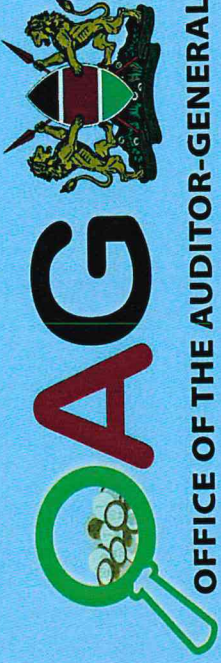
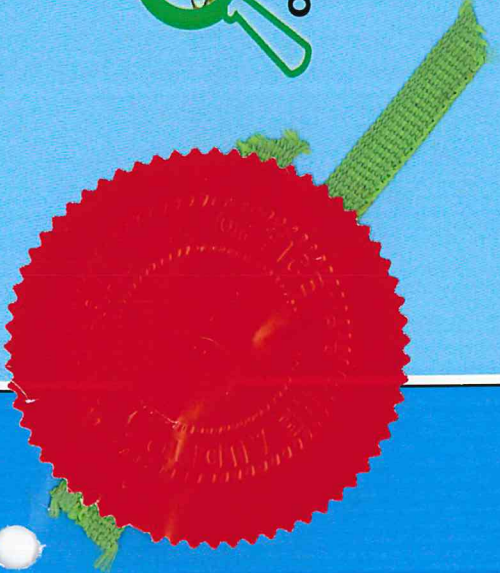


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY	
REPORT PAPERS LAID	
DATE: 24 FEB 2021	DAY: Thurs
TABLED BY: LOM	OF: Mairah Wanjiku

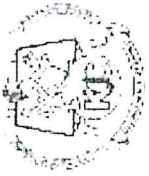
THE AUDITOR-GENERAL

ON

KENYA UTALII COLLEGE

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





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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30034 - 00100, NAIROBI
REGISTRY

02 AUG 2021

RECEIVED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2020

**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 Council, Management ;and
- Ministry of Tourism

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Principal & Chief Executive Officer	Mr. Hashim D. Mohamed
2.	Director of Research & Corporate Planning	Mr. Charles K. Gitonga
3.	Finance Manager	Mr. Benard K. Chepkwony
4.	General Manager -Hotel	Mr. Anthony K. Mbehero
5.	Human Resources & Admin. Manager	Ms. Judith A. Oketch
6.	Director of Studies	Mr. Wilson K. Mwangi
7.	Head of Internal Audit	Ms. 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.

Kenya Utalii College,

➤ **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, 07222205891, 0733410005
E-mail: info@utalii.ac.ke
Website: www.utalii.co.ke

(h) Bankers

ABSA Bank Kenya Plc
Queensway House Branch
P.O.Box 30011 - 00200
Nairobi.

Co-operative Bank of Kenya Limited
Sima 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
Harabee Avenue
P.O. Box 40112-00200
Nairobi, Kenya

Kenya Utalii College,

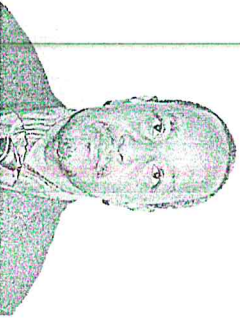
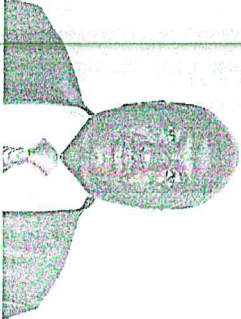
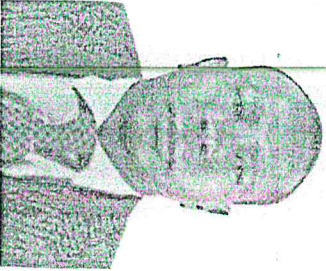
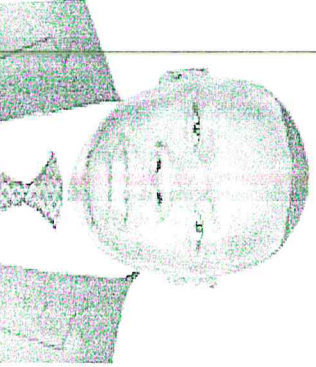
II. THE COLLEGE COUNCIL

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





The following members served in the council during the year

 <p>Mr. Mukasa Mwambu Muliro Chairman</p>	<ul style="list-style-type: none">• 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
 <p>Mr. Leonard Mudachi Member</p>	<ul style="list-style-type: none">• Bachelor of Arts in Hotel and Restaurant Administration• Higher Diploma in Hotel Management
 <p>Mr. Darius Mogaka Ogutu Member</p>	<ul style="list-style-type: none">• Alternate to Principal Secretary, Ministry of Education

