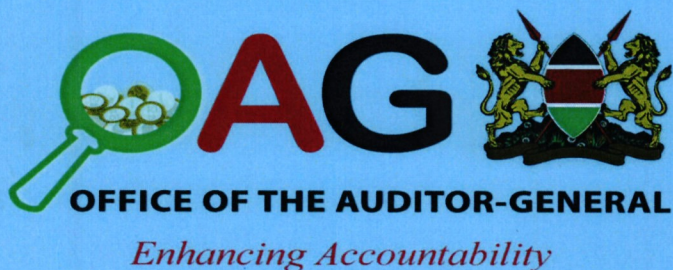
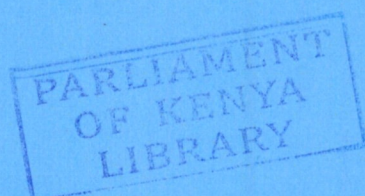


REPUBLIC OF KENYA



REPORT



OF

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 SEP 2021	DAY: Thursday
TABLED BY:	L.O.M
CLERK-AT THE-TABLE:	Mainah Wanyiku

THE AUDITOR-GENERAL

ON

KENYA UTALII COLLEGE

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



Kenya Utalii College

P.O. Box 31052 - 00600, Nairobi Kenya

Tel. +254 020 2458627, 2686803,
2683735, 8563540/6

Email: info@utalii.co.ke

Website: www.utalii.co.ke

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

**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,

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 30th June 2019 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	Ms.Joan Okeyo
3.	Financial Controller	Irine Chepkangor
4.	General Manager Utalii Hotel	Florence Njau
5.	Human Resource Manager	Moses Nyagundi
6.	Director of Studies	Wilson Mwangi
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

 Mr. Mukasa Mwambu Muliro Chairman	• Graduate School of Business – North eastern University • Graduate School of Management – Boston University • Chairman of Board, Chemelil Sugar Company (2007) • Currently self-employed • YOB : 1953
 Mr. Leonard Mudachi Member	• Bachelor of Arts Hotel and Restaurant Administration • Higher Diploma in Hotel Management • Chief Operating Officer, Nairobi Java House Ltd
 Mr. Elicanah Mosiori Member	• Alternate to PS, State Department for Tourism.

Kenya Utalii College,



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



Hon. Joseph Lekuton-OGW

- BA _ Economics_ St. Lawrence University
- BA _ Government _ New York-USA
- MA-Educational Administration
- MA_ International Education Policy-Harvard University Boston -USA

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



Ms Grace Wambui Nderitu
Member

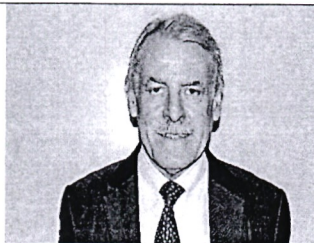
- PhD in project planning and management
- Masters of Business Administration (project management)
- Bachelor of Arts, Double Major (Tourism & Communication)



Mr. Alfonse Makau Kioko
Member

- Masters of Arts in Planning
- B.A. Economics-Upper Second Class
- Advanced Management Programme(AMP 174)
- Management Development Programme

Kenya Utalii College,



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



Mr. Osman Mohamed
In attendance

- Rep. for inspector General, Inspectorate of State Corporation

Kenya Utalii College,

+Board Committees:

Finance and HR Committee

The following members served in the Committee:

Hon. John Lekuton	: Chairperson
Mr. Richard Gakunya	: Member
Mr. Alfones kioko	: Member
Mr. Joseph Cherutoi	: Member
Mr. Leonard Mudachi	: Member
Mr. Osman Mohamed	: In attendance
Mr. Elicanah Mosiori	: Member

Audit Committee

The following members served in the Committee:

Ms. Grace W Nderitu	: Chairperson
Ms. Rosemary Mugambi	: Member
Mr. Leonard Mudachi	: Member
Mr. Richard Gakunya	: Member
Mr. Elicanah Mosiori	: Member
Mr. Mark Dunford	: Member
Mr. Darius Mogaka	: Member
Mr. Osman Mohamed	: Member

Technical and Strategy Committee

The following members served in the Committee:

Mr. Leonard Mudachi	: Chairperson
Mr. David Stogdale	: Member
Mr. Alfonse kioko	: Member
Ms. Grace Nderitu	: Member
Hon. Joseph Lekuton	: Member
Mr. Mark Dunford	: Member
Mr. Darius Mogaka	: Member
Mr. Elicanah Mosiori	: Member
Ms. Rosemary Mugambi	: Member
Mr. Osman Mohamed	: 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



Ms. Joan Okeyo
Ag. Head of Research and Corporate Planning.

- EMBA-organisation Development and leadership
- BSC-Travel and Tourism
- Diploma IATA/UFTAA
- Diploma in Tour Guiding
- YOB: 1964



Ms. Irine Chepkangor
Ag. Financial Controller

- Bachelor of Business management (Finance & Banking)
- Certified Public Accountant (K)
- YOB: 1979

Kenya Utalii College,



Mrs. Florence Njau
Ag. General Manager – Hotel

- MSC (International Hospitality Management)
- Diploma in Hotel Management
- YOB:1964



Mr. Moses Nyagundi
Ag. Human Resource Manager

- Bachelor of Science in Human Resources
- Higher National Diploma-Human Resources
- Diploma in Human Resources
- YOB: 1968



Mr. Wilson Mwangi
Ag. Director of Studies

- Master of science –Hospitality Management
- Certificate In Front Office
- YOB :1962



Ms. Rodah Musyoki
Head of Internal Audit

- Master's In Business Administration(Finance)
- Certified Public Accountant(K)
- YOB:1960

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 2019. 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 567,778,385/-** against a budget of **Kshs.570,000,000/-**. Grants from the government however, decreased to **Kshs.135,444,000/-** down from **Kshs.175,000,000/-** the previous year. Our internally generated funds decreased to **Kshs.333,794,384/-** down from **Kshs. 448,356,555/-** 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 2019/2020.



