

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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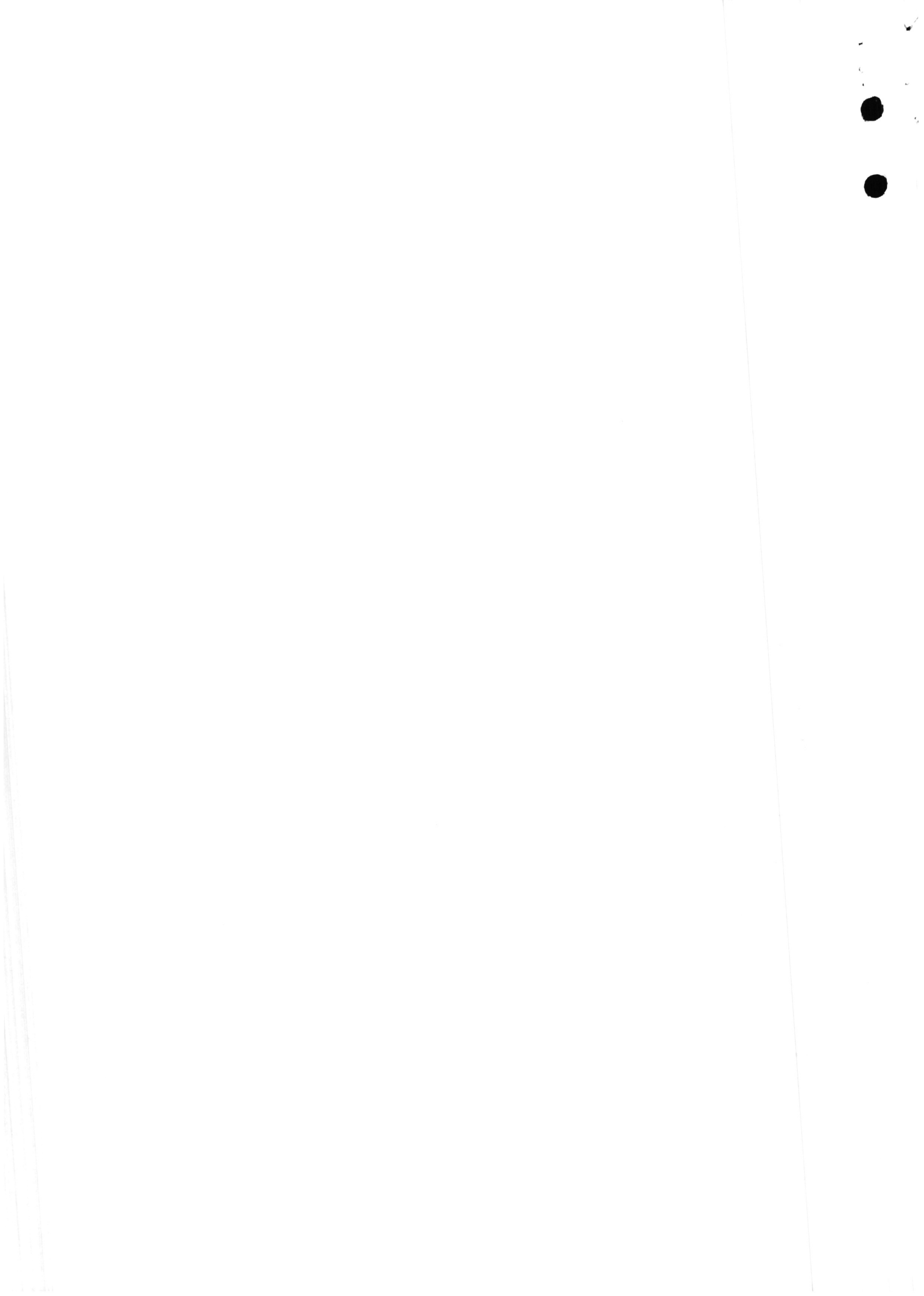
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**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA UTALII COLLEGE**

**FOR THE YEAR  
ENDED 30 JUNE 2018**





**Kenya Utalii College**

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# **ANNUAL REPORT**

**AND**

# **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

**PREPARED IN ACCORDANCE WITH THE  
ACCRUAL BASIS OF ACCOUNTING  
METHOD UNDER THE INTERNATIONAL  
PUBLIC SECTOR ACCOUNTING  
STANDARDS (IPSAS) ACCRUALS**

# Kenya Utalii College,

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# Kenya Utalii College,

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Kenya Utalii College is a public hospitality training institution established under the Tourism Act, No.28 of 2011. The College is represented by the Cabinet Secretary for Ministry of Tourism who is responsible for the general policy and strategic direction of the College.

### (b) Principal Activities

The principal activity/mission is to develop a highly qualified human resource base for the Hospitality and Tourism Industry through Training, Research, Consultancy and related services.

### (c) Key Management

The College day-to-day management is under the following key organs:

- Principal Secretary;
- College Management ;and
- Ministry of Tourism

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Principal & Chief Executive Officer	Hashim Mohamed
2.	Director of Research & Corporate Planning	Edgar omondi
3.	Financial Controller	Irine Chepkangor
4.	General Manager Utalii Hotel	Florence Njau
5.	Human Resource Manager	Moses Nyagundi
6.	Director of Studies	Duncan Mutua
7.	Head of Internal Audit	Rodah M.Musyoki

### (e) Fiduciary Oversight Arrangements

The College oversight role is vested in various officers among them the following:

#### ➤ **Audit and Finance Committees of the Council:**

The committees provide oversight and advice on the financial activities of the College and the financial reporting process to ensure balance, transparency and integrity of published financial information.

➤ **Parliamentary public Accounts and Public Investments Committees:**

These review reports and recommendations of the Auditor general on the state of affairs of the College.

The committees have power to interrogate any adverse findings by the Auditor General

**(f) Headquarters**

P.O.BOX 31052 - 00600

Thika Road, Ruaraka

Nairobi, KENYA

**(g) Contacts**

Telephone :( 254) - 020-2458627, 0722205891, 0733410005

E-mail: info@utalii.co.ke

Website: www.utalii.co.ke

**(h) Bankers**

Barclays Bank of Kenya Limited

Queensway House Branch

P.O Box 30011 - 00200

Nairobi.

Co-operative Bank of Kenya Limited

Stima Plaza Branch

P.O.Box 38764 - 00600

Nairobi.

**(i) Independent Auditors**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O Box 30084-00100

Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112-00200




Nairobi, Kenya

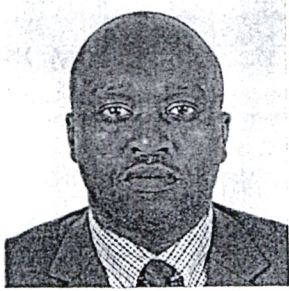
# Kenya Utalii College,

## II. THE COLLEGE COUNCIL

According to the Act, the running of the College is vested in a Council appointed by the Cabinet Secretary as set out in the Act.

The following members served in the council during the year

 <p>Mr. Mukasa Mwambu Muliro Chairman</p>	<ul style="list-style-type: none"><li>• Graduate School of Business – North eastern University</li><li>• Graduate School of Management – Boston University</li><li>• Chairman of Board, Chemelil Sugar Company (2007)</li><li>• Currently self-employed</li><li>• YOB : 1953</li></ul>
 <p>Mr. Leonard Mudachi Member</p>	<ul style="list-style-type: none"><li>• Bachelor of Arts Hotel and Restaurant Administration</li><li>• Higher Diploma in Hotel Management</li><li>• Chief Operating Officer, Nairobi Java House Ltd</li></ul>
 <p>Mr. Elicanah Mosiori Member</p>	<ul style="list-style-type: none"><li>• Alternate to PS, Ministry of Tourism</li></ul>



Mr. Darius Mogaka  
Member

- Alternate to PS, Ministry of Education



Mr. Richard Gakunya  
Member

- Alternate to CS, The National Treasury



Mr. Joseph Cherutoi  
Member

- Chief Executive Officer, Tourism Fund



Dr. Anthony Getambu  
Member

- Ph.D. Entrepreneurship Education
- MBA Marketing Management
- B.Ed. Business Education
- Director, Value Chain Specialist, Deloitte Consulting Ltd

# Kenya Utalii College,



Mr. Mark Dunford  
Member

- BS HES-SO in Hospitality Management, Ecole Hoteliere de Lausanne
- Vice President, Sub-Saharan Africa Hotels & Hospitality Group



Mr. Philemon Mwavala  
Member

- Bachelor of Arts Tourism and Hospitality Management
- Diploma Tourism and Travel Management
- Vice Chairman, Kenya Coast Tourism Association
- Director Southern Sky Safaris and Jacaranda Beach Resorts Group



Ms. Eva Karimi Munene  
Member

- M.Ed, Kenyatta University
- B. Ed ,Home Economics, Nairobi University
- Teacher's Certificate, University Of Manchester
- Senior Lecturer, Department of Education, Kenya Methodist University



Ms. Rosemary Mugambi  
Member

- Diploma in Hotel Management
- Regional Sales and Marketing Director – Serena Hotels East Africa

# Kenya Utalii College,

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Mr. David William Stogdale  
Member

- Higher National Diploma in Hotel Management and Catering Studies ( Manchester Polytechnic,1971)
- Member of Hotel Catering and Institutional Management Association (HCIMA,UK)
- Owner & Managing Director, DWS Africa
- YOB : 1950
- Term Expired on 16<sup>th</sup> April 2018