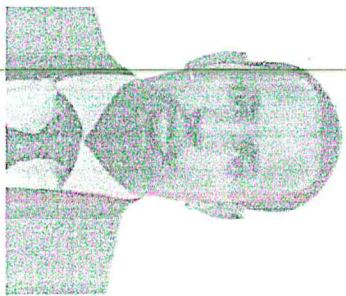
Kenya Utalii College,

 <p>Mr. Richard Gakunya Member</p>	<ul style="list-style-type: none"> • Alternate to Cabinet Secretary, The National Treasury
 <p>Mr. Joseph Cherutoi Member</p>	<ul style="list-style-type: none"> • Chief Executive Officer, Tourism Fund
 <p>Hon. Joseph Lekuton-OGW</p>	<ul style="list-style-type: none"> • BA – Economics - St. Lawrence University - • BA -Government -New York-USA • MA-Educational Administration • MA-International Education Policy-Harvard University Boston -USA
 <p>Mr. George Musyoka Mainingi Member</p>	<ul style="list-style-type: none"> • Business Administration Georgia State University Atlanta, Georgia U.S.A

Kenya Utalii College,

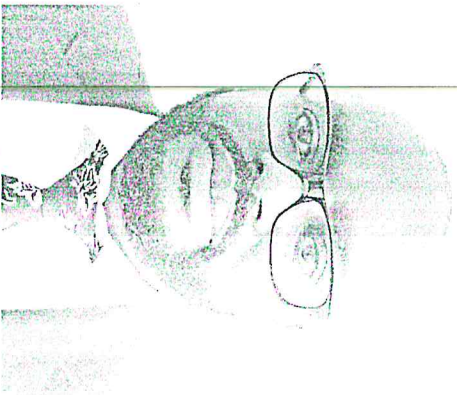
 <p>Ms. Grace Wambui Nderitu Member</p>	<ul style="list-style-type: none"> • PhD in Project Planning and Management • Masters of Business Administration (Project Management) • Bachelor of Arts, Double Major (Tourism & Communication)
 <p>Mr. David William Stogdale Member</p>	<ul style="list-style-type: none"> • 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 • YOYB : 1950
 <p>Ms. Rosemary Mugambi Member</p>	<ul style="list-style-type: none"> • Regional Sales and Marketing Director-Serena Hotels East Africa
 <p>Mr. Alfonso Kioko Member</p>	<ul style="list-style-type: none"> • Masters of Arts in Planning • B.A. Economics-Upper Second Class • Advanced Management Programme(AMP 174) Management Development

Kenya Utalii College,



Mr. Hashim D. Mohamed
Principal and Chief Executive
Officer

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



Mr. Daniel N. Kinuthia
Corporation Secretary

- Masters of Laws
- Bachelor of Law
- Member, LSK
- Member, ICS
- YOB: 1985

Kenya Utalii College,

Council Committees:

Finance and Human Resource Committee

The following members served in the Committee:

Hon. John Lekuton : Chairperson
Mr. Richard Gakunya : Member
Mr. George M. Maingi : Member
Mr. Joseph Cherutoi : Member
Mr. Leonard Mudachi : Member
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. Darius Mogaka Ogutu : Member

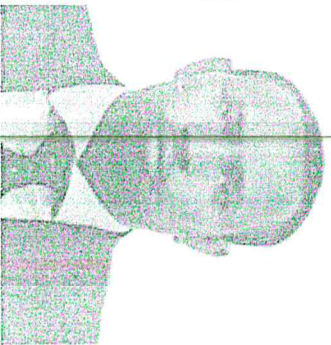
Technical and Strategy Committee

The following members served in the Committee:

Mr. Leonard Mudachi : Chairperson
Mr. David Stogdale : Member
Mr. George M. Maingi : Member
Ms. Grace Nderitu : Member
Hon. Joseph Lekuton : Member
Mr. Darius Mogaka Ogutu : Member
Mr. Elicanah Mosiori : Member
Ms. Rosemary Mugambi : Member

Kenya Utalii College,

III. MANAGEMENT TEAM



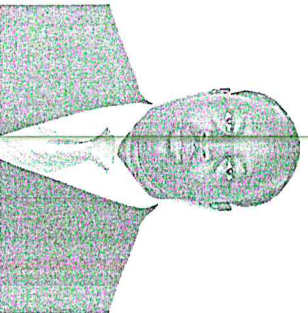
Mr. Hashim D. Mohamed
Principal and Chief Executive Officer

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



Mr. Charles K. Gitonga
Director of Research and Corporate
Planning.

