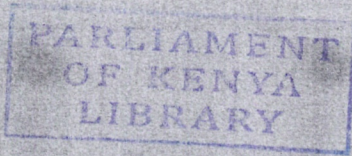


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA UTALII COLLEGE

FOR THE YEAR
ENDED 30 JUNE 2016

*Paper Laid by
the member of Majority
Party Whip, Hon
Benjamin Wadhvani
on 14/9/17
18m*



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 East African Affairs, Commerce & 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 Commerce & Tourism

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Principal	Kazungu Mwango
2.	Financial Controller	Sudi Ndinyo
3.	General Manager Utalii Hotel	Florence Njau
4.	Human Resource Manager	Abdalla .Randani
5.	Director of Studies	Duncan Mutua
6.	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: infor@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
GOP 00100
Nairobi, Kenya




(j) Principal Legal Adviser





The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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

 <p>Mr. Darius Mogaka Member</p>	<ul style="list-style-type: none">• Alternate to PS, Ministry of Education
 <p>Mr. Richard Gakunya Member</p>	<ul style="list-style-type: none">• Alternate to PS, Ministry of Finance (Treasury)
 <p>Mr. Joseph Cherutoi Member</p>	<ul style="list-style-type: none">• Chief Executive Officer, Tourism Fund
 <p>Mr. Osman Mohamed Member</p>	<ul style="list-style-type: none">• Rep. for Inspector General, Inspectorate of State Corporation



Dr. Anthony Getambu
Member

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



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

- Diploma Tourism and Travel Agency Management
- Diploma Principles Of Modern Management
- Chairman, Malindi Watamu Tourism Association (KCTA)
- Vice Chairman, Kenya Coast Tourism Association (KCTA)



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



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

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

Audit Committee

The following members served in the Committee:



Ms. Rosemary Mugambi	: Chairman
Mr. Leonard Mudachi	: Member
Mr. Richard Gakunya	: Member
Mr. Said Athman	: 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. Said Athman	: Member
Mr. Leonard Mudachi	: Member

III. MANAGEMENT TEAM

 <p>Mr. Kazungu Mwango Ag. Principal</p>	<ul style="list-style-type: none">• MSC (Environmental and Development Economics)• YOB: 1973
 <p>Mr. Sudi Ndinyo Ag. Financial Controller</p>	<ul style="list-style-type: none">• MBA (Finance)• CPA(K)• YOB:1973
 <p>Mrs. Florence Njau Ag. General Manager – Hotel</p>	<ul style="list-style-type: none">• MSC (International Hospitality Management)• Diploma in Hotel Management• YOB:1964
 <p>Mr. Abdalla Randani Ag. Human Resource Manager</p>	<ul style="list-style-type: none">• MSC (Human Resource Management)• Higher National Diploma –Human Resource Management• YOB:1968



Mr. Duncan Mutua
Ag. Director of Studies

- MA (German Studies)
- Diploma in Hotel Management
- Diploma in German Language
- YOB:1958



Ms. Rodah Musyoki
Head of Internal Audit

- MBA (Finance)
- CPA(K)
- YOB:1960

IV. CHAIRMAN'S STATEMENT

I am pleased to present operational results and financial statements of Kenya Utalii College for the financial year 2015/2016. We will continue to endeavor to achieve our mission, which is to develop a highly qualified human resource for the hospitality industry.

The Institution continue to have challenges in raising revenue to meet its general operations. During the year, revenues from Tourism Fund decreased to **Kshs.283,500,000/-** down from **Kshs.315,000,000/-**. Grants from the government however, increased marginally to **Kshs.260,000,000/-** up from **Kshs.239,780,000/-** the previous year. Our internally generated funds however, decreased to **Kshs.168,347,043/-** down from **Kshs.178,679,881/-** the previous year.

Our desire is for the College to be self-sustaining financially. It is in this regard that the Council has appealed to the government to help it expand its capacity by an additional five hundred (500) students each year through construction of more practical training facilities. It is hoped this will bear fruit in the coming year.

The Auditor General has over the years observed that the College is technically insolvent due to weak Current Ratio. This was brought about by non-repayment of a loan the College took in 1996 to renovate Utalii Hotel. The accumulated interest on the loan has brought about this state of affairs. The College has committed to start repaying the loan (principal amount) and appeal to the government to waive accumulated interest in order to correct this situation. It is also hoped that the efforts will bear fruit and correct this situation.

Finally, I wish to state that the College has operated for long without a Governing Council. The Council is now fully constituted and it is my hope that they will steer the College to great heights.

V. PRINCIPAL'S STATEMENT

For Kenya Utalii College, the year 2015/2016 was very successful. The College managed to push through all its programs despite the harsh economic situation and reduced funding from our partners.

The College managed to equip training kitchens at our Mombasa and Kisumu Campuses and commenced training kitchen courses on full time basis. It is hoped that the numbers will improve over the years as the College strives to establish itself in those regions.

The Tourism industry is very fragile and the past year was very challenging for Kenya. With recovery efforts starting to bear fruit, Kenya Utalii College is challenged to up its game in providing highly qualified staff for the major hotel brands setting up in the country.

In an effort to improve on the quality of training, the process to review our curriculum was started in the year. It is hoped that the same will be finalized soon in order to align our courses with current industry expectations.