Mr. Osman Mohamed  
In attendance

- Rep. for inspector General, Inspectorate of State Corporation

## **Board Committees:**

### **Finance and HR Committee**

The following members served in the Committee:

Dr. Anthony Getambu	: Chairman
Mr. Richard Gakunya	: Member
Mr. Darius Mogaka	: Member
Mr. Joseph Cherutoi	: Member
Mr. Mark Dunford	: Member
Mr. Osman Mohamed	: In attendance
Mr. Elicanah Mosiori	: Member

### **Audit Committee**

The following members served in the Committee:

Ms. Rosemary Mugambi	: Chairman
Mr. Leonard Mudachi	: Member
Mr. Richard Gakunya	: Member
Mr. Elicanah Mosiori	: Member
Mr. Mark Dunford	: Member

### **Technical and Strategy Committee**

The following members served in the Committee:

Mr. David Stogdale	: Chairman
Ms. Eva Karimi Munene	: Member
Mr. Philemon Mwavala	: Member
Mr. Elicanah Mosiori	: Member
Mr. Leonard Mudachi	: Member
Mr. Mark Dunford	: Member
Mr. Darius Mogaka	: Member

III. MANAGEMENT TEAM



Mr. Hashim Mohamed  
Principal and Chief Executive Officer

- MBA(Business Administration)
- Bachelor of Science in Tourism Management
- Diploma in Hotel management
- YOB: 1974



Mr. Edgar Omondi  
Ag..Head of Research and Corporate  
Planning.

- Masters of arts in Economic Policy Management
- Bachelor of arts in Economics
- YOB 1978



Mrs. Irine Chepkangor  
Ag. Financial Controller

- Bachelor of Business management(Finance & Banking)
- CPA(K)
- YOB:1979

# Kenya Utalii College,

 <p>Mrs. Florence Njau Ag. General Manager – Hotel</p>	<ul style="list-style-type: none"><li>• MSC (International Hospitality Management)</li><li>• Diploma in Hotel Management</li><li>• YOB:1964</li></ul>
 <p>Mr. Moses Nyagundi Ag. Human Resource Manager</p>	<ul style="list-style-type: none"><li>• Bachelor of Science in Human Resources</li><li>• Higher National Diploma-Human Resources</li><li>• Diploma in Human Resources</li><li>• YOB: 1968</li></ul>
 <p>Mr. Duncan Mutua Ag. Director of Studies</p>	<ul style="list-style-type: none"><li>• MA (German Studies)</li><li>• Diploma in Hotel Management</li><li>• Diploma in German Language</li><li>• YOB:1958</li></ul>
 <p>Ms. Rodah Musyoki Head of Internal Audit</p>	<ul style="list-style-type: none"><li>• MBA ( Finance)</li><li>• CPA(K)</li><li>• YOB:1960</li></ul>

## IV. CHAIRMAN'S STATEMENT

On behalf of the Council members of Kenya Utalii College I am pleased to present to you the Annual Report and Financial Statements for the year ended 30th June 2018. These accounts have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

In what proved to be a challenging economic year, the Institution continue to have challenges in raising revenue to meet its general operations. During the year, actual revenues from Tourism Fund was **Kshs 495,000,000/-** against a budget of **Kshs.570,000,000/-**. Grants from the government however, decreased to **Kshs.175,000,000/-** down from **Kshs.350,000,000/-** the previous year. Our internally generated funds decreased to **Kshs.141,436,062/-** down from **Kshs. 149,582,460/-** the previous year.

In the implementation of our Strategic Plan 2013 – 2018, there has been a renewed focus on the College's brand Promise in the current year. We have undertaken a culture transformation program; geared towards customer excellence, in order to retain our competitive edge and sustain growth over the long- term.

The Council wishes to acknowledge and thank management, staff, and partners for their continued and invaluable support for the growth of the Institution. We look forward to even greater partnership in the year 2018/2019.



Mr. Mukasa M. Muliro

**Chairman – KUC Council**

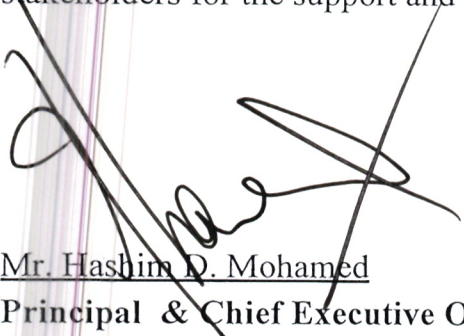
## V. PRINCIPAL'S STATEMENT

The financial year 2017/2018 was characterized by a tough economic environment. The College managed to push through all its programs despite the harsh economic situation and reduced funding from our partners. We remain committed to our mission which is to develop a highly qualified human resource for the hospitality industry.

As we reflect on our rich heritage, we at the Institution would like to have greater impact in our society. As one of the premier Institution we want to modernize our teaching and training systems through adapting new technologies. We have initiated implementation of online admission process and upgrade of our ERP System. On the same note we want to improve on kitchen and laundry facilities to meet the industry needs.

Going forward for Utalii Hotel, we will commit our efforts on improving revenues and reducing cost of operations by focusing effort on key drivers of our business that will assist Utalii Hotel generate sufficient revenues in order to bring the Hotel to profitability. Overallly our focus is on efficient use of resources and quality Training.

I sincerely thank the College Council, the management team, staff and all our stakeholders for the support and commitment to the Institution.



Mr. Hashim D. Mohamed  
Principal & Chief Executive Officer

## **VI. CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the manner in which the power over and the power of a corporation is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing and sustaining shareholders value while satisfying the needs of all stakeholders in the context of the mission and vision of that corporation. The College Council is committed to ensuring that the College is run in a Professional, transparent just and equitable manner. The College endeavours to adhere to good corporate governance by adhering to guideline issued by centre of corporate governance and benchmarking its activities with the best practices in the industry.

### **COLLEGE VISION**

To be a globally recognized and transformative premier tourism and hospitality training centre.

### **MISSION STATEMENT**

To develop a highly qualified and globally competitive human resource for the Hospitality and Tourism Industry by providing quality tourism and hospitality education, purposeful research and consultancy.

# Kenya Utalii College,

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The College undertook several Corporate Social Responsibility (CSR) activities over the 2017/2018 financial year. Some of the activities include:

NO.	ACTIVITY	DATE	AMOUNT (KSHS)
1	Cake at Bomas Of kenya for Mama Fatuma Children During Eid -Fitr Festival	16/06/2018	5,000
2	Contribution thro, the Ministry, Towards reconstructive Surgery for the needy at the Aga Khan Hospital, Mombasa	28/03/2018	87,150
	<b>TOTAL</b>		<b>92,150</b>

## VIII. STATEMENT OF COLLEGE COUNCIL RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the College's financial statements which give a true and fair view of the state of affairs of the College for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College;
- (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 College;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the College'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 College financial statements give a true and fair view of the state of College's transactions during the financial year ended June 30, 2018, and of the College's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College'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 College 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 College's financial statements were approved by the College Council, and signed on its behalf by

Principal & CEO

  
.....26/6/19  
Date

  
Chairman - KUC Council

.....26/6/19  
Date

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Utalii College set out on pages 1 to 29, which comprise the statement of financial performance as at 30 June 2018, and the statement of financial position, statement of cash flow, statement of changes in net assets, consolidated statement of comparison of budget and actual amounts and notes to the financial statements for the year then ended, 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 Kenya Utalii College as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No.28 of 2011.

#### Basis for Qualified Opinion

##### 1. Financial Performance

During the year under review, the College reported a deficit of Kshs.399,665,192: (2017 of Kshs.510,579,471) while current liabilities balance of Kshs.3,786,981,791 exceeded current assets of Kshs.633,007,895 resulting to a negative working capital of Kshs.3,153,973,896 as at 30 June 2018 (2017 of Kshs.2,840,750,721). The College is therefore technically insolvent and its continued existence as a going concern is dependent on financial support from the Government and its creditors. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt about the College's ability to continue as a going concern.

##### 2. Trade and Other Payables

The trade and other payables from exchange transactions balance of Kshs.3,602,574,445 as at 30 June 2018, includes long outstanding creditors amounting to Kshs.3,300,278,035. The long outstanding creditors including accrued GOK interest of

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*Report of the Auditor-General on the Financial Statements on Kenya Utalii College for the year ended 30 June 2018*

Kshs.3,296,615,100 as per note 17 to the financial statements represent 92% of the total trade and other payables from exchange transactions balance.

In the circumstances, the College's ability to settle bills when they fall due appears uncertain.

### **3. Long Outstanding Receivables**

#### **3.1 Exchange Transactions**

Included in receivables from exchange transactions balance of Kshs.278,291,962 as at 30 June 2018 is an amount of Kshs.131,198,575 which has been outstanding for a period of more than one year, of which Kshs.9,055,163 is from former staff and Kshs.2,949,045 from insolvent/dead entities as shown below;

<b>Description</b>	<b>Amount Kshs.</b>
Debt outstanding for 1 -3 Years	1,996,063.97
Debt outstanding for 4-7 Years	117,198,302.79
Former Staff	9,055,162.80
Insolvent /dead entities	2,949,045.70
<b>Total</b>	<b>131,198,575.26</b>

#### **3.2 Non-Exchange Transactions**

Further, the receivables from non-exchange transactions balance of Kshs.174,162,261 as at 30 June 2018 includes an amount of Kshs.99,538,261 which has been outstanding for a period of between four and seven years. The College has not provided reasons why such receivables have been outstanding for long period.

