| | KCB Vice Chancellors Fund | 993,565 | 999,670 |
| | MMU Research Fund Coop Bank A/C | 51,463,196 | - |
| | Cooperative Bank Electraka Account | (7,217) | - |
| | Total | 233,272,272 | 167,157,800 |
| | b) Others (specify) | | |
| | Petty cash | - | 5,485 |
| | Main Kitchen | - | - |
| | Cash in hand | 101,325 | 146,395 |
| | Other Cash points | - | - |
| | Sub- total | 101,325 | 151,880 |
| | Grand total | 233,373,597 | 167,309,680 |
| 12. | Receivables from exchange transactions | | |
| | Current receivables | | |
| | Student debtors | 124,722,123 | 124,799,244 |
| | Trade debtors | 98,620,279 | 92,365,328 |
| | Staff debtors | 20,217,329 | 20,223,586.10 |
| | Supplier Advance Payment | 2,000,000 | 2,000,000 |
| | School fees -Staff Loan | 39,155 | 185,103 |
| | VAT Receivable | 30,238,018 | 23,476,229 |
| | KCB Bank Guarantee | 1,040,000 | 1,040,000 |
| | Coop Bank Letter of Credit | 13,351,656 | - |
| | | 290,228,561 | 264,089,492 |
| | Less: Provision for bad & doubtful debts | 140,575,088 | 178,072,933 |
| | Total receivables from exchange transaction | 149,653,473 | 86,016,558 |
| 13. | Receivables from non-exchange transaction | | |
| | Imprest | 2,863,566 | 7,206,265 |
| | Accrued government Grant | 64,602,860 | 67,511,561 |
| | Total | 67,466,426 | 74,717,826 |



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| S/No. | Description | 2019/2020 KShs. | 2018/2019 KShs. |
|------------|--|--------------------|--------------------|
| 14. | Inventories | | |
| | Stationery stores | 4,899,564 | 5,495,188 |
| | Office tea | 61,607 | 63,254 |
| | Cleaning Materials | 2,994,041 | 4,284,874 |
| | Food & Beverage-Main Kitchen | - | - |
| | Maintenance Stock | 5,488,824 | 5,277,636 |
| | Medicine stock | 1,380,471 | 1,948,676 |
| | Beverages hotel | - | - |
| | Food and Beverage Hotel | 398,276 | 159,668 |
| | Main Kitchen Food Store | 651,661 | 704,995 |
| | Main Hotel Food store | 447,401 | 498,163 |
| | Total Inventories at the lower of cost and not realizable value | 16,321,845 | 18,432,454 |
| 15. | Trade Payables from Exchange Transaction | | |
| | General Supplies | 179,174,759 | 139,506,501 |
| | 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 |
| | KUCCPs placement Fee | 2,076,000 | - |
| | Cue quality fee | 1,569,000 | - |
| | Sub Total | 259,592,856 | 227,240,219 |
| | Taxation | | |
| | Pay As You Earn (P.A.Y.E) | 445,383,338 | 421,041,699 |
| | Value Added Tax | - | - |
| | Withholding Vat | 37,553,641 | 36,869,656 |
| | Withholding Tax | 10,101,264 | 9,597,028 |
| | Sub Total | 493,038,244 | 467,508,383 |
| | Employee benefit Obligation | | |
| | Third Party Payments (banks, SACCOs, & Insurance) | 67,102,555 | 50,659,034 |
| | Net Pay | 28,026,832 | - |
| | Pension | 391,349,886 | 298,411,856 |
| | Gratuity | 452,359 | 35,471,676 |
| | Part time Lecturers | 148,160,936 | 93,354,219 |
| | Imprest Recovery | 294,556 | 297,556 |
| | Sub Total Employee benefit obligation | 635,387,124 | 478,194,342 |
| | Refundable deposits from customers | | |
| | Caution Money | 11,926,802 | 11,235,802 |
| | Payment received in advance | | |
| | Bursary | -- | -- |