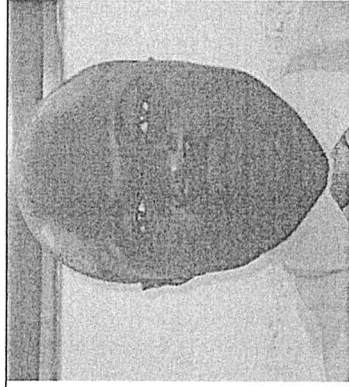
- MBA (Strategic Management)
- BSC in Hospitality Management
- Diploma in Hotel Management
- CPS (K)
- YOB: 1962



Mr. Bernard K. Chepkwony
Finance Manager

- MBA (Finance)
- BA(Economics)
- CPS(K)
- CPA(K)
- YOB: 1978

Kenya Utalii College,



Mr. Anthony K. Mbehelo
General Manager – Hotel

- MBA (Operation Management)
- B.Com (Management Science)
- Diploma in Hotel Management and Administration
- YOB:1975



Ms. Judith A. Oketch
Human Resource and Administration
Manager

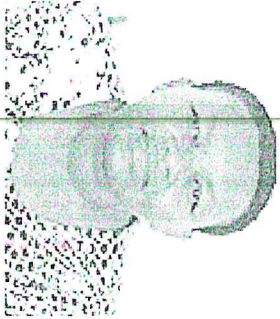
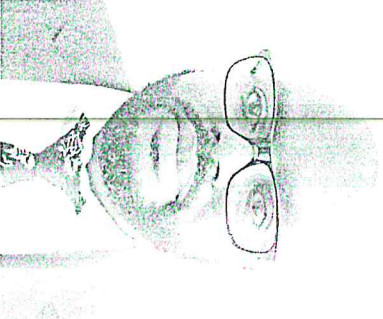
- MBA (Strategic Management)
- B.Com (HR Option)
- Diploma in HR Management
- Advanced Certificate in Business Management
- YOB:1968



Mr. Wilson K. Mwangi
Ag. Director of Studies

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

Kenya Utalii College,

 <p>Ms. Rodah M. Musyoki Head of Internal Audit</p>	<ul style="list-style-type: none">• MBA(Finance)• Certified Public Accountant(K)• YOB:1960
 <p>Mr. Daniel N. Kinuthia Corporation Secretary</p>	<ul style="list-style-type: none">• Master Of Laws• Bachelor of Law• Member, LSK• Member, ICS• YOB:1985

Kenya Utalii College,

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 2020. 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 427,500,000/-** against a budget of **Kshs.570,000,000/-**. Grants from the government however, decreased to **Kshs.82,900,000/-** down from **Kshs.135,444,000/-** the previous year. Our internally generated funds decreased to **Kshs.103, 406,994/-** down from **Kshs. 333,794,384/-** the previous year.

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 2020/2021.



Mr. Mukasa M. Muliro

Chairman – KUC Council

Kenya Utalii College,

V. PRINCIPAL'S STATEMENT

The financial year 2019/2020 was characterized by a tough economic environment as a result of covid-19 pandemic. This has disrupted the college operations due to early closure of the college and non-remittance of funds from Tourism Fund and Student Fees.

The college successfully recruited senior members of the management who joined in January 2020 and will drive the college to the next level as we remain committed to our mission which is to develop a highly qualified human resource for the hospitality industry.

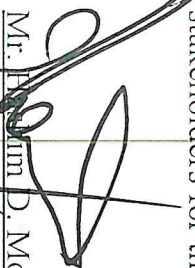
During the financial year, the college managed to graduate a total of 465 students training in various courses.

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 and library Tile Carpeting, on the same note we want to improve on training of our students especially our food production courses. The new individual Training Kitchen (ITK) block is ongoing and when completed we project to increase local students training in Food production by 80 students.

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.

It is now expected that we will set enough funding to support the implementation of our Core mandate.

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



Mr. Hassan D. Mohammed

Principal & Chief Executive Officer

Kenya Utalii College,

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.

- Almanac For The College Council

Meeting	No of Sitzings
Full Council	8
Finance and HR Committee	7
Technical & Strategy Committee	6
Audit Committee	4
Ad Hoc Committee	13

* Ad Hoc Committee was constituted to interview Senior Managers for the College and the positions were filled.

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 as part of its obligation to the society and fulfillment of the performance contract supports various Corporate Social Responsibility (CSR) activities aimed at positively impacting the vulnerable and less disadvantaged members of the society. The College received invitations to support activities targeting the vulnerable and disadvantaged members of our society.

On 9th July, 2019, the College attended the Mathare Career Fair where Secondary students were mentored on the applicable careers in the hospitality and tourism industry. In addition to an exhibition stand the College donated bottled water and the celebration cake towards the event.

On 29th September, 2019, the Humanity Rescue Foundation hosted a sensitization meeting at the Madaraka Hall, Kenya Utalii College. The foundation aims to raise the plight of persons suffering sickle cell anemia.

The College is also sensitive to the plight of the elderly in the community. As such the College supported the ‘Nyumba ya Wazee’ – an international religious congregation of Sisters who take care of the elderly poor of all nationalities and religious belief – by providing a comprehensive lunch and water to 150 elderly people in celebration of the Worlds elderly day. The event was held on 2nd October, 2019.

The Kariobangi Outreach Children’s home currently cares and protects 30 children (14 girls and 16 boys) orphaned and vulnerable children aged 4 to 18 years. The home appealed to the College for donations in form of foodstuff, personal effects, and detergents among other items. The College donated foodstuff, lunch, a cake and shoes for each child. Kenya Utalii College staff and students further supported by donating clothes. The event was held on 26th October, 2019.