Consequently, it has not been possible to confirm the recoverability, accuracy and completeness of receivables both from non-exchange transactions balances of Kshs.174,162,261 as at 30 June 2018.

### **4. Loan from Government of Kenya**

As previously reported, the College has not complied with the loan agreement signed between it and the Government of Kenya for a loan of Kshs.140 million advanced to the College in February 1996 to refurbish the Kenya Utalii Hotel. Payment for the loan amounted to Kshs.13 million as at 30 June 2017 and since then no further payment has been made by the College. As reflected under Note 17 to the financial statements, accumulated interest as at 30 June 2018 amounted to Kshs.3,296,615,100 and outstanding loan being Kshs.127,125,028 resulting to Kshs.3,423,740,128 accumulated

liability from interest and penalties on the initial loan of Kshs.140 million. Further, and although the previous year's financial statements indicated that the College had entered into negotiations with the Government to have the loan together with accumulated interest written off, no meaningful progress in this regard had been recorded. The hotel, whose revenues were meant to repay the loan, is a training laboratory for the college. Its profitability is highly compromised by capacity and high operational costs due to its orientation as a training unit and therefore efforts must be made to save the Hotel whose location is ideal to operate both commercially and as a training laboratory for the College to save her from the financial woes.

## **5. Development Grant**

As previously reported, the Ministry disbursed Kshs.200 million in 2016/2017 financial year to the College for development of a new training practical block. Available information indicates that Kshs.100 million was deposited in a call account while an amount totaling Kshs.40,261,605 was spent on consultancy services, obtaining permit from the County Government, technical evaluation retreat, and advertisements for procurement of construction services. The remaining balance of Kshs.59,738,395 was utilized on recurrent expenditure without the requisite Council and National Treasury approvals. Further, there is no evidence of work in progress of development of a new practical training block recognized in the financial statements.

Consequently, the College was in breach of Section 48 1(c) of Public Finance Management Act, 2012 which stipulates that grants be used only to finance programs in the integrated development plan.

## **6. Delivery and Installation of the Student Access Control System**

Delivery and installation of the student access control system began in September 2010 under tender No.KUC/33/2009/2010 awarded to a local company at a cost of Kshs.3,897,967. The amount paid as at 30 June 2018 was Kshs.1,183,390. The works were completed except commissioning which was not done due to pending issues that the supplier has never resolved to date. These include:

- Delivery of access control license registered under Utalii,
- Contractor did not sign service level agreement.

The works above have never been completed to date.

Although the works were completed, commissioning has not been done because the contractor did not deliver an access control license registered under the College and also did not sign service level agreement as per the agreement provisions.

## **7. Inventories**

During the year under review, the inventories balance of Kshs.19,530,120 as at 30 June 2018 excluded the value of the library books. Further, although the College's assets were last revalued in October 2014 by independent valuer, the library books were not valued then.

In the circumstances, it has not been possible to confirm that the inventories balance of Kshs.19,530,120 as at 30 June 2018 is fairly stated.

## 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

## Other Matter

### 1. Overall Budget Analysis

During the year under review, the College had a budget of Kshs.1,474,000,001 comprising recurrent of Kshs.1,234,181,401 (75.99%) and development Kshs.239,818,600 (24.01%) respectively. The budget absorption for the year was as summarized below;

Votes	Budget Kshs.	Actual Kshs	Under-Absorption (Ksh)	Under/Over Absorption (%)
Recurrent	1,234,181,401	1,391,413,758	(157,232,357)	(13)
Development	239,818,600	34,032,011	205,786,589	14
<b>Total</b>	<b>1,474,000,001</b>	<b>1,425,445,769</b>	<b>48,554,232</b>	<b>3</b>

The College did not utilize Kshs.48,554,232 and no explanation was provided for underutilization. The under absorption of the approved budget is an indication that activities and projects in the work/procurement may not have been implemented by the Management. This is likely to have negative effect on the service delivery.

Further, the entity overspent on recurrent vote by Kshs.157,232,357 and no justification was provided for overutilization of recurrent vote.

### 2. Failure to Implement IFMIS Requirement

The College failed to implement IFMIS System and/or to link Enterprise Resource Planning (ERP) with IFMIS system therefore not conforming to the Presidential directive and the National Treasury Circular No.19/15, dated December 18th August 2015, Ref.DGIPE/A/1/10 Category 4-Other Projects which states that "State Corporations are required to ensure that capital projects are captured in the Plan-to-Budget in IFMIS and e-ProMIS as appropriate as to improve on the project database (record keeping) and enhance monitoring and evaluation" and Presidential directive dated August 2014 which indicated that all State Corporations like any other entities to employ full use of e-procurement by 1 January 2019.

The management was thus in contravention of Treasury circular and the Executive Order.

### **3. The Mombasa Campus and Nairobi Library Facilities**

During audit inspection to the libraries in Mombasa and Nairobi Campuses, the following anomalies were noted;

- Mombasa Campus does not have qualified librarian to manage it. It was noted that the in charge of the campus selects one of the staff members from among them to carry out the tasks of a librarian.
- The facility at the Mombasa Campus is in a sorry state of affairs not befitting the renowned Utalii College. The Kitchen at the campus lacks the required training facilities as compared to their counterpart in Nairobi. Although the College has repute in hospitality training, it is in doubt whether students at the Mombasa campus enjoy similar facilities and standard of training as should be the case.
- The Nairobi Library has over 48,000 books that should be uploaded into the new system. The services of data entry clerks should have been engaged to fasten the process that has been ongoing since October 2018

#### **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 matters described in the Qualified Opinion 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**

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

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

##### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else 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 1315 and ISSAI 1330. The standard requires 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 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 College'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 the management either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. 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:

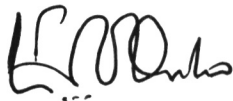
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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

College'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 College to cease to continue as a going concern or 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 College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**26 August 2019**

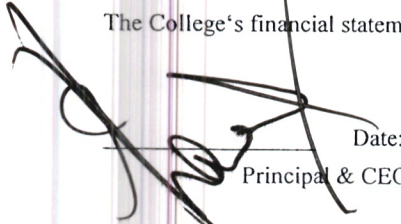
**Kenya Utalii College,**  
**Annual Report and Financial Statements For The Year Ended 30th June 2018**  
**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018**


	Note	2017/2018 Kshs	2016/2017 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	161,023,552	148,483,365
Receivables from exchange transactions	13	278,291,962	240,796,644
Receivables from non-exchange transactions	14	174,162,261	130,261,026
Inventories	15	19,530,120	17,531,504
		<b>633,007,895</b>	<b>537,072,539</b>
<b>Non-current assets</b>			
Property, plant and equipment	25	6,426,262,886	6,492,784,163
Staff Loans Fund	21	20,811,582	20,031,206
		<b>6,447,074,468</b>	<b>6,512,815,369</b>
<b>Total assets</b>		<b>7,080,082,363</b>	<b>7,049,887,909</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange tran	17	3,602,574,445	3,197,265,221
Refundable deposits from customers	16	638,572	859,092
Provisions	18	183,768,775	179,698,947
		<b>3,786,981,791</b>	<b>3,377,823,260</b>
<b>Non-current liabilities</b>			
Borrowings (GOK Loan)	19	127,125,028	127,125,028
Staff Loans Fund	21	20,811,582	20,031,206
Accumulated Fund	24	(1,167,716,826)	(746,178,898)
Revaluation Reserve	23	4,014,819,968	4,092,947,232
Capital Grants	25	125,000,000	-
Capital Reserve - Refurbishment of Utalii Ho	22	173,060,818	178,140,080
		<b>3,293,100,571</b>	<b>3,672,064,648</b>
<b>Total liabilities</b>		<b>7,080,082,363</b>	<b>7,049,887,909</b>

The notes on page 6 - 26 form an integral part of the financial statements

**Approval of the financial statements**

The College's financial statements were approved by the College Council and signed on its behalf by:

  
 Date: 26/06/19  
 Principal & CEO

  
 Date: 26/6/19  
 Chairman, College Council

# Kenya Utalii College,

## Annual Report and Financial Statements For The Year Ended 30th June 2018

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2017/2018	2016/2017
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Incomes from non commercial transaction	3	668,012,406	719,457,057
		<b>668,012,406</b>	<b>719,457,057</b>
<b>Revenue from exchange transactions</b>			
Fees From Students	5	53,955,191	56,830,500
Revenue From Commercial Activities	4	92,894,074	95,827,553
Utalii Hotel Net Profit/Loss	4	(41,893,403)	(49,453,388)
		<b>104,955,862</b>	<b>103,204,665</b>
<b>Total revenue</b>		<b>772,968,268</b>	<b>822,661,722</b>
<b>Expenses</b>			
Employee costs	6	384,168,846	374,707,586
College Council Expenses	7	12,119,385	14,698,441
Depreciation and amortization expense	8	93,520,541	166,056,436
Repairs and maintenance	9	12,522,659	12,811,963
Contracted services	10	22,684,404	20,361,850
General expenses	11	647,617,623	644,604,917
<b>Total expenses</b>		<b>1,172,633,460</b>	<b>1,233,241,193</b>
<b>Deficit before tax</b>		<b>(399,665,192)</b>	<b>(410,579,471)</b>
Taxation (Note Kenya Utalii College is a training Institution hence exempted from Corporate tax)			
<b>Deficit before tax</b>		<b>(399,665,192)</b>	<b>(410,579,471)</b>