Our relationship with the Industry has continued to be good over the years. The College uses a good portion of its budget in building a strong relationship with the industry. This has helped in getting our students attachments and even employment on completion of their courses. We wish to maintain this relationship for the benefit of all.

Our training facilities have been deteriorating over the years with some getting obsolete. We are putting in place measures together with partners to ensure that these facilities are properly maintained and expanded to train more students. It is hoped that this will make the College competitive and the College of choice for the hospitality Industry.

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.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The College undertook several Corporate Social Responsibility (CSR) activities over the 2015/2016 financial year. Some of the activities include:

NO.	ACTIVITY	DATE	AMOUNT (KSHS)
1	Visit to Joy Valley Children's Home in Kayole (Celebration Cake)	30/11/15	15,000
2	Donated a celebration cake during World Aids Day officiated by the First Lady Her Excellency Mrs. Margaret Kenyatta at the City Stadium.	01/12/15	15,000
3	Donation of clothes to Rap Children's Home, next to Mathare Hospital.	05/12/15	NIL
4	Donation of a cake during the Remote Parenting Exercise at Kimiti Medium Security Prison.	09/12/15	20,000
5	Donation of Computer and Office Desk to Muthaiga Police Station.	February 2016	NIL
6	Freedom From Hunger Walk	21/05/16	NIL
7	Donation of clothes to Outreach Children's Home in Kariobangi South by the Christian Union.	24/06/16	NIL

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/period 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 (period) ended on June 30, 2016. This responsibility includes:


- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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.

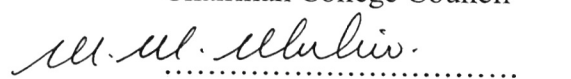
The Council accept responsibility for the College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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, 2016, 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
Date 26/4/17

Chairman College Council

Date 26/4/17

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Utalii College set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (accrual basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and to submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

Report of the Auditor-General on the Financial Statements of Kenya Utalii College for the year ended 30 June 2016

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Financial Performance

During the year under review, the College recorded a deficit of Kshs.458,346,848 (2015: Ksh.375,257,704) leading to an accumulated Fund deficit of Kshs.658,733,141 while current liabilities balance of Kshs.3,052,108,261 exceeded current assets figure of Kshs.442,288,799 thus resulting to a negative working capital balance of Kshs.2,609,819,462 as at 30 June, 2016. 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.

2. Loan from Government of Kenya

As previously reported, the College has not complied with the loan agreement signed between the College 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. Payments for the loan totalled only Kshs.7 million as at 30 June 2016 and as indicated in Note 17 to the financial statements, accumulated interest as at 30 June 2016 amounted to Kshs.2,532,949,772. 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 had been recorded as at 30 June 2016.

3. Defects on Completed Gymnasium

As previously reported, the College entered into a contract with a contractor to upgrade Utalii Hotel façade and construct Phase II of the College gymnasium, at a contract sum of Kshs.15,609,484. The scheduled completion date for the project was March 2013. However, there is a long outstanding snag list of defects which the contractor is yet to address. Although the College management on 4 November 2016 resolved to use 5% retention fee to rectify the defects, the process is long overdue. It is doubtful whether the College obtained value-for-money from the contract since the gymnasium was commissioned in October 2015.

Qualified Opinion

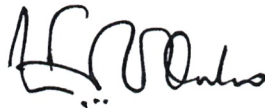
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Utalii College as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Tourism Act, 2011 of the Laws of Kenya.

Emphasis of Matter

Staff on Acting Appointment

I draw attention to Note 1(o) to the financial statements which details the College management as one of the related parties and the non-financial information on the management team included in the financial statements. It was observed that five (5) out of the six (6) college management are in acting position. Further examination of the staff establishment revealed that some other fourteen (14) managerial positions are held by persons working in acting capacity. In total nineteen (19) members of staff are acting and have not been confirmed in their positions. Some have been acting for at least four (4) years with one acting for eleven years since 2005. This may pose serious challenges to implementation of various policies since there are no substantive departmental heads. In addition, it contravenes Section 6.1 of the terms of service for the College and the Public Service Code of Regulations.

My opinion is not qualified in respect of this matter.



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

Nairobi

10 May 2017

Kenya Utalii College,

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015/2016	2014/2015
		Kshs	Kshs
Revenue from non-exchange transactions			
Incomes from non commercial transactions	3	592,062,767	606,084,512
		592,062,767	606,084,512
Revenue from exchange transactions			
Fees From Students	5	52,837,747	54,574,154
Revenue From Commercial Activities	4	71,647,719	83,765,271
Utalii Hotel Net Profit/Loss	4	671,272	(5,884,793)
		125,156,738	132,454,632
Total revenue		717,219,505	738,539,144
Expenses			
Employee costs	6	365,150,874	378,754,395
College Council Expenses	7	3,527,584	-
Depreciation and amortization expense	8	158,445,098	150,357,257
Repairs and maintenance	9	21,772,110	21,822,376
Contracted services	10	18,863,100	14,444,118
General expenses	11	607,807,587	548,418,701
Total expenses		1,175,566,353	1,113,796,847
Deficit before tax		(458,346,848)	(375,257,704)
Taxation (Note Kenya Utalii College is a training Institution hence exempted from taxation)			
			-
Deficit before tax		(458,346,848)	(375,257,704)