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| S/No. | Description | 2019/2020 KShs. | 2018/2019 KShs. |
|-------|---|----------------------|----------------------|
| | HELB | 1,842,500 | 309,000 |
| | Un-receipted bank deposits | 10,280,733 | 9,985,398 |
| | Student and guest payment | 105,450,092 | 90,416,779 |
| | Student union subscription | 139,000 | 5,361,429 |
| | Prepaid Catering | 1,737 | 223,591 |
| | Guest advance payment | 218,098 | - |
| | Student Smart ID | 2,561,900 | 1,334,400 |
| | Sub Total | 120,494,059 | 107,630,597 |
| | Total trade and other payables | 1,520,439,085 | 1,291,809,342 |
| 16. | Deferred Income-Refer to Note 19 | | |
| | MOHEST-Development Grant | 924,227,721 | 695,590,510 |
| | CCK -Grant- other Assets | 21,188,312 | 21,421,348 |
| | CCK- Hostels | 1,379,999 | 1,439,999 |
| | Korea Grant | 2,193,150 | 2,479,212 |
| | G.O.K Engineering Equipment | 175,711,655 | 189,559,564 |
| | Grant for Laser Optic | 65,990,555 | 65,990,555 |
| | Total deferred income | 1,190,691,392 | 976,481,187 |



17. NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30TH JUNE 2020 (Continued)

| Property, Plant and Equipment | Land Shs | Motor vehicles Shs | Furniture and fittings Shs | Computers Shs | Buildings Shs | Others- Library Books Shs | Plant and equipment Shs | Capital Work in progress Shs | Total Shs |
|--|-------------|-----------------------|-------------------------------|------------------|------------------|------------------------------|----------------------------|---------------------------------|---------------|
| At 30th 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 from w.i.p | - | - | - | - | - | - | 37,564,971 | (37,564,971) | - |
| At 30th 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 |
| Additions | - | - | 1,661,965 | 22,679,792 | - | 12,363,545 | 8,664,048 | 134,050,015 | 179,419,366 |
| Disposal | - | - | - | - | - | - | - | - | - |
| Transfer/adjustments | - | - | - | - | - | - | - | - | - |
| At 30th June 2020 | 280,000,000 | 46,605,490 | 58,447,910 | 84,040,388 | 1,790,321,270 | 49,091,881 | 370,859,090 | 675,153,464 | 3,354,519,494 |
| Depreciation & impairment | | | | | | | | | |
| At 30th June 2018 | - | 12,100,823 | 13,526,477 | 31,629,442 | 71,685,560 | 24,754,767 | 36,657,589 | - | 190,354,656 |
| Depreciation | - | 6,045,686 | 7,098,266 | 18,408,178 | 35,806,425 | 3,556,363 | 21,731,722 | - | 92,646,641 |
| On Disposals | - | (666,010) | - | - | - | - | - | - | (666,010) |
| Impairment | - | - | - | - | - | - | - | - | - |
| At 30th June 2019 | - | 17,480,499 | 20,624,743 | 50,037,620 | 107,491,985 | 28,311,130 | 58,389,310 | - | 282,335,287 |
| Depreciation | - | 6,045,686 | 7,306,012 | 15,448,262 | 35,806,425 | 6,028,801 | 22,251,565 | - | 92,886,750 |
| On Disposals | - | - | - | - | - | - | - | - | - |
| Transfer/adjustment | - | - | - | - | - | - | - | - | - |
| At 30th June 2020 | - | 23,526,185 | 27,930,754 | 65,485,881 | 143,298,411 | 34,339,931 | 80,640,875 | - | 375,222,037 |
| Net book values | | | | | | | | | |
| As at 30th June 2020 | 280,000,000 | 23,079,305 | 30,517,156 | 18,554,507 | 1,647,022,859 | 14,751,950 | 290,218,216 | 675,153,464 | 2,979,297,458 |
| As at 30th 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 |

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| 18. FUNDS AND RESERVES | 2019/2020 Kshs | 2018/2019 Kshs |
|------------------------|-------------------|-------------------|
| a) Equity Fund | 1,269,222,498 | 1,269,222,498 |

There was no change in the capital fund during the financial year 2019/2020

b) Accumulated deficit

The accumulated fund brought forward from 2018/2019 was Kshs (1,139,307,515). This has been negatively affected by the current year 2019/2020 deficit of Kshs (235,968,511) bringing the current accumulated fund to Kshs (1,375,276,027).