The notes on page 6 - 26 form an integral part of the financial statements

**Kenya Utalii College,**  
**Annual Report and Financial Statements For The Year Ended 30th June 2018**  
**STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2018**

	Note	2017/2018	2016/2017
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b><u>Receipts</u></b>			
Fees From Students	5	53,955,191	56,830,500
Revenue From Tourism Fund	3	495,000,000	318,000,000
Rent Income from staff housing units	3	24,301,833	24,965,521
Grants from Government of Kenya -Recurrent	3	150,000,000	150,000,000
Grants from Government of Kenya -Development	3	-	200,000,000
Revenue from Commercial Activities & Consultancy Services	4	92,894,074	95,827,553
Other Income Receipts	3	2,278,911	16,478,158
Capital Grants from Government of Kenya - amortization	22	5,079,262	5,079,262
Utalii Hotel Net Profit	4	(41,893,403)	(49,453,388)
<b>EUHOFA COGRESS</b>		-	4,934,115
		<b>781,615,868</b>	<b>822,661,722</b>
<b><u>Payments</u></b>			
<b>Employee costs</b>	6	384,168,846	374,707,586
<b>Remuneration of College Council</b>	7	12,119,385	14,698,441
<b>Repairs and maintenance</b>	9	12,522,659	12,811,963
<b>Contracted services</b>	10	22,684,404	20,361,850
<b>General expenses</b>	11	647,617,623	644,604,917
		<b>1,079,112,918</b>	<b>1,067,184,757</b>
<b>Surplus /deficit for the year</b>		<b>(297,497,050)</b>	<b>(244,523,035)</b>
<b>Net cash flows from operating activities</b>	20	<b>46,572,198</b>	<b>132,518,209</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(34,032,011)	(34,254,057)
<b>Net cash flows used in investing activities</b>		<b>(34,032,011)</b>	<b>(34,254,057)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(6,000,000)
<b>Net cash flows used in financing activities</b>		-	<b>(6,000,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,540,187</b>	<b>92,264,152</b>
Cash and cash equivalents at 1 JULY 2017	12	148,483,365	56,219,264
<b>Cash and cash equivalents at 30 JUNE 2018</b>	12	<b>161,023,551</b>	<b>148,483,365</b>

**Kenya Utalii College,**  
**Annual Report and Financial Statements For The Year Ended 30th June 2018**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2018**  
**Attributable to the owners of the controlling entity**

Reserves	Staff Loan Fund Kshs	Accumulated Surplus Kshs	Capital Reserve Kshs	Capital Grants Kshs.	Revaluation Reserve Kshs	TOTAL Kshs
As at 1st July 2016	19,357,937	(417,686,166)	183,219,342		4,169,954,709	3,954,845,822
Hotel Reverses Account		-				-
Funds received during the year	673,269					673,269
Amortization on Revaluation Reserve charge for the year		77,007,477			(77,007,477)	(0)
Grants Amortized		5,079,262	(5,079,262)			-
Deficit for the year		(410,579,471)				(410,579,471)
<b>Balance as at 30 June 2017</b>	<b>20,031,206</b>	<b>(746,178,898)</b>	<b>178,140,080</b>		<b>4,092,947,232</b>	<b>3,544,939,620</b>
As at 1st July 2017	20,031,206	(746,178,898)	178,140,080	-	4,092,947,232	3,544,939,620
Capital Grants		(100,000,000)		100,000,000		-
Funds received during the year	780,377					780,377
Amortization on Revaluation Reserve charge for the year		78,127,264			(78,127,264)	-
Capital Grants		-		25,000,000		25,000,000
Transfers/adjustments						-
Grants Amortized			(5,079,262)			(5,079,262)
Deficit for the year		(399,665,192)				(399,665,192)
<b>Balance as at 30 June 2018</b>	<b>20,811,583</b>	<b>(1,167,716,826)</b>	<b>173,060,818</b>	<b>125,000,000</b>	<b>4,014,819,968</b>	<b>3,165,975,543</b>

The notes on page 6 - 26 form an integral part of the financial statements

Kenya Utalii College,  
Annual Report and Financial Statements For The Year Ended 30th June 2018  
Consolidated statement of comparison of budget and actual amounts for the year ended 30 June 2018

	Original budget 2017/2018 Kshs	Final budget 2017/2018 Kshs	Actual on comparable basis 2017/2018 Kshs	Performance difference 2017/2018 Kshs	Variance Explanation
<b>Revenue</b>					
<b>Revenue from non-exchange transactions</b>					
Other income	656,218,000	656,218,000	668,012,406	11,794,406	Undefunding from TF
<b>Revenue from exchange transactions</b>					
Fees From Students	71,054,900	71,054,900	53,955,191	(17,099,709)	Few Foreign students
Gross Revenue from commercial activities	299,455,439	299,455,439	181,665,021		low students intake
Gross Revenue from hotel	291,759,162	291,759,162	181,636,489		Low hotel business
<b>Total Income</b>	<b>1,318,487,501</b>	<b>1,318,487,501</b>	<b>1,085,269,107</b>		
<b>Expenses</b>					
Employee costs	465,457,782	465,457,782	384,168,846	81,288,936	No employment or promotions
Remuneration of College Council/B.O.G	16,926,000	16,926,000	12,119,385	4,806,615	
Repairs and maintenance	23,563,000	23,563,000	12,522,659	11,040,341	Cut down on expenditure
Contracted services	27,163,200	27,163,200	22,684,404	4,478,796	Cut down on expenditure
Hotel expenses	275,580,026	275,580,026	223,529,892	52,050,134	low hotel business
Commercial activities expenses	133,342,818	133,342,818	88,770,947	44,571,871	low intake
General expenses	292,148,575	292,148,575	647,617,623	(355,469,048)	Interest on GOK Loan
<b>Total Expenses</b>	<b>1,234,181,401</b>	<b>1,234,181,401</b>	<b>1,391,413,758</b>	<b>(157,232,357)</b>	
Development expenditure	389,818,600	239,818,600	34,032,011		Development grant reduced by Kshs.150m
<b>Total</b>	<b>1,624,000,001</b>	<b>1,474,000,001</b>	<b>1,391,413,758</b>		
Depreciation and Amortization	-	-	93,520,541		
<b>Surplus for the period</b>			<b>(399,665,192)</b>		

**I. NOTES TO THE FINANCIAL STATEMENTS**

**1. Statement of compliance and basis of preparation**

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 (Kshs), which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

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

The Institution will be in existence for the next one year.

**2. Summary of significant accounting policies**

**a) Revenue recognition IPSAS 23**

**i) Revenue from non-exchange transactions**

**a) Related party transactions**

**i. Revenue from Tourism fund**

This is the revenue collected by Tourism Fund from hotels and restaurants to cater for both training and marketing needs in the hotel and tourism sector. It is shared between Kenya Utalii College, Kenya Tourist Board and Tourism Fund in accordance with approved budgets.

**ii. Grants from Government of Kenya**

This is in respect of assistance from the Government of Kenya, through the Ministry of Tourism. It is recognized as revenue when received. The college received Ksh.150M for recurrent expenditure and Ksh.25M for development expenditure. Where an official commitment is received from the government or timing differences occur between the time the Government sends the funds and actual receipt, the grants are accrued / deferred.

**iii. Rent Income from Housing Units**

This is the income arising from rent charged to members of staff occupying the College's housing units

# Kenya Utalii College,

## Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018

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### ii) Revenue from exchange transactions

#### Rendering of services-Fees revenue.

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Students' fees are recognized at the beginning of the term and cover the whole term. Fees paid in advance are treated as liabilities to the College whereas fees in arrears are treated as receivables. Other revenues are recognized in the period they are earned net of VAT and discounts.

#### Revenue from Commercial Activities

This represents revenue generated from part-time courses and other revenue generating activities by the various departments. This amount is shown net of direct expenses.

#### Sale of goods and Services -Utalii Hotel

Revenue from the sale of goods and services is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and services and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

### 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 College. 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.

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

## Kenya Utalii College,

### Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018

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#### c) Property, plant and equipment IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on straight line basis, at annual rates estimated to write-off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:-

	Rate	Estimated Useful Life
Freehold Land	Nil	
Leasehold Land		
Main College		57 Years
Library Complex		73 Years
Utalii Sports Club		72 Years
Utalii Village		59 Years
Vipingo		80 Years
Buildings	2.5%	40 Years
Plant and Machinery	10%	10 Years
Furniture, Technical & Teaching Equipment	20%	5 Years
Motor Vehicles	25%	4 Years
Computers	30%	3 <sup>1</sup> / <sub>3</sub> Years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

#### d) Inventories IPSAS 12

Inventories comprising of food, beverage and general merchandise together with returnable containers and drugs have been valued at cost calculated on average basis.

#### e) Provisions

Provisions are recognized when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Kenya Utalii College,**  
**Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018**

f) A specific provision amounting to **Kshs 169,627,435.00** has been recognized. In addition a 5% general provision for doubtful debts has been created in the financial statement.