Mr. Mukasa M. Muliro

Chairman – KUC Council

Kenya Utalii College,

V. PRINCIPAL'S STATEMENT

The financial year 2018/2019 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 2018/2019 financial year. Some of the activities include:

NO.	ACTIVITY	DATE	AMOUNT (KSHS)
1	Utalii Ward Clean-up Exercise	07/07/2018	30,000
2	Contribution Towards Ms. Lydia mwangis (Student No FOP3-16-043) Medical Bill	02/08/2018	300,000
3	Lunch Service to Nyumba ya Wazee, Kasarani	01/10/2018	85,000
4	1 st Annual Amboseli Festival	7 th -8 th Dec 2018	50,000
	TOTAL		465,0000

Kenya Utalii College,

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, 2019. 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, 2019, 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

Date

21st October 2019

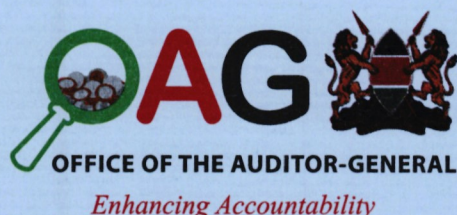
Chairman – KUC Council

Date

21/10/2019

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Utalii College set out on pages 1 to 32, which comprise the statement of financial performance as at 30 June, 2019, 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 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, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No.28 of 2011.

Basis for Qualified Opinion

1.0 Unconfirmed Outstanding Receivables Balances

1.1 Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance totalling Kshs.287,628,455 as at 30 June, 2019. The balance includes long outstanding receivables totalling Kshs.195,075,085 out of which receivables totalling Kshs.186,126,539 or 95 % were aged between one and eight years and the remainder of Kshs.6,153,518 and Kshs.2,795,028 were owed by former staff and insolvent entities respectively.

In addition, the existence and valuation of these debts could not be established as no letters of confirmation were issued by the debtors acknowledging the debts. In view of these issues, the accuracy and recoverability of the receivables from exchange transactions totalling Kshs.287,628,455 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

1.2 Receivables from Non-Exchange Transactions

The statement of financial position as at 30 June, 2019 reflects receivables from non-exchange transactions totalling Kshs.131,273,553. The balance includes receivables totalling Kshs.116,205,822 which have been outstanding for between four and seven years. The measures taken by Management to recover the old outstanding debts have not been disclosed.

Consequently, it was not possible to confirm the accuracy and recoverability of receivables from non-exchange transactions balances totalling Kshs.131,273,553 as at 30 June, 2019.

2.0 Inaccurate Statement of Cash Flows

The statement of cash flows for the year under review reflects Kshs.107,956,788 net cashflows from operating activities. The balance includes working capital adjustments referred to as increase/decrease of current assets and liabilities' among other adjustments in Note 20 to the financial statements. However, the accuracy of two adjustments amounting to Kshs.32,801,472 and Kshs.398,113,805 denoted as net change in receivables and net change in payables respectively could not be confirmed.

Consequently, the accuracy of the net cash flows from operating activities totalling Kshs.107,956,788 could not be confirmed.

Emphasis of Matter

Going Concern Status

During the year under review, the College reported a deficit of Kshs.430,649,313, an increase of Kshs.30,984,121 from the deficit of Kshs.399,665,192 incurred in 2018/19, and thereby increased the accumulated operational losses to Kshs.1,548,454,359 as at 30 June, 2019. Further, the statement of financial position reflected current liabilities totalling Kshs.4,193,744,059 and current assets totalling Kshs.636,481,449 as at 30 June, 2019 resulting to a negative working capital of Kshs.3,557,262,610. Therefore, the College was technically insolvent.

In addition, the trade and other payables from exchange transactions balance totalling Kshs.4,009,142,299 as at 30 June, 2019, included accrued interest totalling Kshs.3,678,447,764 payable to the Government of Kenya (GoK), as further disclosed in Note 17 to the financial statements. The balance was equivalent to 92% of the total trade and other payables from exchange transactions balance. In the circumstance, the College's ability to settle bills when they fall due appears doubtful.

However, Management, contrary to the requirements of International Public Sector Accounting Standards (IPSAS) No.1, presentation of financial statements, has not disclosed the measures, if any, that it intends to implement to reverse the declining performance.

In addition, as previously reported, the College has over the years not met its obligations on the loan agreement signed with the National Government in 1996. The loan amounting to Kshs.140 million was disbursed in February, 1996 for refurbishment of Utalii Hotel. Payments on the principal amount totaled Kshs.13 million as at 30 June, 2017 when the repayments ceased.

As reflected in Note 17 to the financial statements for the year under review, unpaid interest on the loan totalled Kshs.3,678,447,764 and the outstanding principal amount Kshs.127,125,028 as at 30 June, 2019. Therefore, the total amount owed was Kshs.3,805,572,792 arising from the Kshs.140 million loan.

Although a disclosure made in 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 on the matter has been reported in the year under review.

The Hotel, whose revenues were meant to repay the loan, acts as a training facility for the College and its survival is critical to the attainment of the legal mandate and mission of the College.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the College's ability to meet its debt obligations as they fall due, and continue as a going concern. Therefore, its continued existence as a going concern is dependent upon financial support from the Government and its bankers and creditors.

My opinion is not qualified in respect to this matter.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. 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

1.0 Failure to Implement Integrated Financial Information Management Requirement

The National Treasury Circular No.19/15, dated 18, August, 2015, required State Corporations to link to IFMIS and other public financial management systems as

appropriates so as to improve record keeping and enhance monitoring and evaluation. In addition, Executive Order No.2 of 2018 required all State Corporations to employ full use of e-procurement by 1 January, 2019.

However, as similarly reported in the previous year, the College had as at 30 June, 2019 not implemented the Integrated Financial Information Management (IFMIS) system or linked its Enterprise Resource Planning (ERP) system with the IFMIS.

Management's failure to adhere to the Executive Order and National of Treasury instructions is, therefore, irregular.

2.0 Inadequacies at Mombasa Campus

As previously reported, an audit inspection of facilities at Mombasa Campus indicated that the Campus did not have a qualified librarian. The Library is managed by staff picked by the Acting Director of studies in charge of the campus. The Library was in poor condition not befitting the reputation of the College. In addition, the kitchen at the campus lacked the training equipment equivalent to that available at the Nairobi Campus. The anomaly raised doubt on whether training standards set for both campuses were the same.