The County Girls High school is a government institution providing education to girls in the Nairobi County. The school has a large number of needy girls from economically challenged backgrounds. The school approached the College to support the students by donating foodstuff, personal effect like sanitary pads, uniforms, soap among other items. The College visited the institution in January 2020 and donated food stuff and personal effects.

On 28th February, 2020 the College supported the UCESCO organization in their community service. Kenya Utalii College visited the Mathari National and Referral Hospital during the Mental Health Day. UCESCO is a charity non-governmental organization committed to transforming the lives of marginalized communities by giving them the tools to overcome poverty and injustices. One of their key focus areas is community service, elderly care etc.

Kenya Utalii College,

NO.	ACTIVITY	DATE	AMOUNT (KSHS)
1	Mathare Career Fair Donated Cake & Drinking Water	09/7/2019	40,000
2	Hosting of the "Humanity Rescue Foundation" Meeting Donated madaraka hall to be used for their meeting.	28/9/2019	30,000
3	Lunch Service to "Nyumba ya Wazee" Donated packed lunch, cake and mineral water	02/10/2019	111,000
4	Visit to Kariobangi Childrens home by Staff and Students Donated packed lunch, cake, mineral water, and food stuff and rubber shoes.	26/10/2019	80,000
5	County Girls High School Donated pads, soap and other toiletries	20/01/2020	20,000
6	Participation in UCESCO Mental Health Day Community Services event at the Mathari National & Referral Hospital Donated a cake	28/2/2020	20,000
	TOTAL		301,000

Kenya Utalii College,

VIII. REPORT OF THE COLLEGE COUNCIL

The College Council submit their report together with the financial statements for the year ended June 30, 2020 which show the state of Kenya Utalii College affairs.

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.

Results.

The results of the entity for the year ended June 30, 2020 are set out on page 1-5.

Council


The members of the Council who served during the year are shown on page iii and were appointed by the cabinet secretary of the ministry of Tourism and wildlife. Mr Mark Dunford & Osman Mohammed terms were not renewed.

Auditors

The auditor General is responsible for the statutory audit of the entity in accordance with the Public Finance Management (PFM) Act, 2012.

Office of the Auditor General shall carry out Audit of Kenya Utalii College financial Statements for the year ended 30th June 2020.

By Order of the Board


Corporate Secretary
Nairobi
Date..... 30/11/2024

Kenya Utalii College,

IX) 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, 2020. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2020, 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 on 28th September 2020, and signed on its behalf by:

Principal & CEO

.....
Date

30/7/2021

Chairman – KUC Council

.....
Date

30/7/2021

Kenya Utalii College,

REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY

REPORT OF THE AUDITOR-GENERAL ON KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020

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 financial position as at 30 June, 2020, and the statement of financial performance, statement of cash flow, statement of changes in net assets, consolidated statement of comparison of budget and actual amounts and notes to the financial statements for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Utalii College as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No.28 of 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Trade and Other Payables

The statement of financial position reflects a balance of Kshs.4,970,688,767 under trade and other payables from exchange transactions which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.4,060,280,428 in respect of accrued GoK interest. The accrued GoK interest represents 82% of the total trade and other payables from exchange transactions balance of Kshs.4,970,688,767 and has remained unsettled for considerable period of time.

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

2. Long Outstanding Receivables

2.1 Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.817,250,223 under receivables from exchange transactions which includes an amount of Kshs.195,075,085 which has been outstanding for a period of more than one year and its recoverability is doubtful. Out of this amount, Kshs.6,153,518 is from former staff,

Kshs.2,795,028 is from insolvent or inactive entities and Kshs.186,126,539 has been outstanding for a period between one to eight years.

Further, existence and value of the debts could not be confirmed as confirmation letters of the balances from the debtors were not received.

2.2 Receivables from Non-Exchange Transactions

The statement of financial position reflects a balance of Kshs.129,903,787 under receivables from non-exchange transactions which includes an amount of Kshs.116,205,822 which has been outstanding for a period of between four and seven years. Efforts made to recover long outstanding amount was not disclosed.

Consequently, it was not possible to confirm the accuracy, completeness and recoverability of receivables from non-exchange transactions balances of Kshs.129,903,787 as at 30 June, 2020.

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

Emphasis of Matter

Material Uncertainty Relating to Going Concern

During the year under review, the College reported a deficit of Kshs.467,551,358 (2019 of Kshs.430,649,313) while the current liabilities of Kshs.5,155,720,835 exceeded current assets of Kshs.1,128,663,167 resulting to a negative working capital of Kshs.4,027,057,668 as at 30 June, 2020. The College is therefore, technically insolvent and its continued existence as a going concern is dependent on financial support from the Government and its creditors. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt about the College's ability to continue as a going concern.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Budgetary Controls and Performance

During the year under review, the College had an expenditure budget of Kshs.1,087,286,786 but spent Kshs.1,339,418,551 resulting to an over expenditure of Kshs.252,131,765 or 23%. The over expenditure has not been supported by a supplementary budget or authorization by the College Council.