DETAILS	PROVISION FOR BAD AND DOUBFUL DEBTS		TOTAL
	ACCOUNTS RECEIVABLE	SPECIFIC ACCOUNTS	
SPECIFIC	55,309,271.00	114,318,164.05	<b>169,627,435.05</b>
5% 2016-2017 PROVISION	9,274,369	797,143	<b>10,071,512</b>
5% 2017-2018 PROVISION	11,170,685	2,766,249	<b>13,936,934</b>

**g) Nature and purpose of reserves**

The College creates and maintains reserves in terms of specific requirements. The following are the reserves that are maintained by the College and their appropriate policies adopted.

**Revaluation Reserve**

The College's Assets were revalued in October 2014 by an independent Valuer, Nile Real Appraisers (EA) Ltd. The Revaluation exercise was carried out in order to establish the fair carrying value of the assets. This resulted in a revaluation surplus of kshs 4,320,753,492. Depreciation on the revaluation surplus is charged to the revaluation Reserve Account

**Capital Reserve – Refurbishment of Utalii Hotel and Individual Kitchen**

During the 2003/2004, 2005/2006 and 2007/2008 financial years, the College received capital grants from the Government of Kenya and Special Capital Grant from Catering and Tourism Development Levy Trustees to refurbish Utalii Hotel and Individual Training Kitchen amounting to Kshs.113,170,486, 15,000,000 and 30,000,000 respectively. These grants are amortized over the expected useful life of the building and useful life of the Equipment on a straight line basis.

The balance has been arrived at as follows:

	2017/2018 Kshs.	2016/2017 Kshs.
Balance at beginning of year	178,140,080	183,219,342

**Kenya Utalii College,**  
Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018

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Less: Amortization	5,079,262	5,079,262
	-----	-----
<b>Balance at end of year</b>	<b>173,060,818</b>	<b>178,140,080</b>
	=====	=====

**h) Employee benefits IPSAS 25**

**Retirement Benefit Obligations**

The College operates a defined contribution benefits scheme for its permanent employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the College and employees.

The College also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs.200 per employee per month. The College's contributions to the above schemes are charged to the income and expenditure account in the year to which they relate.

**i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**i) Taxation**

Kenya Utalii College is exempted from taxation under the first schedule of the Income Tax Act Cap 470.

**j) Contingent Liabilities and Assets**

**Contingent Asset**

There were no contingent assets that could lead to possible inflow of resources embodying economic benefits or service potential for the period.

**Contingent Liability**

There were no contingent liabilities that could lead to possible outflow of resources embodying economic benefits or service potential for the period.

**k) Capital Commitments**

There were no capital commitments.

**l) Financial Instruments**

**Financial Assets**

**Staff Loans Scheme Fund and Receivables**

Loans and receivables are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market. The receivables include trading debtors, student debtors and the staff loan scheme fund.

After initial measurement the financial assets are subsequently measured at amortized cost using the effective interest method less impairment. Losses arising from impairment are recognized in the surplus or deficit.

The Entity assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**Financial Liabilities**

**Staff Loans Scheme Fund and GOK Loan**

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. The liabilities include GOK loan and the staff loan scheme fund

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or

## Kenya Utalii College,

### Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018

deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### m) Subsequent Events IPSAS 14

There have were no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2018.

#### n) Significant Judgements and Sources of Estimation Uncertainty IPSAS 1

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on straight line basis, at annual rates estimated to write-off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:-

	Rate	Estimated Useful Life
Freehold Land	Nil	
Leasehold Land		
Main College		57 Years
Library Complex		73 Years
Utalii Sports Club		72 Years
Utalii Village		59 Years
Vipingo		80 Years
Buildings	2.5%	40 Years
Plant and Machinery	10%	10 Years
Furniture, Technical & Teaching Equipment	20%	5 Years
Motor Vehicles	25%	4 Years
Computers	30%	3 <sup>1</sup> / <sub>3</sub> Years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

## Kenya Utalii College,

### Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018

Inventories comprising of food, beverage and general merchandise together with returnable containers and drugs have been valued at cost calculated on average basis.

Provisions are recognized when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A specific provision amounting to **Kshs 169,627,435.00** has been recognized. In addition a 5% general provision for doubtful debts has been created in the financial statement.

PROVISION FOR BAD AND DOUBFUL DEBTS			
DETAILS	ACCOUNTS RECEIVABLE	SPECIFIC ACCOUNTS	TOTAL
SPECIFIC	55,309,271.00	114,318,164.05	<b>169,627,435.05</b>
5% 2016-2017 PROVISION	9,274,369	2,766,249	<b>13,936,934</b>
5% 2017-2018 PROVISION	11,170,685	797,143	<b>10,071,512</b>

#### o) Related Parties IPSAS 20

The key management personnel are the members of College management and College Council. The College Council consists of members appointed by the Cabinet Secretary Ministry of Tourism as set out in the Act.

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

#### College Management;

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Principal & Chief Executive Officer	Hashim Mohamed
2.	Director of Research & Corporate Planning	Edgar Omondi
3.	Financial Controller	Irine Chepkangor
4.	General Manager Utalii Hotel	Florence Njau
5.	Human Resource Manager	Moses Nyagundi
6.	Director of Studies	Duncan Mutua
7.	Head of Internal Audit	Rodah M.Musyoki

# Kenya Utalii College,

Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018

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## College Council;

<u>No.</u>		<u>Name</u>
1.	Mr. Mukasa Mwambu Muliro	Chairman
2.	Mr. Leonard Mudachi	Member
3.	Mr. Elicana Mosiori	Member
4.	Mr. Darius Mogaka	Member
5.	Mr. Richard Gakunya	Member
6.	Mr. Joseph Cherutoi	Member
7.	Mr. Osman Mohamed	Member
8.	Dr. Anthony Getambu	Member
9.	Mr. Mark Dunford	Member
10.	Mr. Philemon Mwavala	Member
11.	Ms. Eva Karimi Munene	Member
12.	Ms. Rosemary Mugambi	Member
13.	Mr. David William Stogdale	Member

The following transactions were carried out with related parties;

	<b>2017/2018</b>	<b>2016/2017</b>
i) College Council remuneration		
Allowances paid to council	12,119,385	14,698,441
ii) Grants from related parties		
Grants from Government of Kenya (GOK)	175,000,000	350,000,000
Grants from Tourism Fund (TF)	495,000,000	318,000,000

## p) Comparative Figures

The comparative figures for the previous financial year have been amended or reconfigured, with changes to the development grant received in Financial Year 2016/2017, accumulated depreciation for land from what was reported in the previous financial year's financial statements.

**Kenya Utalii College,**  
**Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2018**

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**q) Intangible Assets IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. Amortization is calculated on a straight line basis over estimated useful lives not exceeding period of 5 years.

**r) Changes in accounting policies and estimates**

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

**s) Ultimate and Holding Entity**

The entity is a State Corporation under the Ministry of Tourism. Its ultimate parent is the Government of Kenya

**t) Currency**

The Financial Statements are presented in Kenya Shillings (Kshs)



# Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2018

Notes to the Financial Statements for the year ended 30th June 2018

## 3. Incomes From Non Commercial (Exchange) Activities

	2017/2018	2016/2017
	Kshs.	Kshs.
Rent Income from staff housing units	24,301,833	24,965,521
Grants from Government of Kenya -Recurrent	150,000,000	150,000,000
Grants from Government of Kenya -Development	-	200,000,000
Revenue from Tourism Fund	495,000,000	318,000,000
Other Income Receipts	2,278,911	16,478,158
Capital Grants from Government of Kenya - amortization	5,079,262	5,079,262
EUHOFA Congress	-	4,934,115
Deferred Revenue/Income	(13,166,710)	-
Call Account-Accrued Interest	4,519,110	-
<b>Total</b>	<b>668,012,406</b>	<b>719,457,057</b>

## Other Incomes

This comprises of:

	2017/2018	2016/2017
	Kshs.	Kshs.
Sale of Discarded items	72,888	25,866
Sale of Tender Documents	-	38,000
Gain or loss on disposal	-	99,585
Jifunze Bar Sales	-	208,430
Surplus/ Loss from Food fair	(433,050)	-
Hire of facilities	-	13,732,409
Identity cards & Lost items	365,510	262,405
Sale of Meal vouchers	429,695	466,085
Other Miscellaneous Income	603,952	42,209
Graduation fee	1,239,916	1,603,169
<b>Total</b>	<b>2,278,911</b>	<b>16,478,158</b>

# Kenya Utalii College,

## Annual Report and Financial Statements For The Year Ended 30th June 2018

### Notes to the Financial Statements for the year ended 30th June 2018

#### 4. Revenue from Commercial (Exchange) Activities

This represents revenue generated from part-time courses and other revenue generating activities by the various departments. This amount is shown net of direct expenses, and is summarized as follows:

	2017/2018 Kshs	2016/2017 Kshs.
Self Sponsored Courses	56,658,101	66,563,564
Pioneer Courses	39,745,000	37,292,854
MDP & Refresher Courses	1,900,494	1,277,706
Bakery Sales	683,816	1,946,254
Laundry Services	9,005,471	12,699,149
Sports Club Bar Sales	244,030	370,465
Cyber café services - M-pesa	126,905	-
Jifunze Bar Sales	144,447	-
Hire of facilities - Grounds and Hostels	13,450,375	-
Bookshop Sales & Photocopying	483,088	499,229
Barber Shop Rent	200,000	220,000
Degree Programmes	34,266,020	45,676,700
Consultancy	11,625,068	2,484,060
Project Revenue- Bomas	13,132,206	-
<b>Sub-Total</b>	<b>181,665,021</b>	<b>169,029,981</b>
Less: Direct Expenses	88,770,947	73,202,428
<b>Total</b>	<b>92,894,074</b>	<b>95,827,553</b>
	92,457,474	
	436,600	