Kenya Utalii College,

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

	Note	2015/2016 Kshs	2014/2015 Kshs
Assets			
Current assets			
Cash and cash equivalents	12	56,219,264	69,526,161
Receivables from exchange transactions	13	212,575,526	207,115,568
Receivables from non-exchange transactions	14	157,812,388	184,471,136
Inventories	15	15,681,621	18,994,250
		442,288,799	480,107,115
Non-current assets			
Property, plant and equipment	25	6,437,385,401	6,536,002,536
Staff Loans Fund	21	19,357,937	19,013,949
		6,456,743,337	6,555,016,485
Total assets		6,899,032,136	7,035,123,600
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	2,872,931,873	2,507,547,301
Refundable deposits from customers	16	1,121,192	319,400
Provisions	18	178,055,195	177,696,745
		3,052,108,261	2,685,563,446
Non-current liabilities			
Borrowings (GOK Loan)	19	133,125,028	133,125,028
Staff Loans Fund	21	19,357,937	19,013,949
Accumulated Fund	24	(658,733,141)	(264,431,866)
Revaluation Reserve	23	4,169,954,709	4,273,554,438
Capital Reserve - Refurbishment of Utalii Hotel	22	183,219,342	188,298,604
		3,846,923,875	4,349,560,153
Total liabilities		6,899,032,136	7,035,123,599

Approval of the financial statements

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



 Date: 24/4/17

 Principal



 Date: 26/4/17

 Chairman, College Council

Kenya Utalii College,

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015/2016 Kshs	2014/2015 Kshs
Cash flows from operating activities			
<u>Receipts</u>			
Fees From Students	5	52,837,747	54,574,154
Revenue From Tourism Fund	3	283,500,000	315,000,000
Rent Income from staff housing units	3	23,828,067	24,349,493
Grants from Government of Kenya -Recurrent	3	178,230,280	126,000,000
Grants from Government of Kenya -Development	3	81,769,720	113,780,000
Revenue from Commercial Activities & Consultancy Services	4	71,647,719	83,765,270
Other Income Receipts	3	19,362,238	21,875,756
Capital Grants from Government of Kenya - amortization	22	5,079,262	5,079,262
Utalii Hotel Net Profit	4	671,272	(5,884,793)
EUHOFA COGRESS		293,200	-
		717,219,505	738,539,143
<u>Payments</u>			
		717,219,505	
Employee costs	6	365,150,874	378,754,395
Remuneration of College Council	7	3,527,584	-
Repairs and maintenance	9	21,772,110	21,822,376
Contracted services	10	18,863,100	14,444,118
General expenses	11	607,807,587	548,418,701
		1,017,121,255	963,439,591
Surplus /deficit for the year		(299,901,750)	(224,900,448)
Net cash flows from operating activities	20	96,626,508	61,005,226
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(109,933,405)	(77,541,412)
Net cash flows used in investing activities		(109,933,405)	(77,541,412)
Cash flows from financing activities			
Repayment of borrowings		(0)	125,028
Net cash flows used in financing activities		(0)	125,028
Net increase/(decrease) in cash and cash equivalents		(13,306,897)	(16,411,158)
Cash and cash equivalents at 1 JULY 2015	12	69,526,161	85,937,319
Cash and cash equivalents at 30 JUNE 2016	12	56,219,264	69,526,161

Kenya Utalii College,

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDE JUNE 2016

Attributable to the owners of the controlling entity

	Reserves				TOTAL Kshs
	Staff Loan	Accumulated	Capital	Revaluation	
	Fund Kshs	Surplus Kshs	Reserve Kshs	Reserve Kshs	
As at 1st July 2014	18,483,571	(865,604,402.0)	193,377,866	917,413,183	263,670,218
Hotel Reerves Account		(39,646,191)			(39,646,191)
Transfer of Revaluation and Depreciation Figure		1,336,487,213		(917,413,183)	419,074,030
Revaluation on October 2014				4,320,753,492	4,320,753,492
Funds received during the year	530,379				530,379
Amortization on Revaluation Reserve charge for the year		47,199,053		(47,199,053)	-
Grants Amortized		-	(5,079,262)		(5,079,262)
Transfers/Adjustments		(367,609,835)			(367,609,835)
Deficit for the year		(375,257,704)			(375,257,704)
As at 30 June 2014	19,013,950	(264,431,866)	188,298,604	4,273,554,439	4,216,435,127
As at 1st July 2015	19,013,950	(264,431,866)	188,298,604	4,273,554,439	4,216,435,127
Hotel Reerves Account		27,481,640			27,481,640
Transfer of revaluation and depreciation figure		-		-	-
Revaluation on oct 2014				-	-
Funds received during the year	343,987				343,987
Amortization on Revaluation Reserve charge for the year		75,923,924		(75,923,924)	-
Prior Year Adjustment		27,675,806		(27,675,806)	-
Grants Amortized		-	(5,079,262)		(5,079,262)
Transfers/adjustments		(67,035,797)			(67,035,797)
Deficit for the year		(458,346,848)			(458,346,848)
Balance as at 30 June 2016	19,357,937	(658,733,141)	183,219,342	4,169,954,709	3,713,798,847

Kenya Utalii College,

Consolidated statement of comparison of budget and actual amounts for the year ended 30 June 2016