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 Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 High Employee Costs

The expenditure of Kshs.393,550,677 on employee costs reflected in the financial statements represents 49% of the total revenue amounting to Kshs.802,957,952 received by the College during the year under review. The ratio exceeded the recommended threshold of 35% prescribed in Regulation 26(1) of the Public Finance Management (National Government) Regulations, 2015.

Excessive use of funds on personnel emoluments constraints funding for service delivery and development projects and may eventually hinder the College from attaining its mandate.

2.0 Incomplete Student Access Control System

As previously reported, delivery and installation of the student access control system began in September, 2010 under a contract awarded to a local company at Kshs.3,897,967. Payments to the contractor as at 30 June, 2018 totalled Kshs.1,183,390. The works were largely complete but had not been commissioned due to unresolved issues in the contract agreement which the supplier had not resolved as at 30 June, 2019. These included:

- Delivery of access control license registered under Utalii
- Signing of a service level agreement for the system.

Consequently, the services that the new system was expected to provide to the College were not received.

3.0 Misallocation of 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 building. Available information indicates that Kshs.100 million was deposited in a Call bank account and Kshs.40,261,605 was spent on several activities identified in records to include consultancy services, permit from the County Government, technical evaluation retreat, and advertisements for procurement of construction services. The remainder amounting to Kshs.59,738,395 was spent on recurrent expenses without the approval of the College Council and National Treasury.

As at 30 June, 2019 construction of the training building appeared not to have commenced as no such project was identified during the audit, or reported in the financial statements for the year under review.

Consequently, Management may have breached the terms of the grant and Section 48 1(c) of Public Finance Management Act, 2012 which stipulates that grants be used to finance programs in the integrated development plan.

4.0 Unconfirmed Regularity of Legal Expenses

The College engaged a legal firm to provide arbitration services between the College and a firm of architects. The contract sum amounting to Kshs.458,612 was paid on 25 September, 2018 following receipt of an advance fee note from the Arbitrator. However, the nature of the arbitration undertaken by the law firm was not revealed in the fee note. Further, there was no record to show that the Office of the Attorney-General was consulted on the matter as provided for by Section 5(1) Office of the Attorney-General's Act, of 2012 and The Head of Public Service Circular No OP. CAB. 39A.

Additionally, there was no record of professional opinion from both the head of the procuring unit as required by Section 84 (1) of the Public Procurement and Asset Disposal Act, 2015.

In view of these omissions the validity of the expenditure amounting to Kshs.458,612 has not confirmed.

5.0 Uncertainties Regarding Ronald Ngala Utalii College

Kenya Utalii College, Coast Branch was established vide Cabinet Memo Ref: CAB.58/4A of 18 September, 2007 on a 60- acre site donated by REA Vipingo Company Limited.

The development of the College was thereafter transferred from Kenya Utalii College and assigned to Catering and Tourism Development Levy Trustees (now Tourism Fund) and further, a change of name to Ronald Ngala Utalii College was initiated without Cabinet approval. By a Gazette Notice No.3478 of 25 March, 2010, the Minister for Tourism then established Ronald Ngala Utalii Academy and, in notices carried in the Kenya Gazette on 6 August, 2010 and 5 November, 2010, appointed several persons to the Board of Directors established for the Academy. However, the appointments were nullified in 2012 alongside those of other Tourism Agencies by the new Minister for Tourism.

Audit verification has since revealed that the Tourism Fund is constructing buildings on the donated land even though the Fund does not possess the ownership documents for the land. On the other hand, the Kenya Utalii College has valued the land at Kshs.250 million and included it in the financial statements for the year under review. However, the buildings under construction have not been accounted for in the books of Kenya Utalii College or those of the Tourism Fund.

In view of these issues, the ownership of the Academy and accountability for public funds expended by the Tourism Fund on the ongoing developments has not been clarified.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 Management is aware of the intention to liquidate the College, or to cease operations.

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

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

The College Council is responsible for overseeing the College's 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. 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



Nancy Gathungu

AUDITOR-GENERAL

Nairobi

31 August, 2021

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Incomes from non commercial transac	3	750,673,884	668,012,406
		750,673,884	668,012,406
Revenue from exchange transactions			
Fees From Students	5	56,765,407	53,955,191
Revenue From Commercial Activities	4	62,997,561	92,894,074
Utalii Hotel Net Profit/Loss	4	(67,478,901)	(41,893,403)
		52,284,067	104,955,862
Total revenue		802,957,952	772,968,268
Expenses			
Employee costs	6	393,550,677	384,168,846
College Council Expenses	7	14,188,560	12,119,385
Depreciation and amortization expens	8	114,642,204	93,520,541
Repairs and maintenance	9	11,658,824	12,522,659
Contracted services	10	23,010,636	22,684,404
General expenses	11	676,556,363	647,617,624
Total expenses		1,233,607,265	1,172,633,460
Deficit before tax		(430,649,313)	(399,665,192)
Taxation (Note Kenya Utalii College is a training Institution hence exempted from Corporate tax)			
Deficit before tax		(430,649,313)	(399,665,192)

The notes on page 6 - 30 form an integral part of the financial statements

Kenya Utalii College,
Annual Report and Financial Statements For The Year Ended 30th June 2019
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	2018/2019 Kshs	2017/2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	12	197,807,284	161,023,552
Receivables from exchange transactions	13	287,628,455	278,291,962
Receivables from non-exchange transactions	14	131,273,553	174,162,261
		616,709,292	613,477,775
Inventories	15	19,772,157	19,530,120
		636,481,449	633,007,895
Non-current assets			
Property, plant and equipment	25	6,369,128,515	6,426,262,886
Staff Loans Fund	21	21,562,327	20,811,582
		6,390,690,842	6,447,074,468
Total assets		7,027,172,291	7,080,082,363
Liabilities			
Current liabilities			
Trade and other payables from exchange tran	17	4,009,142,299	3,602,574,445
Refundable deposits from customers	16	2,463,066	638,572
Provisions	18	182,138,694	183,768,775
		4,193,744,059	3,786,981,792
Non-current liabilities			
Borrowings (GOK Loan)	19	127,125,028	127,125,028
Staff Loans Fund	21	21,562,327	20,811,582
Accumulated Fund	24	(1,548,454,359)	(1,167,716,826)
Revaluation Reserve	23	3,940,213,680	4,014,819,968
Capital Grants	26	125,000,000	125,000,000
Capital Reserve - Refurbishment of Utalii Hc	22	167,981,556	173,060,818
		2,833,428,232	3,293,100,570
Total liabilities		7,027,172,291	7,080,082,363