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2018

#### UTALII HOTEL TRADING, ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2018

	2017/2018 Kshs	2016/2017 Kshs.
<b>Revenue from exchange transactions</b>		
Hotel Room sales	44,485,868	49,491,237
Hotel Food Sales	104,011,641	104,528,111
Hotel Beverage Sales	18,958,593	24,381,351
Other Income Receipts	12,357,497	11,819,783
House rent	5,065,250	4,713,000
Deferred Revenue /Income	(3,242,360)	-
<b>Total revenue</b>	<b>181,636,489</b>	<b>194,933,482</b>
Less: Cost of Sales	63,127,543	75,717,856
<b>Gross Profit</b>	<b>118,508,946</b>	<b>119,215,626</b>
<b>Expenses</b>		
Employee costs	111,979,062	108,128,532
Repairs and maintenance	4,330,522	5,341,512
Contracted services	5,223,116	3,826,186
General expenses	38,371,128	50,606,802
Finance costs	498,521	765,982
<b>Total expenses</b>	<b>160,402,349</b>	<b>168,669,014</b>
Surplus / Deficit before tax	(41,893,403)	(49,453,388)
<b>Surplus / Deficit for the period</b>	<b>(41,893,403)</b>	<b>(49,453,388)</b>
Number of staff		
Permanent	73	77
Contract	53	55

# Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2018

Notes to the Financial Statements for the year ended 30th June 2018

## 5. Fees From Students

Actual	2017/2018 Kshs	2016/2017 Kshs.
Fees From Local Students	41,004,227	47,522,904
Fees From Foreign Students	8,250,301	6,460,800
Application Fees	1,967,272	1,732,296
Examination Fees	2,733,391	1,114,500
<b>Total</b>	<b>53,955,191</b>	<b>56,830,500</b>

<b>Grand Revenue Total</b>	<b>772,968,268</b>	<b>822,661,722</b>
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## 6. Employee costs

	2017/2018 Kshs	2016/2017 Kshs.
<b>Employee related costs</b>		
Salaries - Expatriate Staff	1,631,800	2,145,394
Salaries - Permanent Academic Staff	137,472,825	132,578,863
Salaries - Part-time Academic	2,064,170	48,490
Salaries - Administrative Staff	243,000,051	239,934,839
<b>Total</b>	<b>384,168,846</b>	<b>374,707,586</b>
Number of staff		
Permanent	278	291
Contract	144	128

## 7. Remuneration of council (BOG)

	2017/2018 Kshs	2016/2017 Kshs.
Sitting Allowance	5,543,200	8,177,632
Travelling And Subsistence	4,284,838	2,752,670
Honararia	960,000	960,000
Mileage Allowance	686,978	1,761,925
Other Allowance	644,369	1,046,214
<b>Total</b>	<b>12,119,385</b>	<b>14,698,441</b>

## 8. Depreciation and amortization expense

	2017/2018 Kshs	2016/2017 Kshs.
Property, plant and equipment	93,520,541	87,359,324
<b>Total</b>	<b>93,520,541</b>	<b>87,359,324</b>

# Kenya Utalii College,

## Annual Report and Financial Statements For The Year Ended 30th June 2018

### Notes to the Financial Statements for the year ended 30th June 2018

#### 9. Repairs and maintenance

	2017/2018 Kshs	2016/2017 Kshs.
Maintenance and Repair of Buildings	3,373,907	5,435,454
Maintenance and Repair of Equipment	4,537,164	2,933,317
Maintenance and Repair of Vehicles	4,611,589	4,443,192
<b>Total</b>	<b>12,522,659</b>	<b>12,811,963</b>

#### 10. Contracted services

	2017/2018 Kshs	2016/2017 Kshs.
Contracted Services	22,684,404	20,361,850
	<b>22,684,404</b>	<b>20,361,850</b>

#### 11. General expenses

The following are included in general expenses:

	2017/2018 Kshs	2016/2017 Kshs.
Medical Expenses	13,438,268	14,867,996
Staff Development	10,167,117	9,376,570
Staff and Students' Recreation Activities	3,800,866	3,006,782
Staff Welfare	4,788,746	4,087,314
Travelling and Subsistence Expenses	7,243,437	6,741,949
Industrial Training Expenses	6,283,622	6,464,782
Special Courses	10,362,303	4,813,376
Class Text Books, Library Books, & Periodicals	136,416	7,100,829
External Examination Expenses	1,546,949	1,240,875
Research Expenses	2,621,737	1,434,597
Bursaries Expenses	11,427,091	7,019,834
Professional Clothes and Uniforms	2,836,207	5,277,654
Food and Beverage	68,567,643	63,838,918
Printing and Stationery	4,238,737	2,269,702
Cleaning Materials	2,961,953	2,486,731
Entertainment and Public Relations	8,901,209	5,125,148
Advertising and Promotion	-	4,147,325
Renewal and Replacement	7,509,141	6,496,559
Heat, Light and power	40,265,772	37,927,536
Water, Sewerage and Land Rates	18,946,202	20,760,734
Postage and Telephone	3,811,940	3,250,144
Licences and Professional Services	16,163,381	5,710,286
Quality Assurance	1,639,159	315,450
Alumni, Placement & Collaboration	3,213,401	2,214,709
Finance Costs	382,965,925	383,172,485
Increase in Provision for Bad and Doubtful Debts	4,069,828	1,643,752
Insurances	9,246,574	11,478,909
EUHOFA CONGRESS	-	21,869,972
Audit fee	464,000	464,000
<b>Total</b>	<b>647,617,623</b>	<b>644,604,917</b>

# Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2018

Notes to the Financial Statements for the year ended 30th June 2018

## Provision For Bad and Doubful Debts for the year Ended 30th June 2018

	2017/2018 Kshs	2016/2017 Kshs.
Increase/Decrease in Provision for bad and doubtful debts	4,069,828	1,643,752
<b>Total</b>	<b>4,069,828</b>	<b>1,643,752</b>

## Finance costs for the year ended 30th June 2018

	2017/2018 Kshs	2016/2017 Kshs.
Bank Charges	1,074,581	1,211,752
Loss/Gain on Foreign Exchange	58,680	128,069
Interest on Loan from G.O.K	381,832,664	381,832,664
<b>Total</b>	<b>382,965,925</b>	<b>383,172,485</b>

**Grand Expenses Total** 1,172,633,460 1,154,544,081

## 12. Cash and cash equivalents

	2017/2018 Kshs	2016/2017 Kshs.
Cash in Hand -College	15,685	71,832
Cash in Hand -Hotel	374,146	447,374
<b>Cash at Bank -College</b>		
Co-Operative -Nairobi	(871,608)	26,737,842
Co-Operative -Mombasa	(296,329)	386,026
Co-Operative -Kisumu	(1,181,509)	1,819,690
Co-Operative -Development Account	124,999,450	-
Barclays Bank - Shillings	29,565,188	101,744,256
Barclays Bank - Foreign	(961,388)	(617,649)
<b>Cash at Bank -Hotel</b>		
Co- Operative - Shillings	4,624,516	13,512,482
Co- Operative - Foreign	-	-
Floats -College	3,905,000	3,345,000
Floats -Hotel	850,400	1,036,511
	<b>161,023,552</b>	<b>148,483,365</b>
	2,353,109	163,376,661

## 13. Receivables from exchange transactions/Trade and other receivables

	2017/2018 Kshs	2016/2017 Kshs.
<b>Current receivables</b>		
College Accounts Receivable College	63,155,392	49,161,543
Hotel Accounts Receivable	159,935,797	137,234,113
KSMS Accounts Receivable	17,046,823	17,046,823
Students' Accounts Receivable	36,376,058	35,181,800
Hotel Staff Debtor	1,777,893	2,172,365
<b>Total current receivables</b>	<b>278,291,962</b>	<b>240,796,644</b>
<b>Non-current receivables</b>	-	-
<b>Total non-current receivables</b>	-	-
<b>Total receivables</b>	<b>278,291,962</b>	<b>240,796,644</b>

# Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2018

Notes to the Financial Statements for the year ended 30th June 2018

## 14. Receivables from non-exchange contracts/Special accounts receivables

Current receivables	2017/2018	2016/2017
	Kshs	Kshs.
Staff Advances Account College	1,357,011	2,337,545
Staff Advances Account Hotel	515,677	487,874
Imprests Account College	2,006,154	2,195,951
Imprests Account Hotel	1,050	-
Medical Advances Account College	747,204	250,274
Medical Advances Account Hotel	5,420	-
Curtain & Furniture Advances College	8,121,099	8,034,505
Curtain & Furniture Advances Hotel	2,749,019	3,165,468
Hospitalization Deposit	799,070	572,500
Income from GOK	37,500,000	-
AHTSA	630,773	440,435
Warwick International	3,116,184	3,116,184
Kenya Revenue Authority	101,051,444	101,051,444
Prepayments College and COD	5,893,979	3,134,073
Prepayments Hotel and COD	-	325,704
Deposits	5,149,069	5,149,069
Call Account- Accrued interest	4,519,110	-
<b>Total current receivables</b>	<b>174,162,262</b>	<b>130,261,026</b>