2. Ronald Ngala Utalii College

As previously reported, the College had been initially established as Kenya Utalii College, Coast branch vide Cabinet Memo Ref: CAB.58/4A of 18 September, 2007 at REA Vipingo site on 60 acres of land donated by REA Vipingo Plantations Limited.

The development of the College was transferred to Catering and Tourism Development Levy Trustees (now Tourism Fund) from Kenya Utalii College and a process began to change and legalize the College name to Ronald Ngala Utalii College without Cabinet approval. By a Gazette Notice No.3478 of 25 March, 2010, the then Tourism Minister established Ronald Ngala Utalii Academy which was now different from the envisaged name of the “College” and further appointed Board Members of the Academy through Gazette Notices of 6 August, 2010 and 5 November, 2010. However, these appointments were nullified in 2012 alongside those of other Tourism Agencies by the subsequent Minister for Tourism. In view of the change of name from Ronald Ngala Utalii College to Ronald Ngala Utalii Academy, there are uncertainties as to the name the new title deed will be registered in.

Physical verification revealed that there was development taking place on the ground being undertaken by Tourism Fund. The Kenya Utalii College recognized the land valued at Kshs.250 million in its financial statements excluding the buildings. However, the buildings are not accounted for in the books of the Kenya Utalii College or in the books of the Tourism Fund. Further, the funds utilized in the construction have not been accounted for in the books of the College.

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. Loan from Government of Kenya

As previously reported, the College had not complied with the loan agreement signed between 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. Payment for the loan amounted to Kshs.13 million as at 30 June, 2017 and since then no further payment has been made by the College. As reflected under Note 17 to the financial statements, accumulated interest as at 30 June, 2020 amounted to Kshs.4,060,280,428 and outstanding loan of Kshs.122,125,028 totaling to Kshs.4,182,405,456 being liability from interest and penalties on the initial loan of Kshs.140 million.

Although the College had entered into negotiations with the Government to have the loan together with accumulated interest written off, no meaningful progress in this regard had been recorded. Further, the accrued interest is more than the Principal amount to the tune of 4 billion which is contrary to the Banking Amendment Bill 2019

which states that the total interest and penalties should not be more than the principal loan advanced.

2. Non Remittance of Statutory Deductions

During the year under review, the College failed to remit Value Added Tax (VAT) deductions amounting to Kshs.241,972 to the Kenya Revenue Authority. This is in contrary to Sections 37 and 130 of the Income Tax Act which require VAT to be remitted by the twentieth day of the month following the charge. Further, failure to remit statutory deductions on a timely basis may attract interest and penalties.

Consequently, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to terminate 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.

Those charged with governance are 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.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
 - Perform such other procedures as I consider necessary in the circumstances.
- I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.
- I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 January, 2022

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Incomes from non commercial transactio	3	552,251,568	750,673,884
		<u>552,251,568</u>	<u>750,673,884</u>
Revenue from exchange transactions			
Utalii Hotel Net Profit(Loss)	4	(91,846,972)	(67,478,901)
Revenue From Commercial Activities	4	102,962,622	62,997,561
Fees From Students	5	50,439,776	56,765,407
		<u>61,555,426</u>	<u>52,284,067</u>
Total revenue		613,806,994	802,957,952
Expenses			
Employee costs	6	384,946,371	393,550,677
College Council Expenses	7	16,794,301	14,188,560
Depreciation and amortization expense	8	44,619,631	114,642,204
Repairs and maintenance	9	13,297,085	11,658,824
Contracted services	10	18,257,742	23,010,636
General expenses	11	603,443,222	676,556,363
		<u>1,081,358,352</u>	<u>1,233,607,264</u>
Deficit before tax		(467,551,358)	(430,649,313)
Taxation (Note Kenya Utalii College is a training Institution hence exempted from Corporate tax)			
Deficit before tax		(467,551,358)	(430,649,313)

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 2020
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	2019/2020 Kshs	2018/2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	12	162,428,274	197,807,284
Receivables from exchange transactions	13	817,250,223	287,628,455
Receivables from non-exchange transactions	14	129,903,787	131,273,553
Inventories	15	1,109,582,284	616,709,292
		19,080,884	19,772,157
		1,128,663,167	636,481,449
Non-current assets			
Staff Loans Fund	21	22,180,870	21,562,327
Property, plant and equipment	25	6,361,292,953	6,369,128,515
		6,383,473,823	6,390,690,841
Total assets		7,512,136,991	7,027,172,291
Liabilities			
Current liabilities			
Refundable deposits from customers	16	2,668,787	2,463,066
Trade and other payables from exchange transacti	17	4,970,688,767	4,009,142,299
Provisions	18	182,363,281	182,138,694
		5,155,720,835	4,193,744,059
Non-current liabilities			
Borrowings (GOK Loan)	19	122,125,028	127,125,028
Staff Loans Fund	21	22,180,871	21,562,327
Capital Reserve - Refurbishment of Utalii Ho	22	162,902,294	167,981,556
Revaluation Reserve	23	3,864,409,404	3,940,213,680
Accumulated Fund	24	(1,940,201,440)	(1,548,454,359)
Capital Grants	26	125,000,000	125,000,000
		2,356,416,157	2,833,428,232
Total liabilities		7,512,136,991	7,027,172,291