The notes on page 6 - 30 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:

Principal & CEO

Name

Date

[Signature]
24 October 2020

Head of Finance

Name *Irine Chepkor*

ICPAK No...7209

Chairman, College Council

Name

Date

[Signature]
21/10/2020

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2019

Attributable to the owners of the controlling entity

Reserves	Staff Loan		Accumulated		Capital		Capital Grants		Revaluation		TOTAL	
	Fund	Kshs	Surplus	Kshs	Reserve	Kshs	Kshs.	Kshs.	Reserve	Kshs	Kshs	Kshs
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				-	
Hotel Reverses Account			-								-	
Funds received during the year		780,377									780,377	
Prior year Adjustment											-	
Amortization on Revaluation Reserve charge for the year			78,127,264						(78,127,264)		(0)	
Capital Grants							25,000,000				25,000,000	
Grants Amortized							(5,079,262)				(5,079,262)	
Deficit for the year			(399,665,192)								(399,665,192)	
Balance as at 30 June 2018		20,811,583	(1,167,716,826)		173,060,818		125,000,000		4,014,819,968		3,165,975,543	
As at 1st July 2018		20,811,583	(1,167,716,826)		173,060,818		125,000,000		4,014,819,968		3,165,975,543	
Capital Grants											-	
Funds received during the year		750,745									750,745	
Amortization on Revaluation Reserve charge for the year			74,606,288						(74,606,288)		(0)	
Prior Year Adjustment			(24,694,508)								(24,694,508)	
Capital Grants											-	
Transfers/adjustments											-	
Grants Amortized							(5,079,262)				(5,079,262)	
Deficit for the year			(430,649,313)								(430,649,313)	
Balance as at 30 June 2019		21,562,327	(1,548,454,359)		167,981,556		125,000,000		3,940,213,680		2,706,503,205	

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

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018/2019	2017/2018
		Kshs	Kshs
Cash flows from operating activities			
<u>Receipts</u>			
Fees From Students	5	56,765,407	53,955,191
Revenue From Tourism Fund	3	567,778,385	495,000,000
Rent Income from staff housing units	3	29,279,050	24,301,833
Grants from Government of Kenya -Recurrent	3	135,444,000	150,000,000
Grants from Government of Kenya -Development	3	-	-
Revenue from Commercial Activities & Consultancy Services	4	62,997,561	92,894,074
Other Income Receipts	3	4,320,798	2,278,911
Capital Grants from Government of Kenya - amortization	22	5,079,262	5,079,262
Utalii Hotel Net Profit	4	(67,478,901)	(41,893,403)
		794,185,563	781,615,868
<u>Payments</u>			
Employee costs	6	393,550,677	384,168,846
Remuneration of College Council	7	14,188,560	12,119,385
Repairs and maintenance	9	11,658,824	12,522,659
Contracted services	10	23,010,636	22,684,404
General expenses	11	676,556,363	647,617,624
		1,118,965,060	1,079,112,919
Surplus /deficit for the year		(324,779,498)	(297,497,050)
Net cash flows from operating activities	20	107,956,788	46,572,198
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(71,173,053)	(34,032,011)
Net cash flows used in investing activities		(71,173,053)	(34,032,011)
Cash flows from financing activities			
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		36,783,734	12,540,187
Cash and cash equivalents at 1 July 2018	12	161,023,551	148,483,365
Cash and cash equivalents at 30 June 2019	12	197,807,284	161,023,551

**Kenya Utalii College,
Annual Report and Financial Statements For The Year Ended 30th June 2019
Consolidated statement of comparison of budget and actual amounts for the year ended 30 June 2019**

	Original budget 2018/2019 Kshs	Final budget 2018/2019 Kshs	Actual on comparable basis 2018/2019 Kshs	Performance difference 2018/2019 Kshs	Variance Explanation
Revenue					
Revenue from non-exchange transactions					
Other income	844,060,000	844,060,000	750,673,884	(93,386,116)	Undertunding from TF & GOK
Revenue from exchange transactions					
Fees from Students	60,333,100	60,333,100	56,765,407	(3,567,693)	Few Foreign students
Gross Revenue from commercial activities	293,072,504	293,072,504	172,721,909		low students intake
Gross Revenue from hotel	314,334,396	314,334,396	147,315,298		Low hotel business
Total Income	1,511,800,000	1,511,800,000	1,127,476,498		
Expenses					
Employee costs	466,658,108	466,658,108	393,550,677	73,107,431	No employment or promotions
Remuneration of College Council/B O G	15,000,000	15,000,000	14,188,560	811,440	
Repairs and maintenance	24,792,250	24,792,250	11,658,824	13,133,426	Cut down on expenditure
Contracted services	31,781,600	31,781,600	23,010,636	8,770,964	Cut down on expenditure
Hotel expenses	280,174,358	280,174,358	214,794,199	65,380,160	low hotel business
Commercial activities expenses	119,708,415	119,708,415	109,724,348	9,984,067	low intake
General expenses	342,490,569	342,490,569	676,556,363	(334,065,794)	Interest on GOK Loan
Total Expenses	1,280,605,300	1,280,605,300	1,443,483,607	(162,878,307)	
Development expenditure	231,194,700	231,194,700	71,173,053		
Total	1,511,800,000	1,511,800,000	1,443,483,607		
Depreciation and Amortization	-	-	114,642,204		
Surplus for the period			(430,649,313)		

Notes.

*Hotel Expenses is a combination of Cost of Sales - kshs 58,229,214 and Total Expenses -kshs 156,564,985 (Note 4 page 17)

*Commercial Activities expenses represent direct expenses of Kshs 109,724,348 (Note 4 page 17)

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.135.4M for recurrent . 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 30th June 2019

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 2018-2019 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 30th June 2019

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		55 Years
Library Complex		71 Years
Utalii Sports Club		70 Years
Utalii Village		56 Years
Vipingo		78 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 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 30th June 2019**

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.