## 15. Inventories

	2017/2018	2016/2017
	Kshs	Kshs.
Food Stores -College	2,940,160	2,930,631
Food Stores -Hotel	4,219,045	1,926,094
Beverage Stores- College	1,203,941	1,317,712
Beverage Stores -Hotel	1,463,273	1,593,752
General and Maintenance -College	5,523,007	5,698,030
General and Maintenance -Hotel	1,883,834	1,985,333
Containers Stores- College	375,430	322,000
Containers Stores- Hotel	699,920	659,680
Tobacco	13,422	18,234
Zawadi Shop	95,890	96,082
Drugs Stores -College	1,112,198	983,956
<b>Total inventories at the lower of cost and net realizable value</b>	<b>19,530,120</b>	<b>17,531,504</b>

# Kenya Utalii College,

## Annual Report and Financial Statements For The Year Ended 30th June 2018

### Notes to the Financial Statements for the year ended 30th June 2018

#### 16. Refundable Deposits from Customers

	2017/2018 Kshs	2016/2017 Kshs.
Hotel Deposits Account	638,572	859,092
<b>Total</b>	<b>638,572</b>	<b>859,092</b>

#### 17. Trade and other payables from exchange transactions

	2017/2018 Kshs	2016/2017 Kshs.
Accrued Expenses College	29,823,844	36,581,195
Accrued Expenses Hotel	-	4,666,566
Suppliers' Accounts College	92,778,281	102,119,805
Suppliers' Accounts Hotel	54,735,703	48,945,840
NHIF	1,438,550	704,650
P. A. Y. E	8,005,977	5,058,526
N.S.S.F	333,750	262,550
Staff Shortages	138,570	-
Kenyuco Sacco	317,752	683,309
Kenyuco Housing Sacco	500,859	508,613
Pension Deductions	3,526,847	6,031,385
Higher Education Loans Board	26,107	42,093
Education Levy	1,876,082	1,876,082
Select Management Services Ltd	106,885	88,195
Faulu Kenya Ltd	361,309	280,925
Other Staff Co-operative Societies	2,773,073	2,980,578
Co-operative Bank Staff Loans Deductions	15,595	15,595
Barclays Bank Staff Loans Deductions	481,555	563,883
KCB Staff Loan deductions	571,128	851,077
Standard Chartered Bank Loan Deduction	1,319,320	1,230,341
Staff Loans Scheme Deduction Account	914,552	1,644,052
Staff Service Charge Account Hotel	1,036,650	382,813
Staff Service Charge college	-	86,790
Salaries Control Account College	368,200	23,011
Payroll deduction Hotel	3,572,100	3,743,007
Utalii hotel	347,435	338,219
External exams (IATA) Contra	74,714	307,119
Insurance Claims and Others	2,859,734	771,476
Staff Welfare Fund Account	2,033,111	2,025,788
Pension Scheme Refunds Account	2,710,144	4,276,116
Deceased Special Fund Account	1,462,644	1,469,320
Prepaid Fees Account	10,840,376	9,483,349
University of Surrey	351,931	351,931
V.A.T	55,071,966	36,655,727
Training Levy college	301,985	15,360
Catering Levy Hotel	1,301,603	904,181
Students' Caution Money	6,303,842	5,839,842
Students' Council Account KUCSA	189,189	205,317
Degree program identity card and Food Handlers	552,640	353,040
Students class funds & clubs	126,269	115,119
Watalamu Renovation Hotel-hotel	6,325,382	6,325,382
Watalamu Renovation Hotel-college	(6,325,382)	(6,325,382)
Deferred Revenue/ Income- Hotel	3,242,360	-
Deferred Revenue/ Income- College	13,166,710	-
Accrued Interest for GOK	3,296,615,100	2,914,782,436
<b>Total trade and other payables</b>	<b>3,602,574,445</b>	<b>3,197,265,221</b>

# Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2018

Notes to the Financial Statements for the year ended 30th June 2018

## 18. Current provisions

Year 2018	Trade receivables	Specific Accounts	Total
	Kshs.	Kshs.	Kshs.
Balance at the beginning of the year	64,583,639	115,115,308	179,698,947
Additional provisions raised	1,874,766	2,195,062	4,069,828
<b>Balance as at 30 June 2018</b>	<b>66,458,405</b>	<b>117,310,370</b>	<b>183,768,775</b>

## 19. Borrowings

	2017/2018	2016/2017
		Kshs.
Loan from G.O.K	127,125,028	127,125,028
<b>Total non-current borrowings</b>	<b>127,125,028</b>	<b>127,125,028</b>

N/B Change of figure is as a result of reconciliation between Kenya Utalii College and Treasury

## 20. Cash generated from operations

	2017/2018	2016/2017
	Kshs	Kshs.
Deficit for the year before tax	(399,665,192)	(410,579,471)
<b>Adjusted for:</b>		
Depreciation	93,520,541	166,056,436
Amortized Reserves	(5,079,262)	(5,079,262)
Contribution to provisions	4,069,828	1,643,752
<b>Working capital adjustments:</b>		
Increase/Decrease in inventory	(1,998,616)	(1,849,833)
Increase/Decrease in receivables	(82,176,929)	(1,343,026)
Increase/Decrease in payables	437,901,827	383,669,613
<b>Net cash flows from operating activities</b>	<b>46,572,198</b>	<b>132,518,209</b>

# Kenya Utalii College,

## Annual Report and Financial Statements For The Year Ended 30th June 2018 Notes to the Financial Statements for the year ended 30th June 2018

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2018

	2017/2018 Kshs	2016/2017 Kshs.
<b><u>INCOME</u></b>		
Interest earned from staff loans	794,056	692,028
Bank interest earned		34,460
	794,056	726,488
<b><u>LESS: EXPENDITURE</u></b>		
Bank charges	13,680	53,218
<b>Surplus</b>	<b>780,377</b>	<b>673,269</b>

### STAFF LOANS SCHEME FUND AS AT 30TH JUNE 2018

	2017/2018 Kshs	2016/2017 Kshs.
Staff Loans Scheme Fund	20,031,206	19,357,937
Surplus	780,377	673,269
Amount received from Kenya Utalii College		
	20,811,582	20,031,206
<b><u>REPRESENTED BY:</u></b>		
Loan Scheme Principal Advances	17,543,921	17,657,129
Bank Account balance	2,353,109	730,025
Amount Receivable from Kenya Utalii College	914,552	1,644,052
	20,811,582	20,031,206

NOTE: The staff loans is in relations to Car,Housing and Car Insurance Loan to Members of staff

# Kenya Utalii College,

## Annual Report and Financial Statements For The Year Ended 30th June 2018

### Notes to the Financial Statements for the year ended 30th June 2018

#### 22. Capital Reserve – Refurbishment of Utalii Hotel and Individual Kitchen

During the 2003/2004, 2005/2006 and 2007/2008 financial years, the College received capital grants from the Government of Kenya and Special Capital Grant from Catering and Tourism Development Levy Trustees to refurbish Utalii Hotel and Individual Training Kitchen amounting to Kshs. 113,170,486, 15,000,000 and 30,000,000 respectively. These grants are amortized over the expected useful life of the building and useful life of the Equipment on a straight line basis.

The balance has been arrived at as follows:

	2017/2018	2016/2017
	Kshs	Kshs.
Balance at beginning of year	178,140,080	183,219,342
Add: Development Grants		
Less: Amortization	5,079,262	5,079,262
<b>Balance at end of year</b>	<b>173,060,818</b>	<b>178,140,080</b>

#### 23. Revaluation Reserve

The College's Assets were revalued in October 2014 by an independent Valuer, Nile Real Appraisers (EA) Ltd. The Revaluation exercise was carried out in order to establish the fair value of the assets. This resulted in a revaluation surplus of kshs 4,320,753,492. Depreciation on the revaluation surplus is charged to the revaluation Reserve Account

#### 24. Accumulated Fund as at 30th June 2018

##### ACCUMULATED FUND AS AT 30TH JUNE 2018

	2017/2018	2016/2017
	Kshs	Kshs.
Balance Brought Foward	(746,178,898)	(644,960,843)
Amortization of Revaluation Reserve	78,127,264	77,007,477
Capital Grants	(100,000,000)	-
Prior year adjustments		-
<b>Total</b>	<b>(768,051,634)</b>	<b>(567,953,366)</b>
Deficit for the Year	(399,665,192)	(410,579,471)
<b>Balance carried Foward</b>	<b>(1,167,716,826)</b>	<b>(746,178,898)</b>

# Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2018

## Notes to the Financial Statements for the year ended 30th June 2018

### 25. Capital Grants

This relates to the development grants received in relation to the practical training block

	2017/2018 Kshs	2016/2017 Kshs.
<b>Balance Brought Foward</b>	100,000,000	-
Capital Grants received during the year	25,000,000	100,000,000
<b>Total</b>	<b>125,000,000</b>	<b>100,000,000</b>