	Original budget	Final budget	Actual on comparable basis	Performance difference	Remarks
	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Revenue from non-exchange transactions					
Other income	940,976,598	940,976,598	592,062,767	(348,913,831)	Some courses din't take off
Revenue from exchange transactions					
Fees From Students	71,607,200	71,607,200	52,837,747	(18,769,453)	Few Foreign students
Revenue From Catering & Tourism Development Levy	380,000,000	380,000,000	71,647,719	(308,352,281)	Short fall form TF
Total Income	1,392,583,798		716,548,232		
Expenses					
Employee costs	557,672,463	557,672,463	365,150,874	192,521,589	No employment or promotions
Remuneration of College Council/B.O.G	9,276,250	9,276,250	3,527,584	5,748,666	No Board
Repairs and maintenance	28,986,801	28,986,801	21,772,110	7,214,691	Cut down on expenditure
Contracted services	32,138,840	32,138,840	18,863,100	13,275,740	Cut down on expenditure
General expenses	616,043,845	616,043,845	607,807,587	8,236,258	Interest on GOK Loan
Total Expenses	1,244,118,198		1,017,121,255	226,996,943	
Surplus before tax			(300,573,022)		
Taxation					
Surplus for the period	148,465,600		(458,346,848)		

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2016

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

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.178.230M for recurrent expenditure and Ksh.81.77M for development expenditure.

iii. Rent Income from Housing Units

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

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

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.

c) Property, plant and equipment

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

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2016

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		58 Years
Library Complex		74 Years
Utalii Sports Club		73 Years
Utalii Village		60 Years
Vipingo		81 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 ¹ / ₃ Years

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

d) Inventories

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.

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 DOUBTFUL DEBTS		TOTAL
	ACCOUNTS RECEIVABLE	SPECIFIC ACCOUNTS	
SPECIFIC	55,309,271.00	114,318,164.05	169,627,435.05
5% 2014-2015 PROVISION	7,487,551.45	581,758.00	8,069,309.45
5% 2015-2016 PROVISION	375,761.63	(17,311.22)	358,450.41

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:

	2015/2016 Kshs.	2014/2015 Kshs.
Balance at beginning of year	188,298,604	193,337,866
Less: Amortization	5,079,262	5,079,262
	-----	-----
Balance at end of year	183,219,342	188,298,604
	=====	=====

h) Employee benefits

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) Taxes

The 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.

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

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

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

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2016.

n) Significant Judgements and Sources of Estimation Uncertainty

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		58 Years
Library Complex		74 Years
Utalii Sports Club		73 Years
Utalii Village		60 Years
Vipingo		81 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 ¹ / ₃ Years

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

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

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

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	169,627,435.05
5% 2014-2015 PROVISION	7,487,551.45	581,758.00	8,069,309.45
5% 2015-2016 PROVISION	375,761.63	(17,311.22)	358,450.41

o) Related Parties

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 30th June 2016 and who had direct fiduciary responsibility were:

College Management;

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Principal	Kazungu Mwango
2.	Financial Controller	Sudi Ndinyo
3.	General Manager Utalii Hotel	Florence Njau
4.	Human Resource Manager	Abdalla .Randani
5.	Director of Studies	Duncan Mutua
6.	Head of Internal Audit	Rodah M.Musyoki

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2016

College Council;

<u>No.</u>		<u>Name</u>
1.	Mr. Mukasa Mwambu Muliro	Chairman
2.	Mr. Leonard Mudachi	Member
3.	Mr. Said Athman Mtwana	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;

	2015/2016	2014/2015
i) College Council remuneration		
Allowances paid to council	3,527,584	-
ii) Grants from related parties		
Grants from Government of Kenya (GOK)	260,000,000	239,780,000
Grants from Tourism Fund (TF)	283,500,000	315,000,000

p) Comparative Figures

The comparative figures for the previous financial year have not been amended or reconfigured, they remain as reported in the previous financial year's financial statements.

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

3. Incomes From Non Commercial (Exchange) Activities

	2015/2016	2014/2015
	Kshs.	Kshs.
Rent Income from staff housing units	23,828,067	24,349,493
Grants from Government of Kenya -Recurrent	178,230,280	126,000,000
Grants from Government of Kenya -Development	81,769,720	113,780,000
Revenue from Tourism Fund	283,500,000	315,000,000
Other Income Receipts	19,362,238	21,875,756
Capital Grants from Government of Kenya - amortization	5,079,262	5,079,262
EUHOFA Congress	293,200	-
Total	592,062,767	606,084,512

Other Incomes

This comprises of:

	2015/2016	2014/2015
	Kshs.	Kshs.
Sale of Discarded items	1,047,961	71,843
Sale of Tender Documents	130,400	173,146
Gain or loss on disposal	722,807	449,250
Jifunze Bar Sales	132,280	181,710
Surplus/ Loss from Food fair	(902,073)	(1,236,570)
Hire of facilities	15,648,643	15,231,656
Identity cards & Lost items	376,457	793,445
Sale of Meal vouchers	198,090	351,591
Other Miscellaneous Income	419,440	4,142,350
Graduation fee	1,588,233	1,717,336
Total	19,362,238	21,875,756

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

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:

	2015/2016 Kshs	2014/2015 Kshs
Self Sponsored Courses	47,752,335	49,403,714
Pioneer Courses	33,648,500	35,942,728
MDP & Refresher Courses	795,597	2,020,398
Bakery Sales	1,951,788	1,432,403
Laundry Services	13,302,148	13,504,420
Sports Club Bar Sales	308,345	229,925
Cyber café services	151,351	284,076
Bookshop Sales & Photocopying	652,664	595,198
Barber Shop Rent	240,000	240,000
Degree Programmes	25,555,850	42,815,300
Consultancy	5,367,582	1,759,500
Sub-Total	129,726,159	148,227,662
Less: Direct Expenses	58,078,440	64,462,392
Total	71,647,719	83,765,270