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: *Joseph Mwangi*
 Date: *30/7/2021*

Head of Finance
 Name: *George Mwangi*
 ICP AK No: *7192*

Chairman, College Council
 Name: *Mwambwa Mueci*
 Date: *30/7/2021*

Kenya Utaalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
Cash flows from operating activities			
Deficit for the year before tax		(467,551,358)	(430,649,313)
Adjusted for:			
Depreciation		44,619,631	114,642,204
Amortized Reserves		(5,079,262)	(5,079,262)
Contribution to provisions		224,587	(1,630,081)
Working capital adjustments:			
Increase/Decrease in inventory		691,273	(242,037)
Increase/Decrease in receivables		(528,252,003)	32,801,472
Increase/Decrease in payables		961,752,189	398,113,805
Net cash flows from operating activities	20	6,405,057	107,956,788
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(36,784,071)	(71,173,054)
Net cash flows used in investing activities	25	(36,784,071)	(71,173,054)
Cash flows from financing activities			
Repayment of borrowings		(5,000,000)	-
Net cash flows used in financing activities		(5,000,000)	-
Net increase/(decrease) in cash and cash equivalents		(35,379,014)	36,783,734
Cash and cash equivalents at 1 July 2019	12	197,807,284	161,023,551
Cash and cash equivalents at 30 June 2020	12	162,428,277	197,807,284

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 2020

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2020

Attributable to the owners of the controlling entity

Reserves

	Staff Loan	Accumulated	Capital	Capital Grants	Revaluation	TOTAL
	Fund	Surplus	Reserve	Reserve	Reserve	Kshs
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
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
Hotel Revenues Account	750,745	-	-	-	-	-
Funds received during the year	750,745	(24,694,508)	74,606,288	(74,606,288)	(0)	(24,694,508)
Prior year Adjustment	-	(24,694,508)	-	-	-	(24,694,508)
Amortization on Revaluation Reserve charge for the year	-	74,606,288	-	-	(74,606,288)	(0)
Capital Grants	-	-	-	-	-	-
Grants Amortized	-	(5,079,262)	-	(5,079,262)	-	(5,079,262)
Deficit for the year	-	(430,649,313)	-	-	-	(430,649,313)
Balance as at 30 June 2019	21,562,328	(1,548,454,359)	167,981,556	125,000,000	3,940,213,680	2,706,303,206
As at 1st July 2019	21,562,328	(1,548,454,359)	167,981,556	125,000,000	3,940,213,680	2,706,303,206
Capital Grants	-	-	-	-	-	-
Funds received during the year	618,545	-	-	-	-	618,545
Amortization on Revaluation Reserve charge for the year	-	75,804,277	-	-	(75,804,277)	(0)
Prior Year Adjustment	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
Grants Amortized	-	(5,079,262)	-	(5,079,262)	-	(5,079,262)
Deficit for the year	-	(467,551,358)	-	-	-	(467,551,358)
Balance as at 30 June 2020	22,180,872	(1,940,201,440)	162,902,294	125,000,000	3,864,409,403	2,234,291,129

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 2020
Consolidated statement of comparison of budget and actual amounts for the year ended 30 June 2020**

	Original budget 2019/2020 Kshs	Final budget 2019/2020 Kshs	Actual on comparable basis 2019/2020 Kshs	Performance difference 2019/2020 Kshs	Variance Explanation
Revenue					
Revenue from non-exchange transactions					
Other income	683,055,000	683,055,000	552,251,568	(130,803,432)	Undefunding from TF & GOK
Revenue from exchange transactions					
Fees From Students	54,080,600	54,080,600	50,439,776	(3,640,824)	Few Foreign students
Gross Revenue from commercial activities:	185,764,400	185,764,400	191,024,246		low students intake in campuses
Gross Revenue from hotel	210,000,000	210,000,000	85,987,164		Low hotel business/Closure Due to Covid 19
Total Income	1,132,900,000	1,132,900,000	879,702,753		
Expenses					
Employee costs	440,269,501	440,269,501	384,946,371	55,323,130	No employment or promotions
Remuneration of College Council/B.O.G	15,000,000	15,000,000	16,794,301	(1,794,301)	
Repairs and maintenance	21,722,486	21,722,486	13,297,085	8,425,402	Cut down on expenditure
Contracted services	32,330,000	32,330,000	18,257,742	14,072,259	Cut down on expenditure
Hotel expenses	244,599,843	244,599,843	177,834,136	66,765,707	low hotel business
Commercial activities expenses	106,677,723	106,677,723	88,061,623	18,616,099	low intake
General expenses	226,687,232	226,687,232	603,443,222	(376,755,990)	Interest on GOK Loan
Total Expenses	1,087,286,786	1,087,286,786	1,302,634,480	(215,347,694)	
Development expenditure	45,613,214	45,613,214	36,784,071		
Total	1,132,900,000	1,132,900,000	1,302,634,480		
Depreciation and Amortization	-	-	44,619,631		
Surplus for the period			(467,551,358)		

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2020

I. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation –IPSSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSSAS). The financial statements are presented in Kenya shillings (Kshs), which is the functional and reporting currency of the entity. 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 and the financial statements are prepared on accrual basis.