# Annual Report and Financial Statements For The Year Ended 30th June 2018

Notes to the Financial Statements for the year ended 30th June 2018

REVALUATION AS AT 30TH JUNE 2018							
ITEM	LAND	BUILDINGS	PLANT AND MACHINERY	FURNITURE TECHNICAL AND EQUIPMENT	MOTOR VEHICLES	COMPUTERS HARDWARE	TOTAL
	KSHS	KSHS	Kshs	KSHS	KSHS		KSHS
<b>COST / VALUATION</b>							
Revaluation Account College as at 1st July 2015	4,216,634,500	184,271,396	(37,862,769)	(18,133,580)	(11,748,001)	(33,548,722)	4,299,612,824
Revaluation Account Hotel as at 1st July 2015			(1,968,352)	23,394,320	(285,300)	-	21,140,668
<b>At 30th June 2017</b>	<b>4,216,634,500</b>	<b>184,271,396</b>	<b>(39,831,121)</b>	<b>5,260,740</b>	<b>(12,033,301)</b>	<b>(33,548,722)</b>	<b>4,320,753,492</b>
<b>DEPRECIATION/ARMOTIZATION</b>							
Balance as at 1st July 2016	132,227,485	9,213,570	-	9,357,728	-	-	141,441,055
Charge for the Year to Revaluation Reserve Account	67,721,828	4,606,785	-	4,678,864	-	-	77,007,477
Prior Year Adjustment	-	-	-	-	-	-	-
<b>Accumulated Depreciation as at 30th June 2017</b>	<b>199,949,313</b>	<b>13,820,355</b>	<b>-</b>	<b>14,036,592</b>	<b>-</b>	<b>-</b>	<b>218,448,532</b>
<b>Net Book Value as at 30.6.2017 (Revalued figure)</b>	<b>4,016,685,187</b>	<b>170,451,041</b>	<b>(39,831,121)</b>	<b>(8,775,852)</b>	<b>(12,033,301)</b>	<b>(33,548,722)</b>	<b>4,102,304,960</b>
<b>COST / VALUATION</b>							
Revaluation Account College as at 1st July 2017	4,216,634,500	184,271,396	(37,862,769)	(18,133,580)	(11,748,001)	(33,548,722)	4,299,612,824
Revaluation Account Hotel as at 1st July 2016			(1,968,352)	23,394,320	(285,300)	-	21,140,668
<b>At 30th June 2018</b>	<b>4,216,634,500</b>	<b>184,271,396</b>	<b>(39,831,121)</b>	<b>5,260,740</b>	<b>(12,033,301)</b>	<b>(33,548,722)</b>	<b>4,320,753,492</b>
<b>DEPRECIATION/ARMOTIZATION</b>							
Balance as at 1st July 2017	199,949,313	13,820,355	-	14,036,592	-	-	227,806,260
Charge for the Year to Revaluation Reserve Account	68,841,615	4,606,785	-	4,678,864	-	-	78,127,264
<b>Accumulated Depreciation as at 30th June 2018</b>	<b>268,790,928</b>	<b>18,427,140</b>	<b>-</b>	<b>18,715,456</b>	<b>-</b>	<b>-</b>	<b>305,933,524</b>
<b>Net Book Value as at 30.6.2018 (Revalued figure)</b>	<b>3,947,843,572</b>	<b>165,844,256</b>	<b>(39,831,121)</b>	<b>(13,454,716)</b>	<b>(12,033,301)</b>	<b>(33,548,722)</b>	<b>4,014,819,968</b>
<b>Net Book Value as at 30.6.2017 (Revalued figure)</b>	<b>4,016,685,187</b>	<b>170,451,041</b>	<b>(39,831,121)</b>	<b>(8,775,852)</b>	<b>(12,033,301)</b>	<b>(33,548,722)</b>	<b>4,092,947,232</b>

**Kenya Utalii College,**  
**Annual Report and Financial Statements For The Year Ended 30th June 2018**  
**Notes to the Financial Statements for the year ended 30th June 2018**

25. Property, plant and equipment	LAND	BUILDINGS	W.I.P WORK IN PROGRESS	PLANT AND MACHINERY	FURNITURE TECHNICAL AND EQUIPMENT	MOTOR VEHICLES	COMPUTERS HARDWARE	INTANGIBLE ASSETS	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS		KSHS	KSHS	KSHS
<b>COST / VALUATION</b>									
Balance as at 1st July 2016 -College	4,900,000,000	1,542,221,918	37,178,097	16,957,600	59,552,814	54,890,000	18,037,624		6,628,838,052
Balance as at 1st July 2016-Hotel	-	23,458,751	5,825,000	1,867,072	31,705,139	4,100,000	5,240,942		72,196,904
Revaluation College	-	-	-	-	-	-	-		-
Revaluation Hotel	-	-	-	-	-	-	-		-
Additions College	-	2,347,734	3,599,022	3,500,000	6,658,802	3,866,000	3,816,894		23,788,451
Additions Hotel	-	2,866,630	3,884,920	-	1,419,746	5,825,000	2,294,310		16,290,606
Transfers/adjustments- COLLEGE	-	-	-	-	-	-	-		-
Transfers/adjustments- HOTEL	-	-	(5,825,000)	-	-	-	-		(5,825,000)
Less Disposal	-	-	-	-	-	-	-		-
At 30 June 2017	4,900,000,000	1,570,895,033	44,662,039	22,324,672	99,336,501	68,681,000	29,389,770		6,735,289,013
<b>DEPRECIATION / ARMOTIZATION</b>									
Balance as at 1st July 2016	-	77,642,017	-	3,292,467	34,066,406	26,620,000	13,524,640		155,145,529
Charge for the Year	-	39,272,376	-	2,232,467	19,867,300	17,170,250	8,816,931		87,359,324
Disposal	-	-	-	-	-	-	-		-
Impairment	-	-	-	-	-	-	-		-
Accumulated Depreciation At 30 June 2017	-	116,914,393	-	5,524,934	53,933,706	43,790,250	22,341,571		242,504,853
Net book values as at 30.6.2017	4,900,000,000	1,453,980,640	44,662,038	16,799,738	45,402,795	24,890,750	7,048,199		6,492,784,163
Net book values as at 30.6.2016	4,746,343,173	1,488,038,652	43,003,096	15,532,205	57,191,547	32,370,000	9,753,926		6,392,232,599
<b>COST / VALUATION</b>									
Balance as at 1st July 2017 -College	4,900,000,000	1,544,569,652	40,777,119	20,457,600	66,211,616	58,756,000	21,854,518		6,652,626,505
Balance as at 1st July 2017-Hotel	-	26,325,381	3,884,920	1,867,072	33,124,885	9,925,000	7,535,252		82,662,510
Revaluation College	-	-	-	-	-	-	-		-
Revaluation Hotel	-	-	-	-	-	-	-		-
Additions College	-	5,099,818	4,569,193	-	2,886,400	-	9,195,402	7,795,881	29,546,694
Additions Hotel	-	-	-	-	2,069,500	-	2,415,817		4,485,317
Transfers/adjustments-Hotel	-	-	(3,884,920)	-	-	-	-		(3,884,920)
Transfers/adjustments- College	-	-	(3,147,824)	-	-	-	-		(3,147,824)
Lees: Disposal	-	-	-	-	-	-	-		-
At 30 June 2018	4,900,000,000	1,575,994,851	42,198,488	22,324,672	104,292,401	68,681,000	41,000,989	7,795,881	6,762,288,282
<b>DEPRECIATION / ARMOTIZATION</b>									
Balance as at 1st July 2017	-	116,914,393	-	5,524,934	53,933,706	43,790,250	22,341,571	-	242,504,854
Charge for the Year	-	39,399,871	-	2,232,467	20,858,480	17,170,250	12,300,297	1,559,176.20	93,520,541
Accumulated Depreciation At 30 June 2018	-	156,314,264	-	7,757,401	74,792,186	60,960,500	34,641,868	1,559,176	336,025,395
Net book values as at 30.6.2018	4,900,000,000	1,419,680,587	42,198,488	14,567,271	29,500,215	7,720,500	6,359,121	6,236,705	6,426,262,886
Net book values as at 30.6.2017	4,900,000,000	1,453,980,640	44,662,038	16,799,738	45,402,795	24,890,750	7,048,199	-	6,492,784,163
Revaluation Reserve									
The college's assets were revalued in October 2014 by an independent Valuer, Nile Real Appraisers (EA) Ltd. The revaluation exercise was carried out in order to establish the fair value of the assets. This resulted in a revaluation surplus of Kshs. 4,320,753,492									
NOTE: W.I.P (Work in progress)									
This is in relation to equipments and other items that will be delivered in the financial year 2017/2018									



# Kenya Utalii College,

## 26. Financial Risk Management

The board maintains investment guidelines it uses to ensure that risks related to investment is well managed. The Board also have risk safeguards to assist in mitigating the business and market environment risks. The risk safeguards cover all areas of instruments such as Payables, Receivables, Cash and Cash Equivalents.

The current risks that the Board is exposed to are liquidity risk, forex risk and market risk.

Types of risk	Low	Medium	High
Liquidity risk	✓		
Forex risk	✓		
Market risk	✓		

## 27. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Financial Performance	Request sent to Min of Tourism for waiver of accrued interest	Treasury	In progress	
2	Loan from the Government of Kenya Emphasis of Matter	Request sent to Min of Tourism for waiver of accrued interest. Principal amount in process of being paid.	Treasury	In progress	
3	Development Grant				
4	Long Outstanding Receivables	Proposal for write off	Management	In progress	



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