	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% 2018-2019 PROVISION	514,355	(2,144,435.5)	(1,630,081)
5% 2017-2018 PROVISION	11,149,135	2,992,205	14,141,339

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:

Kenya Utalii College,**Notes to the Financial Statements for the year ended 30th June 2019**

	2018/2019	2017/2018
	Kshs.	Kshs.
Balance at beginning of year	173,060,818	178,140,080
Less: Amortization	5,079,262	5,079,262
Balance at end of year	167,981,556	173,060,818

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.

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2019

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

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2019

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.

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 been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th 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		55 Years
Library Complex		71 Years
Utalii Sports Club		70 Years
Utalii Village		56 Years
Vipingo		78 Years
Buildings	2.5%	40 Years
Plant and Machinery	10%	10 Years
Furniture, Technical & Teaching Equipment	20%	5 Years
Motor Vehicles	25%	4 Years

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2019

Computers

30%

3¹/₃ 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.

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	114,318,164.05	169,627,435.05
5% 2018-2019 PROVISION	514,355	(2,144,435.51)	(1,630,081)
5% 2017-2018 PROVISION	11,149,135	2,992,205	14,141,339

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 30th June 2018 and who had direct fiduciary responsibility were:

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2019

College Management;

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

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. David William Stogdale	Member
8.	Mr. Alfose kioko	Member
9.	Mr. Mark Dunford	Member
10.	Hon. Joseph Lekuton	Member
11.	Ms. Grace nderitu	Member
12.	Ms. Rosemary Mugambi	Member
13.	Mr. Osman Mohammed	Member

The following transactions were carried out with related parties;

	2018/2019	2017/2018
i) College Council remuneration		
Allowances paid to council	14,188,560	12,119,385
ii) Grants from related parties		
Grants from Government of Kenya (GOK)	135,444,000	175,000,000
Grants from Tourism Fund (TF)	567,778,385	495,000,000

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2019

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 2017/2018, accumulated depreciation for land from what was reported in the previous financial year's financial statements.

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 2019

Notes to the Financial Statements for the year ended 30th June 2019

3. Incomes From Non Commercial (Exchange) Activities

	2018/2019	2017/2018
	Kshs.	Kshs.
Rent Income from staff housing units	29,279,050	24,301,833
Grants from Government of Kenya -Recurrent	135,444,000	150,000,000
Revenue from Tourism Fund	567,778,385	495,000,000
Other Income Receipts	4,320,798	2,278,911
Capital Grants from Government of Kenya - amortization	5,079,262	5,079,262
Deferred Revenue/Income	-	(13,166,710)
Call Account-Accrued Interest	8,772,389	4,519,110
Total	750,673,884	668,012,406

Other Incomes

This comprises of:

	2018/2019	2017/2018
	Kshs.	Kshs.
Sale of Discarded items	735,185	72,888
Surplus/ Loss from Food fair	(1,254,652)	(433,050)
Identity cards & Lost items	434,280	365,510
Sale of Meal vouchers	2,079,035	429,695
Other Miscellaneous Income	530,413	603,952
Graduation fee	1,796,537	1,239,916
Total	4,320,798	2,278,911

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

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:

	2018/2019 Kshs.	2017/2018 Kshs
Self Sponsored Courses	44,908,289	56,658,101
Pioneer Courses	42,291,360	39,745,000
MDP & Refresher Courses	651,915	1,900,494
Bakery Sales	382,647	683,816
Laundry Services	10,972,501	9,005,471
Sports Club Bar Sales	569,020	244,030
Cyber café services - M-pesa	-	126,905
Jifunze Bar Sales	65,915	144,447
Hire of facilities - Grounds and Hostels	33,443,350	13,450,375
Bookshop Sales & Photocopying	266,472	483,088
Barber Shop Rent	240,000	200,000
Degree Programmes	13,260,450	34,266,020
Consultancy	3,567,756	11,625,068
Project Revenue- Bomas	22,102,234	13,132,206
Sub-Total	172,721,909	181,665,021
Less: Direct Expenses	109,724,348	88,770,947
Total	62,997,561	92,894,074

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2019

UTALII HOTEL TRADING, ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2019

	2018/2019 Kshs.	2017/2018 Kshs
Revenue from exchange transactions		
Hotel Room sales	29,755,477	44,485,868
Hotel Food Sales	83,725,392	104,011,641
Hotel Beverage Sales	16,175,643	18,958,593
Other Income Receipts	11,794,404	12,357,497
GYM	2,622,022	-
House rent	-	5,065,250
Deferred Revenue /Income	-	(3,242,360)
Deferred Revenue /income Recognised	3,242,360	
Total revenue	147,315,298	181,636,489
Less: Cost of Sales	58,229,214	63,127,543
Gross Profit	89,086,084	118,508,946
Expenses		
Employee costs	106,499,200	111,979,062
Repairs and maintenance	4,072,373	4,330,522
Contracted services	5,048,779	5,223,116
General expenses	40,106,002	38,371,128
Finance costs	838,631	498,521
Total expenses	156,564,985	160,402,349
Surplus / Deficit before tax	(67,478,901)	(41,893,403)
Surplus / Deficit for the period	(67,478,901)	(41,893,403)
Number of staff		
Permanent	70	73
Contract	46	53

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

5. Fees From Students

Actual	2018/2019 Kshs.	2017/2018 Kshs
Fees From Local Students	40,196,936	41,004,227
Fees From Foreign Students	10,882,915	8,250,301
Application Fees	2,601,956	1,967,272
Examination & First Aid Fee	1,780,000.00	2,733,391
	1,303,600.00	
Total	56,765,407	53,955,191

Grand Revenue Total	802,957,952	772,968,268
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6. Employee costs

	2018/2019 Kshs.	2017/2018 Kshs
Employee related costs		
Salaries - Expatriate Staff	2,301,871	1,631,800
Salaries - Permanent Academic Staff	136,853,752	137,472,825
Salaries - Part-time Academic	577,138	2,064,170
Salaries - Administrative Staff	253,817,917	243,000,051
Total	393,550,677	384,168,846
Number of staff		
Permanent	266	278
Contract	152	144
Interns	2	

7. Remuneration of council (BOG)

	2018/2019 Kshs	2017/2018 Kshs
Sitting Allowance	5,636,000	5,543,200
Travelling And Subsistence	3,919,769	4,284,838
Honararia	960,000	960,000
Mileage Allowance	495,333	686,978
Other Allowance	3,177,458	644,369
Total	14,188,560	12,119,385