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2016

UTALII HOTEL TRADING ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2016

	2015/2016 Kshs	2014/2015 Kshs
Revenue from exchange transactions		
Hotel Room sales	67,885,459	67,644,730
Hotel Food Sales	138,862,575	119,838,013
Hotel Beverage Sales	28,484,719	22,896,213
Other Income Receipts	8,237,476	8,548,927
House Rent	4,284,500	3,480,400
Total revenue	247,754,730	222,408,283
Less: Cost of Sales	83,955,944	77,773,938
Gross Profit	163,798,786	144,634,345
Expenses		
Employee costs	109,565,191	91,123,226
Repairs and maintenance	4,501,639	6,298,166
Contracted services	3,931,229	2,205,806
General expenses	44,294,788	50,358,093
Finance costs	834,666	533,847
Total expenses	163,127,513	150,519,138
Surplus / Deficit before tax	671,272	(5,884,793)
Surplus / Deficit for the period	671,272	(5,884,793)
Number of staff		
Permanent	79	94
Contract	56	21

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

5. Fees From Students

Actual	2015/2016	2014/2015
	Kshs.	Kshs.
Fees From Local Students	46,114,630	43,968,996
Fees From Foreign Students	4,001,200	8,435,661
Application Fees	2,457,917	2,167,497
Examination Fees	264,000	2,001
Total	52,837,747	54,574,154

Grand Revenue Total	717,219,505	738,539,143
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6. Employee costs

	2015/2016	2014/2015
	Kshs.	Kshs.
Employee related costs		
Salaries - Expatriate Staff	1,713,063	2,004,249
Salaries - Permanent Academic Staff	130,886,297	129,078,276
Salaries - Part-time Academic	1,267,982	1,687,226
Salaries - Administrative Staff	231,283,532	214,159,165
Medical Expenses	-	14,344,358
Staff Development	-	3,528,264
Staff and Students' Welfare Expenses	-	4,675,044
Staff Welfare	-	3,089,941
Travelling and Subsistence Expenses	-	6,187,872
Total	365,150,874	378,754,395
Number of staff		
Permanent	306	328
Contract	123	75

7. Remuneration of council (BOG)

	2015/2016	2014/2015
	Kshs.	Kshs.
Sitting Allowance	1,880,000	-
Travelling And Subsistence	792,300	-
Honararia	-	-
Mileage Allowance	426,884	-
Other Allowance	428,400	-
Total	3,527,584	-

8. Depreciation and amortization expense

	2015/2016	2014/2015
	Kshs.	Kshs.
Property, plant and equipment	158,445,098	150,357,257
Total	158,445,098	150,357,257

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

9. Repairs and maintenance

	2015/2016 Kshs.	2014/2015 Kshs.
Maintenance and Repair of Buildings	4,354,659	5,251,977
Maintenance and Repair of Equipment	10,510,898	10,950,991
Maintenance and Repair of Vehicles	6,906,553	5,619,409
Total	21,772,110	21,822,376

10. Contracted services

	2015/2016 Kshs.	2014/2015 Kshs.
Contracted Services	18,863,100	14,444,118
	18,863,100	14,444,118

11. General expenses

The following are included in general expenses:

	2015/2016 Kshs.	2014/2015 Kshs.
Medical Expenses	13,615,507	-
Staff Development	6,997,328	-
Staff and Students' Recreation Activities	3,217,001	-
Staff Welfare	3,287,438	-
Travelling and Subsistence Expenses	7,606,925	-
Industrial Training Expenses	7,774,940	6,845,826
Special Courses	11,631,753	11,099,326
Class Text Books, Library Books, & Periodicals	3,627,543	5,703,440
External Examination Expenses	1,309,890	511,586
Research Expenses	171,607	847,987
Bursaries Expenses	7,915,295	5,207,575
Professional Clothes and Uniforms	2,274,123	3,025,978
Food and Beverage	59,829,156	68,612,087
Printing and Stationery	6,724,568	8,393,753
Cleaning Materials	2,667,193	4,231,258
Entertainment and Public Relations	8,341,733	6,777,344
Advertising and Promotion	821,298	2,992,871
Renewal and Replacement	10,107,560	6,698,538
Heat, Light and power	48,645,683	49,923,398
Water, Sewerage and Land Rates	11,247,611	11,944,901
Postage and Telephone	3,174,784	4,512,574
Licences and Professional Services	12,106,419	4,932,438
Quality Assurance	202,575	202,200
Alumni, Placement & Collaboration	3,565,924	2,572,134
Finance Costs	358,661,514	335,243,701
Increase in Provision for Bad and Doubtful Debts	358,450	340,649
Insurances	11,414,047	7,335,138
EUHOFA CONGRESS	45,720	-
Audit fee	464,000	464,000
Total	607,807,587	548,418,701

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

Provision For Bad and Doubful Debts for the year Ended 30th June 2016

	2015/2016 Kshs.	2014/2015 Kshs.
Increase/Decrease in Provision for bad and doubtful debts	358,450	340,649
Total	358,450	340,649