The Institution will be in existence for the next one year and will meet its short term obligations as they arise.

2. Summary of significant accounting policies

a) Revenue recognition IPSSAS 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 Tourism 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 During the year, through the Ministry of Tourism and Wildlife. It is recognized as revenue when received. The College received Ksh.82.9M 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 2020

ii) Revenue from exchange transactions –IPSAS 9

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 2019-2020 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 2020

e) Property, plant and equipment IPPSAS 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		54 Years
Library Complex		70 Years
Utalii Sports Club		69 Years
Utalii Village		55 Years
Vipingo		77 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
Intangible Assets	20%	5 Years

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

d) Inventories IPPSAS 12

Inventories comprising of food, beverage and general merchandise together with returnable containers and drugs have been measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2020

e) Provisions –IPSAS 19

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 DOUBFUL DEBTS		TOTAL
	ACCOUNTS RECEIVABLE	SPECIFIC ACCOUNTS	
SPECIFIC	55,309,271.00	114,318,164.05	169,627,435.05
5% 2019-2020 PROVISION	293,074.89	(68,488)	224,586.62
5% 2018-2019 PROVISION	514,355	(2,144,435.5)	(1,630,081)

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

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2020

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:

	2019/2020	2018/2019
	Kshs.	Kshs.
Balance at beginning of year	167,981,556	173,060,818
Less: Amortization	5,079,262	5,079,262
Balance at end of year	162,902,294	167,981,556

h) Employee benefits IPPSAS 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 contribution by the Employer and Employee depends on the grade and it varies from one grade to the other.

The College also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by NSSF Act 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.

Kenya Utalii College,
Notes to the Financial Statements for the year ended 30th June 2020

i) Taxation

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

j) Contingent Liabilities and Assets

Contingent Asset

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

Contingent Liability

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

k) Capital Commitments

There were no capital commitments During the Year.

l) Financial Instruments-IPSAS 29

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

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2020

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.

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 IPPSAS 14

There have were no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2020.

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.

Kenya Utalii College, **Notes to the Financial Statements for the year ended 30th June 2020**

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		
Leasehold Land	Nil	
Main College		54 Years
Library Complex		70 Years
Utalii Sports Club		69 Years
Utalii Village		55 Years
Vipingo		77 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 measured at the lower of cost and net realisable value.

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.

DETAILS	PROVISION FOR BAD AND DOUBTFUL DEBTS		TOTAL
	ACCOUNTS RECEIVABLE	SPECIFIC ACCOUNTS	
SPECIFIC			169,627,435.05
5% 2019-2020 PROVISION	55,309,271	114,318,164.05	
5% 2018-2019 PROVISION	293,074.89	(68,4880)	224,586.62
	514,355	(2,144,435.51)	(1,630,081)

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2020

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 & Wildlife as set out in the Tourism Act of 2011.

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

College Management;

<u>No.</u>	<u>Designation</u>	<u>Name</u>
1.	Principal & Chief Executive Officer	Mr. Hashim D.Mohammed
2	Director of Research & Corporate Planning	Mr. Charles K. Gitonga
3.	Finance Manager	Mr. Bernard K. Chepkwony
4.	General Manager Utalii Hotel	Mr. Anthony K. Mbehello
5.	Human Resource & Administration Manager	Ms. Judith A Oketch
6.	Director of Studies	Mr. Wilson K. Mwangi
7.	Head of Internal Audit	Ms. Rodah M. Musyoki

College Council;

<u>No.</u>	<u>Name</u>
1.	Mr. Mukasa Mwanbu Muliro
2.	Mr. Leonard Mudachi
3.	Mr. Elicanan Mosiori
4.	Mr. Darius Mogaka Ogutu
5.	Mr. Richard Gakunya
6.	Mr. Joseph Cherutoi
7.	Mr. David William Stogdale
8.	Mr. Alfonse Kioko
9.	Hon. Joseph Lekuton
10.	Ms. Grace Nderitu
11.	Ms. Rosemary Mugambi

Kenya Utalii College, Notes to the Financial Statements for the year ended 30th June 2020

The following transactions were carried out with related parties;