8. Depreciation and amortization expense

	2018/2019 Kshs	2017/2018 Kshs
Property, plant and equipment	114,642,204	93,520,541
Total	114,642,204	93,520,541

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

9. Repairs and maintenance

	2018/2019 Kshs	2017/2018 Kshs
Maintenance and Repair of Buildings	1,651,325	3,373,907
Maintenance and Repair of Equipment	4,267,308	4,537,164
Maintenance and Repair of Vehicles	5,740,191	4,611,589
Total	11,658,824	12,522,659

10. Contracted services

	2018/2019 Kshs	2017/2018 Kshs
Contracted Services	23,010,636	22,684,404
	23,010,636	22,684,404

11. General expenses

The following are included in general expenses:

	2018/2019 Kshs	2017/2018 Kshs
Medical Expenses	20,250,661	13,438,268
Staff Development	14,091,624	10,167,117
Staff and Students' Recreation Activities	3,899,362	3,800,866
Staff Welfare	3,998,861	4,788,746
Travelling and Subsistence Expenses	11,568,575	7,243,437
Industrial Training Expenses	9,218,993	6,283,622
Special Courses	5,257,277	10,362,303
Class Text Books, Library Books, & Periodicals	-	136,416
External Examination Expenses	2,802,268	1,546,949
Research Expenses	4,206,259	2,621,737
Bursaries Expenses	4,141,470	11,427,091
Professional Clothes and Uniforms	2,102,786	2,836,207
Food and Beverage	77,821,559	68,567,643
Printing and Stationery	2,928,648	4,238,737
Cleaning Materials	3,629,052	2,961,953
Entertainment and Public Relations	22,545,566	8,901,209
Renewal and Replacement	13,927,325	7,509,141
Heat, Light and power	42,964,227	40,265,772
Water, Sewerage and Land Rates	23,709,178	18,946,202
Postage and Telephone	4,024,580	3,811,940
Licences and Professional Services	3,803,596	16,163,381
Quality Assurance	1,960,950	1,639,159
Alumni, Placement & Collaboration	2,547,049	3,213,401
Finance Costs	385,210,085	382,965,925
Increase in Provision for Bad and Doubtful Debts	(1,630,081)	4,069,828
Insurances	11,112,494	9,246,574
Audit fee	464,000	464,000
Total	676,556,363	647,617,624

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

Provision For Bad and Doubful Debts for the year Ended 30th June 2019

	2018/2019 Kshs	2017/2018 Kshs
Increase/Decrease in Provision for bad and doubtful debts	(1,630,081)	4,069,828
Total	(1,630,081)	4,069,828

Finance costs for the year ended 30th June 2019

	2018/2019 Kshs	2017/2018 Kshs
Bank Charges	3,243,557	1,074,581
Loss/Gain on Foreign Exchange	133,864	58,680
Interest on Loan from G.O.K	381,832,664	381,832,664
Total	385,210,085	382,965,925

Grand Expenses Total	1,233,607,265	1,172,633,460
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12. Cash and cash equivalents

	2018/2019 Kshs	2017/2018 Kshs
Cash in Hand -College	108,322	15,685
Cash in Hand -Hotel	191,393	374,146
Cash at Bank -College		
Co-Operative -Nairobi	8,181,751	(871,608)
Co-Operative -Mombasa	2,650,454	(296,329)
Co-Operative -Kisumu	2,938,731	(1,181,509)
Co-Operative -Development Account	142,729,316	124,999,450
Barclays Bank - Shillings	33,759,160	29,565,188
Barclays Bank - Foreign	275,849	(961,388)
Cash at Bank -Hotel		
Co-Operative - Shillings	2,072,524	4,624,516
Floats -College	3,945,000	3,905,000
Floats -Hotel	954,785	850,400
	197,807,284	161,023,552

12(a). Cash and cash equivalents

a) Current account

Barclays Bank of Kenya	0945027746	33,759,160	29,565,188
Barclays Bank of Kenya	022700324	275,849	(961,388)
Co-operative Bank of Kenya	01129070937100	8,181,751	(871,608)
Co-operative Bank of Kenya	01129070937101	2,650,454	(296,329)
Co-operative Bank of Kenya	01129070937102	2,938,731	(1,181,509)
Co-operative Bank of Kenya-Hotel	01136070937100	2,072,524	4,624,516
		49,878,469	30,878,871

b) Staff Car Loan

Barclays Bank Of Kenya	0946134406	1,030,486	2,353,109
		1,030,486	2,353,109

c) On- Call Deposits

Co-operative Bank of Kenya	01150070937102	142,729,316	124,999,450
		142,729,316	124,999,450

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

d)Others		
Cash In Hand-College	108,322	15,685
Cash In Hand-Hotel	191,393	374,146
Floats-College	3,945,000	3,905,000
Floats-Hotel	954,785	850,400
	5,199,500	5,145,231
Grand Total	198,837,770	163,376,661

13. Receivables from exchange transactions/Trade and other receivables

	2018/2019 Kshs	2017/2018 Kshs
Current receivables		
College Accounts Receivable College	63,759,265	63,155,392
Hotel Accounts Receivable	149,925,582	159,935,797
KSMS Accounts Receivable	17,046,823	17,046,823
Students' Accounts Receivable	56,136,856	36,376,058
Hotel Staff Debtor	759,928	1,777,893
Total current receivables	287,628,455	278,291,962
Non-current receivables		-
Total non-current receivables		-
Total receivables	287,628,455	278,291,962

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

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

Current receivables	2018/2019	2017/2018
	Kshs	Kshs
Staff Advances Account College	1,885,755	1,357,011
Staff Advances Account Hotel	452,375	515,677
Imprests Account College	2,779,528	2,006,154
Imprests Account Hotel	892	1,050
Medical Advances Account College	762,865	747,204
Medical Advances Account Hotel	-	5,420
Curtain & Furniture Advances College	8,711,957	8,121,099
Curtain & Furniture Advances Hotel	3,245,221	2,749,019
Hospitalization Deposit	1,330,000	799,070
Income from GOK	-	37,500,000
AHTSA	690,519	630,773
Warwick International	3,116,184	3,116,184
Kenya Revenue Authority	96,422,078	101,051,444
Prepayments College and COD	6,506,902	5,893,979
Prepayments Hotel and COD	220,208	-
Deposits	5,149,069	5,149,069
Call Account- Accrued interest	-	4,519,110
Total current receivables	131,273,553	174,162,262