Finance costs for the year ended 30th June 2016

	2015/2016 Kshs.	2014/2015 Kshs.
Bank Charges	1,148,773	1,350,174
Loss/Gain on Foreign Exchange	149,800	157,166
Interest on Loan from G.O.K	357,362,941	333,736,361
Total	358,661,514	335,243,701

Grand Expenses Total	1,017,121,255	1,113,796,848
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12. Cash and cash equivalents

	2015/2016 Kshs.	2014/2015 Kshs.
Cash in Hand -College	28,641	68,893
Cash in Hand -Hotel	336,762	136,411
Cash at Bank -College		
Co-Operative -Nairobi	14,772,425	10,480,270
Co-Operative -Mombasa	526,548	5,193,012
Co-Operative -Kisumu	363,130	2,654,995
Barclays Bank - Shillings	(398,511)	10,760,321
Barclays Bank - Foreign	1,809,735	5,522,048
Cash at Bank -Hotel		
Co- Operative - Shillings	32,677,053	26,089,394
Co- Operative - Foreign	1,264,670	4,007,624
Floats -College	2,850,200	2,800,000
Floats -Hotel	1,988,611	1,813,193
	56,219,264	69,526,161

13. Receivables from exchange transactions/Trade and other receivables

	2015/2016 Kshs.	2014/2015 Kshs.
Current receivables		
College Accounts Receivable College	48,327,455	46,835,933
Hotel Accounts Receivable	118,353,231	116,417,470
KSMS Accounts Receivable	17,046,823	17,046,823
Students' Accounts Receivable	28,171,037	24,524,624
Hotel Staff Debtor	676,980	235,443
Money on transit for Hotel	-	2,055,274
Total current receivables	212,575,526	207,115,568
Non-current receivables	-	-
Total non-current receivables	-	-
Total receivables	212,575,526	207,115,568

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

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

Current receivables	2015/2016	2014/2015
	Kshs.	Kshs.
Staff Advances Account College	1,213,314	1,006,571
Staff Advances Account Hotel	504,860	536,415
Imprests Account College	690,200	1,731,008
Imprests Account Hotel	224,100	25,833
Medical Advances Account College	291,310	305,555
Medical Advances Account Hotel	41,142	33,521
Curtain & Furniture Advances College	7,651,355	5,244,253
Curtain & Furniture Advances Hotel	3,404,386	2,415,108
Hospitalization Deposit	366,812	-
Income from GOK	32,205,280	50,000,000
AHTSA	816,896	285,862
Warwick International	3,116,184	3,116,184
Kenya Revenue Authority	101,051,444	105,611,681
Prepayments College and COD	684,957	121,704
Prepayments Hotel and COD	401,079	415,568
Deposits	5,149,069	5,104,069
Watalamu Renovation Hotel	-	8,517,804
Total current receivables	157,812,388	184,471,136

15. Inventories

	2015/2016	2014/2015
	Kshs.	Kshs.
Food Stores -College	2,229,145	3,687,330
Food Stores -Hotel	1,587,672	2,719,330
Beverage Stores- College	871,033	677,057
Beverage Stores -Hotel	2,384,857	1,893,537
General and Maintenance -College	5,299,474	6,373,738
General and Maintenance -Hotel	1,566,668	1,952,185
Containers Stores- College	242,169	312,855
Containers Stores- Hotel	249,385	186,220
Tobacco	143,055	33,933
Zawadi Shop	92,270	104,404
Drugs Stores -College	1,015,893	1,053,661
Total inventories at the lower of cost and net realizable value	15,681,621	18,994,250

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

16. Refundable Deposits from Customers

	2015/2016 Kshs.	2014/2015 Kshs.
Hotel Deposits Account	1,121,192	319,400
Total	1,121,192	319,400

17. Trade and other payables from exchange transactions

	2015/2016 Kshs.	2014/2015 Kshs.
Accrued Expenses College	113,686,805	98,932,936
Accrued Expenses Hotel	16,473,914	21,929,516
Suppliers' Accounts College	89,228,506	97,892,155
Suppliers' Accounts Hotel	37,893,019	49,033,544
NHIF	724,350	611,670
P. A. Y. E	5,777,022	6,266,449
N.S.S.F	354,550	347,350
Staff Shortages	11,517	-
Woodventure (K) Ltd.	-	-
Kenyuco Sacco	835,822	-
Kenyuco Housing Sacco	435,162	-
Pension Deductions	6,305,698	3,605,564
Higher Education Loans Board	34,658	35,455
Education Levy	1,779,488	1,613,208
Amedo Centres (K) Ltd.	-	7,101
Select Management Services Ltd	86,493	129,937
Faulu Kenya Ltd	300,959	189,948
African Retail Traders	-	6,125
Other Staff Co-operative Societies	2,274,751	1,655,015
Co-operative Bank Staff Loans Deductions	-	-
Barclays Bank Staff Loans Deductions	503,788	591,753
KCB Staff Loan deductions	756,279	506,392
Standard Chartered Bank Loan Deduction	1,371,467	1,805,159
Staff Loans Scheme Deduction Account	5,081,811	5,891,127
Staff Service Charge Account Hotel	1,642,432	912,206
Salaries Control Account College	321,544	1,308,935
Payroll deduction Hotel	2,935,452	3,936,586
External exams (IATA) Contra	(1,722,518)	187,171
Insurance Claims	(348,750)	8,690,979
Staff Welfare Fund Account	2,265,488	2,005,788
Pension Scheme Refunds Account	4,669,373	4,768,407
Deceased Special Fund Account	787,805	1,116,125
Unclaimed Students Allowances	-	156,030
Prepaid Fees Account	7,942,097	7,004,635
University of Surrey	351,931	351,931
V.A.T	26,883,494	4,707,884
Training Levy Hotel	1,098,282	809,958
Students' Caution Money	5,349,842	4,840,342
Students' Council Account KUUSA	124,900	19,069
Degree program identity card and Food Handlers	188,900	-
Students Control Account	117,019	94,019
Watalamu Renovation Hotel	3,458,751	-
Accrued Interest for GOK	2,532,949,772	2,175,586,831
Total trade and other payables	2,872,931,873	2,507,547,301