| | 2019/2020 KShs 000 | 2018/2019 KShs 000 |
|------------------------|------------------------|------------------------|
| Balance b/d | (1,139,307,515) | (833,716,453) |
| Current year Deficit | (235,968,511) | (305,591,062) |
| Prior Year Adjustment | | |
| Closing Balance | (1,375,276,027) | (1,139,307,515) |

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 2019/2020 therefore no movement in the revaluation reserve.

| | 2019/2020 KShs 000 | 2018/2019 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.

| | 2019/2020 KShs 000 | 2018/2019 KShs 000 |
|-----------------------|-----------------------|-----------------------|
| Balance b/d | 1,439,999 | 1,499,999 |
| Amortization of grant | (60,000) | (60,000) |
| Total | 1,379,999 | 1,439,999 |



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

| | 2019/2020 | 2018/2019 |
|-----------------------|-------------------|-------------------|
| | KShs 000 | KShs 000 |
| Balance b/d | 21,421,348 | 21,654,383 |
| Amortization of grant | (233,035) | (233,035) |
| Total | 21,188,312 | 21,421,348 |

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.

| | 2019/2020 | 2018/2019 |
|-----------------------|------------------|------------------|
| | KShs 000 | KShs 000 |
| Balance b/d | 2,479,212 | 2,765,274 |
| Amortization of grant | (286,062) | (286,062) |
| Total | 2,193,150 | 2,479,212 |

d) Government development grant

The university receives development grant from the government through state department for university education for various projects. During the year 2019/2020 the university received a grant of Kshs250,000,000 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.

| | 2019/2020 | 2018/2019 |
|-----------------------|--------------------|--------------------|
| | KShs 000 | KShs 000 |
| Balance b/d | 695,590,510 | 493,777,010 |
| Grant received | 250,000,000 | 241,258,080 |
| Amortization of grant | (21,362,789) | (39,444,580) |
| Total | 924,227,721 | 695,590,510 |

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) | |
|---------------------|---------------|-----------|
| 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.

| | 2019/2020 KShs 000 | 2018/2019 KShs 000 |
|-----------------------|-----------------------|-----------------------|
| Balance b/d | 189,559,564 | 203,407,473 |
| Grant received | | |
| Amortization of grant | (13,847,909) | (13,847,909) |
| Total | 175,711,655 | 189,559,564 |

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:

| | 2019/2020 | 2018/2019 |
|------------------------|------------|------------|
| Loans to staff members | 20,217,329 | 20,223,586 |



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APPENDIX 1:

BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF UNIVERSITY EDUCATION

Recurrent Grant

| Bank Statement Date | Amount (KShs) | Receipt No |
|---------------------|-----------------------|---------------|
| 08/08/2019 | 48,014,677.00 | RCT17-1241282 |
| 08/29/2019 | 48,014,677.00 | RCT17-1312492 |
| 09/27/2019 | 48,014,678.00 | RCT17-1286259 |
| 11/01/2019 | 48,014,678.00 | RCT17-1328650 |
| 11/29/2019 | 48,014,678.00 | RCT17-1365881 |
| 12/27/2019 | 48,014,677.00 | RCT17-1409427 |
| 02/04/2020 | 48,014,677.00 | RCT17-1418887 |
| 03/02/2020 | 48,014,678.00 | RCT17-1450867 |
| 03/04/2020 | 48,014,677.00 | RCT17-1468977 |
| 08/05/2020 | 48,014,678.00 | RCT17-1469181 |
| 06/05/2020 | 48,014,678.00 | RCT17-1469209 |
| 06/26/2020 | 48,014,677.00 | RCT17-1469210 |
| TOTALS | 576,176,130.00 | |



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BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF UNIVERSITY EDUCATION

Development Grant

| Bank Statement Date | Amount (KShs) | |
|---------------------|-----------------------|---------------|
| DATE | AMOUNT | RECEIPT NO. |
| 11/22/2019 | 92,619,512.00 | RCT17-1360183 |
| 03/16/2020 | 157,380,488.00 | RCT17-1468978 |
| Total | 250,000,000.00 | |