15. Inventories

	2018/2019	2017/2018
	Kshs	Kshs
Food Stores -College	5,076,686	2,940,160
Food Stores -Hotel	4,342,723	4,219,045
Beverage Stores- College	825,728	1,203,941
Beverage Stores -Hotel	1,560,143	1,463,273
General and Maintenance -College	4,659,307	5,523,007
General and Maintenance -Hotel	1,688,364	1,883,834
Containers Stores- College	375,430	375,430
Containers Stores- Hotel	699,920	699,920
Tobacco	13,422	13,422
Zawadi Shop	95,890	95,890
Drugs Stores -College	434,544	1,112,198
Total inventories at the lower of cost and net realizable value	19,772,157	19,530,120

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

16. Refundable Deposits from Customers

	2018/2019 Kshs	2017/2018 Kshs
Hotel Deposits Account	2,463,066	638,572
Total	2,463,066	638,572

17. Trade and other payables from exchange transactions

	2018/2019 Kshs	2017/2018 Kshs
Accrued Expenses College	72,686,895	29,823,844
Accrued Expenses Hotel	76,042	-
Suppliers' Accounts College	76,856,557	92,778,281
Suppliers' Accounts Hotel	46,073,154	54,735,703
NHIF	554,750	1,438,550
P. A. Y. E	6,343,783	8,005,977
N.S.S.F	258,250	333,750
Staff Shortages	94,970	138,570
Kenyuco Sacco	436,192	317,752
Kenyuco Housing Sacco	353,715	500,859
Pension Deductions	2,931,393	3,526,847
Higher Education Loans Board	18,937	26,107
Education Levy	1,876,082	1,876,082
Select Management Services Ltd	70,809	106,885
Faulu Kenya Ltd	579,301	361,309
Other Staff Co-operative Societies	3,397,383	2,773,073
Co-operative Bank Staff Loans Deductions	15,595	15,595
Barclays Bank Staff Loans Deductions	423,170	481,555
KCB Staff Loan deductions	467,465	571,128
Standard Chartered Bank Loan Deduction	1,042,603	1,319,320
Staff Loans Scheme Deduction Account	2,386,505	914,552
Staff Service Charge Account Hotel	1,318,624	1,036,650
Salaries Control Account College	580,091	368,200
Payroll deduction Hotel	7,257,529	3,572,100
Utalii hotel	83,985	347,435
External exams (IATA) Contra	48,383	74,714
Insurance Claims and Others	9,451,553	2,859,734
Staff Welfare Fund Account	2,189,811	2,033,111
Pension Scheme Refunds Account	2,069,325	2,710,144
Deceased Special Fund Account	774,934	1,462,644
Prepaid Fees Account	16,962,127	10,840,376
University of Surrey	351,931	351,931
V.A.T	51,053,668	55,071,966
Training Levy college	377,338	301,985
Catering Levy College	760,558	-
Catering Levy Hotel	3,766,015	1,301,603
Students' Caution Money	6,784,842	6,303,842
Students' Council Account KUCSA	120,013	189,189
Bursaries Ac	(4,172,114)	-
Degree program identity card and Food Handlers	641,490	552,640
Students class funds & clubs	164,172	126,269
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	13,166,710
Accrued Interest for GOK	3,678,447,764	3,296,615,100
Total trade and other payables	4,009,142,299	3,602,574,445

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

18 Current Provisions

Year 2018	Trade receivables	Specific Accounts	Total
	Kshs.	Kshs.	Kshs.
Balance at the beginning of the year	55,309,271	114,318,164	169,627,435
Additional provisions raised	11,149,135	2,992,205	14,141,339
Balance as at 30 June 2018	66,458,406	117,310,369	183,768,775

Year 2019	Trade receivables	Specific Accounts	Total
	Kshs.	Kshs.	Kshs.
Balance at the beginning of the year	66,458,406	117,310,369	183,768,775
Additional provisions raised	514,355	(2,144,435.5)	(1,630,081)
Balance as at 30 June 2019	66,972,760	115,165,933	182,138,694

19. Borrowings

	2018/2019	2017/2018
	Kshs	
Loan from G.O.K	127,125,028	127,125,028
Total non-current borrowings	127,125,028	127,125,028

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

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

20. Cash generated from operations

	2018/2019	2017/2018
	Kshs	Kshs
Deficit for the year before tax	(430,649,313)	(399,665,192)
Adjusted for:		
Depreciation	114,642,204	93,520,541
Amortized Reserves	(5,079,262)	(5,079,262)
Contribution to provisions	(1,630,081)	4,069,828
Working capital adjustments:		
Increase/Decrease in inventory	(242,037)	(1,998,616)
Increase/Decrease in receivables	32,801,472	(82,176,929)
Increase/Decrease in payables	398,113,805	437,901,827
Net cash flows from operating activities	107,956,788	46,572,198

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

21.INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2019

	2018/2019 Kshs	2017/2018 Kshs
INCOME		
Interest earned from staff loans	770,179	794,056
Bank interest earned	770,179	794,056
LESS: EXPENDITURE		
Bank charges	19,434	13,680
Surplus	750,745	780,377

STAFF LOANS SCHEME FUND AS AT 30TH JUNE 2019

	2018/2019 Kshs	2017/2018 Kshs
Staff Loans Scheme Fund	20,811,582	20,031,206
Surplus -	750,745	780,377
Amount received from Kenya Utalii College		
	21,562,327	20,811,582

REPRESENTED BY:

Loan Scheme Principal Advances	18,145,336	17,543,921
Bank Account balance	1,030,486	2,353,109
Amount Receivable from Kenya Utalii College	2,386,505	914,552
	21,562,327	20,811,582

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 2019

Notes to the Financial Statements for the year ended 30th June 2019

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:

	2018/2019	2017/2018
	Kshs	Kshs
Balance at beginning of year	173,060,818	178,140,080
Add: Development Grants		
Less: Amortization	5,079,262	5,079,262
Balance at end of year	167,981,556	173,060,818