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

18. Current provisions

	Trade receivables	Specific Accounts	Total
	Kshs.	Kshs.	Kshs.
Balance at the beginning of the year	62,796,822	114,899,923	177,696,745
Additional provisions raised	375,762	(17,311)	358,450
Balance as at 30 June 2016	63,172,584	114,882,612	178,055,195

19. Borrowings

	2015/2016	2014/2015
	Kshs.	Kshs.
Loan from G.O.K	133,125,028	133,125,028
Total non-current borrowings	133,125,028	133,125,028

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

20. Cash generated from operations

	2015/2016	2014/2015
	Kshs.	Kshs.
Deficit for the year before tax	(458,346,848)	(375,257,704)
Adjusted for:		
Depreciation	158,445,098	150,357,257
Revenue reserve Hotel	39,028,884	(17,518,751)
Amortized Reserves	(5,079,262)	(5,079,262)
Prior Year Adjustment	(27,675,806)	(156,642,198)
Contribution to provisions	358,450	340,649
Working capital adjustments:		
Increase/Decrease in inventory	3,312,629	(1,345,508)
Increase/Decrease in receivables	20,854,802	(70,209,445)
Increase/Decrease in payables	365,728,560	536,360,188
Net cash flows from operating activities	96,626,508	61,005,226

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

21. Staff Loan Scheme Fund

STAFF LOANS SCHEME

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2016

	2015/2016	2014/2015
	KShs.	KShs.
<u>INCOME</u>		
Interest earned from staff loans	331,638	527,121
Bank interest earned	18,211	5,552
	349,849	532,674
<u>LESS: EXPENDITURE</u>		
Bank charges	5,862	2,295
Surplus	343,987	530,379

STAFF LOANS SCHEME FUND AS AT 30TH JUNE 2016

	2015/2016	2014/2015
	KShs.	Restated KShs.
Staff Loans Scheme Fund	19,013,949	18,483,570
Surplus	343,987	530,379
Amount received from Kenya Utalii College		
	19,357,936	19,013,949

REPRESENTED BY:

Loan Scheme Principal Advances	10,732,232	9,599,640
Bank Account balance	3,543,894	3,523,182
Amount Receivable from Kenya Utalii College	5,081,811	5,891,128
	19,357,937	19,013,949

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

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

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:

	2015/2016	2014/2015
	Kshs.	Kshs.
Balance at beginning of year	188,298,604	193,377,866
Add: Development Grants		
Less: Amortization	5,079,262	5,079,262
Balance at end of year	183,219,342	188,298,604

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 2016

ACCUMULATED FUND AS AT 30TH JUNE 2016

	2015/2016	2014/2015
	KShs.	KShs.
Balance Brought Forward	(264,431,866)	(865,604,401)
Amortization of Revaluation Reserve	75,923,924	47,199,053
Total	(188,507,942)	(818,405,349)
Transfers and adjustments (Revaluation Reserve Prior Year Adjustment)	27,675,806	968,877,376
KUC Investment Account	(67,035,797)	-
Deficit for the Year	(458,346,848)	(375,257,704)
Revenue Reserves- Hotel	27,481,640	(39,646,191)
Balance carried Forward	(658,733,141)	(264,431,866)

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2016

25. Property, plant and equipment	LAND	BUILDINGS	W.I.P WORK IN PROGRESS	PLANT AND MACHINERY	FURNITURE TECHNICAL AND EQUIPMENT	MOTOR VEHICLES	COMPUTERS HARDWARE	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
COST / VALUATION								
Balance as at 1st July 2014 -College	683,365,500	1,355,728,604	256,682,342	51,962,769	66,176,580	44,908,001	48,992,722	2,507,816,518
Balance as at 1st July 2014-Hotel	-	-	1,968,352	-	4,543,439	4,385,300	3,216,086	14,113,177
Revaluation College	4,216,634,500	184,271,396	-	(37,862,769)	(18,133,580)	(11,748,001)	(33,548,722)	4,299,612,824
Revaluation Hotel	-	-	(1,968,352)	-	23,394,320	(285,300)	-	21,140,668
Additions College	-	-	40,491,486	-	1,467,635	13,180,000	1,592,624	56,731,745
Additions Hotel	-	-	17,633,131	-	1,625,680	-	1,550,856	20,809,667
Transfers/adjustments	-	-	(230,914,806)	-	-	-	-	(230,914,806)
Lees: Disposal	-	-	-	-	-	(2,950,000)	-	(2,950,000)
At 30 June 2015	4,900,000,000	1,540,000,000	83,892,153	14,100,000	79,074,074	47,490,000	21,803,566	6,686,359,793
DEPRECIATION / ARMOTIZATION								
Balance as at 1st July 2014	-	-	-	-	-	-	-	-
Charge for the Year	76,218,873	38,500,000	-	1,410,000	15,814,815	11,872,500	6,541,070	150,357,258
Accumulated Depreciation At 30 June 2015	76,218,873	38,500,000	-	1,410,000	15,814,815	11,872,500	6,541,070	150,357,258
Net book values as at 30.6.2015	4,823,781,127	1,501,500,000	83,892,153	12,690,000	63,259,259	35,617,500	15,262,496	6,536,002,536
Net book values as at 30.6.2014	641,902,595	1,160,042,899	256,682,342	26,863,579	4,522,153	3,790,815	8,636,864	2,102,441,247
COST / VALUATION								
Balance as at 1st July 2015 -College	4,900,000,000	1,540,000,000	66,259,022	14,100,000	49,510,635	43,390,000	17,036,624	6,630,296,281
Balance as at 1st July 2015-Hotel	-	-	17,633,131	-	29,563,439	4,100,000	4,766,942	56,063,512
Revaluation College	-	-	-	-	-	-	-	-
Revaluation Hotel	-	-	-	-	-	-	-	-
Additions College	-	2,221,918	31,567,631	2,857,600	10,042,179	11,500,000	1,001,000	59,190,327
Additions Hotel	-	23,458,751	22,801,555	1,867,072	2,141,700	-	474,000	50,743,078
Transfers/adjustments- COLLEGE	-	-	(23,961,000)	-	-	-	-	(23,961,000)
Transfers/adjustments- HOTEL	-	-	(26,144,441)	-	-	-	-	(26,144,441)
Less Disposal	-	-	-	-	-	-	-	-
At 30 June 2016	4,900,000,000	1,565,680,669	88,155,897	18,824,672	91,257,953	58,990,000	23,278,566	6,746,187,757
DEPRECIATION / ARMOTIZATION								
Balance as at 1st July 2015	76,218,873	38,500,000	-	1,410,000	15,814,815	11,872,500	6,541,070	150,357,258
Charge for the Year	77,437,954	39,142,017	-	1,882,467	18,251,591	14,747,500	6,983,570	158,445,098
Disposal	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Accumulated Depreciation At 30 June 2016	153,656,827	77,642,017	-	3,292,467	34,066,406	26,620,000	13,524,640	308,802,356
Net book values as at 30.6.2016	4,746,343,173	1,488,038,652	88,155,897	15,532,205	57,191,547	32,370,000	9,753,926	6,437,385,401
Net book values as at 30.6.2015	4,823,781,127	1,501,500,000	83,892,153	12,690,000	63,259,259	35,617,500	15,262,496	6,536,002,535

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 2015/2016

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2016

REVALUATION AS AT 30TH JUNE 2016

Note. 23

ITEM	LAND	BUILDINGS	PLANT AND MACHINERY	FURNITURE TECHNICAL AND EQUIPMENT	MOTOR VEHICLES	COMPUTERS HARDWARE	TOTAL
	KSHS	KSHS	Kshs	KSHS	KSHS		KSHS
COST / VALUATION							
Revaluation Account College	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			(1,968,352)	23,394,320	(285,300)	-	21,140,668
At 30th June 2015	4,216,634,500	184,271,396	(39,831,121)	5,260,740	(12,033,301)	(33,548,722)	4,320,753,492
DEPRECIATION/ARMOTIZATION							
Balance as at 1st July 2014	-	-	-	-	-	-	-
Charge for the Year to Revaluation Reserve Account	42,592,268	4,606,785	-	-	-	-	47,199,053
Accumulated Depreciation as at 30th June 2015	42,592,268	4,606,785	-	-	-	-	47,199,053
Net Book Value as at 30.6.2015 (Revalued figure)	4,174,042,232	179,664,611	(39,831,121)	5,260,740	(12,033,301)	(33,548,722)	4,273,554,439
COST / VALUATION							
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
At 30th June 2016	4,216,634,500	184,271,396	(39,831,121)	5,260,740	(12,033,301)	(33,548,722)	4,320,753,492
DEPRECIATION/ARMOTIZATION							
Balance as at 1st July 2015	42,592,268	4,606,785	-	-	-	-	47,199,053
Charge for the Year to Revaluation Reserve Account	66,638,275	4,606,785	-	4,678,864	-	-	75,923,924
Prior Year Adjustment	22,996,942			4,678,864			27,675,806
Accumulated Depreciation as at 30th June 2016	132,227,485	9,213,570	-	9,357,728	-	-	150,798,783
Net Book Value as at 30.6.2016 (Revalued figure)	4,084,407,015	175,057,826	(39,831,121)	(4,096,988)	(12,033,301)	(33,548,722)	4,169,954,709
Net Book Value as at 30.6.2015 (Revalued figure)	4,174,042,232	179,664,611	(39,831,121)	5,260,740	(12,033,301)	(33,548,722)	4,273,554,439

Kenya Utalii College,

24. 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.

25. 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	Going Concern	It's dependent on loan	Treasury	In progress	
2	Loan from the Government of Kenya Emphasis of Matter	Request sent to Treasury for writing /off	Treasury	In progress	
3	Defects on completed Gymnasium	Defects done internally by utilizing retention fees	Management	In progress	
4	Payment of Goods not supplied	Suppliers not trading with us and action taken to staff members concerned	Management	In progress	