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

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

24. Accumulated Fund as at 30th June 2019

ACCUMULATED FUND AS AT 30TH JUNE 2019

	2018/2019 Kshs	2017/2018 Kshs
Balance Brought Forward	(1,167,716,826)	(746,178,898)
Amortization of Revaluation Reserve	74,606,288	78,127,264
Capital Grants	-	(100,000,000)
Prior year adjustments	(24,694,508)	-
Total	(1,117,805,047)	(768,051,634)
Deficit for the Year	(430,649,313)	(399,665,192)
Balance carried Forward	(1,548,454,359)	(1,167,716,826)

26. Capital Grants

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

	2018/2019 Kshs	2017/2018 Kshs
Balance Brought Forward	125,000,000	100,000,000
Capital Grants received during the year	-	25,000,000
Total	125,000,000	125,000,000

Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

REVALUATION AS AT 30TH JUNE 2019									
Note. 23									
ITEM	LAND	BUILDINGS	PLANT AND MACHINERY	FURNITURE TECHNICAL AND EQUIPMENT	MOTOR VEHICLES	COMPUTERS HARDWARE	TOTAL		
	KSHS	KSHS	Kshs	KSHS	KSHS	KSHS	KSHS		
COST / VALUATION									
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 2017			(1,968,352)	23,394,320	(285,300)	-	21,140,668		
At 30th June 2018	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 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		
Prior Year Adjustment	-	-	-	-	-	-	-		
Accumulated Depreciation as at 30th June 2018	268,790,928	18,427,140	-	18,715,456	-	-	305,933,524		
Net Book Value as at 30.6.2018 (Revalued figure)	3,947,843,572	165,844,256	(39,831,121)	(13,454,716)	(12,033,301)	(33,548,722)	4,014,819,968		
COST / VALUATION									
Revaluation Account College as at 1st July 2018	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 2018			(1,968,352)	23,394,320	(285,300)	-	21,140,668		
At 30th June 2018	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 2018	268,790,928	18,427,140	-	18,715,456	-	-	305,933,524		
Charge for the Year to Revaluation Reserve Account	69,999,503	4,606,785	-	-	-	-	74,606,288		
Accumulated Depreciation as at 30th June 2019	338,790,431	23,033,925	-	18,715,456	-	-	380,539,812		
Net Book Value as at 30.6.2019 (Revaluation A/c)	3,877,844,069	161,237,471	(39,831,121)	(13,454,716)	(12,033,301)	(33,548,722)	3,940,213,680		
Net Book Value as at 30.6.2018 (Revaluation A/c)	3,947,843,572	165,844,256	(39,831,121)	(13,454,716)	(12,033,301)	(33,548,722)	4,014,819,968		

Kenya Utalii College, Annual Report and Financial Statements For The Year Ended 30th June 2019

Notes to the Financial Statements for the year ended 30th June 2019

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
COST / VALUATION									
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- COLLEGE	-	-	(3,147,824)	-	-	-	-	-	(3,147,824)
Transfers/adjustments- HOTEL	-	-	(3,884,920)	-	-	-	-	-	(3,884,920)
Less 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
DEPRECIATION / ARMOTIZATION									
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	20,838,480	17,170,250	12,300,297	1,559,176	93,520,541
Disposal	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
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	42,198,487	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
COST / VALUATION									
Balance as at 1st July 2018 - College	4,900,000,000	1,549,669,470	28,533,266	20,457,600	69,098,016	58,756,000	31,049,920	6,236,705	6,663,800,977
Balance as at 1st July 201 - Hotel	-	26,325,382	-	1,867,072	35,194,385	9,925,000	9,951,069	-	83,262,908
Revaluation College	-	-	-	-	-	-	-	-	-
Revaluation Hotel	-	-	-	-	-	-	-	-	-
Additions College	-	14,960,420	18,667,927	8,311,319	7,575,170	10,984,790	4,872,752	3,533,033	68,905,410
Additions Hotel	-	-	-	180,000	3,613,920	-	32,900	-	3,826,820
Transfers/adjustments-Hotel	-	-	-	-	-	-	-	-	-
Transfers/adjustments- College	-	-	-	-	-	-	-	-	-
Less: Disposal	-	-	-	-	-	-	-	-	-
At 30 June 2018	4,900,000,000	1,590,955,272	47,201,193	30,815,991	115,481,491	79,665,790	45,906,641	9,769,737	6,819,796,115
DEPRECIATION / ARMOTIZATION									
Balance as at 1st July 2018	-	156,314,264	-	7,757,401	74,792,186	60,960,500	34,641,868	1,559,176	336,025,395
Balance as at 1st July 2017	-	39,773,882	-	3,286,306	30,857,959	22,397,697	16,767,183	1,247,341	114,330,369
Charge for the Year	-	196,088,146	-	11,043,707	105,650,145	83,358,197	51,409,051	2,806,517	450,355,764
Accumulated Depreciation At 30 June 2019	-	391,196,292	-	21,107,108	210,295,290	164,718,794	102,818,102	5,612,034	900,577,816
Net book values as at 30.6.2019	4,900,000,000	1,394,867,126	47,201,193	19,772,284	9,831,345	(3,692,408)	(5,502,410)	6,963,220	6,369,440,351
Net book values as at 30.6.2018	4,900,000,000	1,419,680,587	42,198,487	14,567,271	29,500,215	7,720,500	6,359,121	6,236,705	6,426,262,889

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 2018/2019

27. 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	✓		

28. 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 on GOK loan	Treasury	In progress	
2.	Trade and other payables	This is as a result of interest accrued on GOK	Treasury	In progress	
3.	Long Outstanding Receivables	Proposal for writeoff	manaagement	In progress	
4.	Loan from the Government of kenya	Request sent to ministry of Tourism for waiver of accrued interest. Principal amount to be converted into Grants	Treasury	In progress	

Kenya Utalii College,

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)
		be converted into Grants			
5.	Development Grant	Savings to have ksh 60 million to be used in Development	Management	In progress	
6.	Delivery and installation of Student Access Control System	To Contact supplier so as to finalise	management	In progress	
7.	Inventories	To capitalise Library Books	management	In progress	
1.	Other matters Overall Budget Analysis	Interest on Gok Seeking Waiver	Treasury	In progress	
2.	Failure to implement IFMIS	In Communication with Treasury to intergrate	Management	In progress	
3.	Mombasa Campus and Nairobi Library Facilities	Books in put to the System	Magement	In progress	