	2019/2020	2018/2019
i) College Council remuneration		
Allowances paid to Council	16,794,301	14,188,560
ii) Grants from related parties		
Grants from Government of Kenya (GOK)	82,900,000	135,444,000
Grants from Tourism Fund (TF)	427,500,000	567,778,385

p) Comparative Figures

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

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-IPSAS 3

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 and Wildlife. Its ultimate parent is the Government of Kenya

t) Currency

The Financial Statements are presented in Kenya Shillings (Kshs)

u) Events after the reporting period

There are no material non-adjusting events after the reporting date

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

3. Incomes From Non Commercial (Exchange) Activities	2019/2020	2018/2019
	Kshs.	Kshs.
Rent Income from staff housing units	28,818,133	29,279,050
Grants from Government of Kenya - Recurrent	82,900,000	135,444,000
Revenue from Tourism Fund	427,500,000	567,778,385
Other Income - Receipts	2,835,430	4,320,798
Capital Grants from Government of Kenya - amortization	5,079,262	5,079,262
Call Account-Accrued Interest	5,118,742	8,772,389
Total	552,251,568	750,673,884
Other Incomes		
This comprises of:	2019/2020	2018/2019
	Kshs.	Kshs.
Sale of Discarded items	50,098	735,185
Surplus/ Loss from Food fair	-	(1,254,652)
Identity cards & Lost items	270,230	434,280
Sale of Meal vouchers	347,575	2,079,035
Other Miscellaneous Income	571,400	530,413
Graduation fee	1,596,107	1,796,537
Total	2,835,430	4,320,798

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

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:

	2019/2020 Kshs.	2018/2019 Kshs.
Self Sponsored Courses	42,282,640	44,908,289
Pioneer Courses	33,802,930	42,291,360
MDP & Refresher Courses	112,517	651,915
Bakery Sales	188,009	382,647
Laundry Services	4,823,004	10,972,501
Sports Club Bar Sales	512,678	569,020
Jifunze Bar Sales	36,732	65,915
Hire of facilities - Grounds and Hostels	34,468,670	33,443,350
Bookshop Sales & Photocopying	164,683	266,472
Barber Shop Rent	120,000	240,000
Degree Programmes	16,145,350	13,260,450
Consultancy	8,158,833	3,567,756
Project Revenue- Bomas	50,208,200	22,102,234
Sub-Total	191,024,246	172,721,909
Less: Direct Expenses	88,061,623	109,724,348
Total	102,962,622	62,997,561

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2020

UTALII HOTEL TRADING ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2020

	2019/2020 Kshs.	2018/2019 Kshs.
Revenue from exchange transactions		
Hotel Room sales	22,558,649	29,755,477
Hotel Food Sales	47,001,881	83,725,392
Hotel Beverage Sales-	9,489,874	16,175,643
Other Income Receipts	5,308,130	11,794,404
GYM	1,628,630	2,622,022
Deferred Revenue /income Recognised	-	3,242,360
Total revenue	85,987,164	147,315,298
Less: Cost of Sales	40,858,259	58,229,214
Gross Profit	45,128,905	89,086,084
Expenses		
Employee costs	103,506,155	106,499,200
Repairs and maintenance	2,614,639	4,072,373
Contracted services	3,527,842	5,048,779
General expenses	26,785,394	40,106,002
Finance costs	541,847	838,631
Total expenses	136,975,877	156,564,985
Surplus / Deficit before tax	(91,846,972)	(67,478,901)
Surplus / Deficit for the period	(91,846,972)	(67,478,901)
Number of staff	65	70
	39	46
	Permanent	
	Contract	

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

	2019/2020	2018/2019
5. Fees From Students		
Actual	Kshs.	Kshs.
Fees From Local Students	34,153,127	40,196,936
Fees From Foreign Students	11,744,528	10,882,915
Application Fees	1,705,969	2,601,956
Examination & First Aid Fee	2,836,152	3,083,600
Total	50,439,776	56,765,407
Grand Revenue Total	613,806,994	802,957,952
6. Employee costs		
	2019/2020	2018/2019
	Kshs.	Kshs.
Employee related costs		
Salaries - Expat/Staff	1,026,434	2,301,871
Salaries - Permanent Academic Staff	128,131,569	136,853,752
Salaries - Part-time Academic	160,400	577,138
Salaries - Administrative Staff	255,627,969	253,817,917
Total	384,946,371	393,550,677
Number of staff	Permanent 250	266
	Contract 143	152
	Interns 2	2
7. Remuneration of Council		
	2019/2020	2018/2019
	Kshs.	Kshs.
Sitting Allowance		
Traveling And Subsistence	7,672,000	5,660,000
Honoraria	5,077,700	3,919,769
Mileage Allowance	960,000	960,000
Other Allowance	1,317,277	495,333
Total	16,794,301	3,177,458
8. Depreciation and amortization expense		
	2019/2020	2018/2019
	Kshs.	Kshs.
Property, plant and equipment		
Total	44,619,631	114,642,204
	44,619,631	114,642,204

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

9. Repairs and maintenance

	2019/2020 Kshs.	2018/2019 Kshs
Maintenance and Repair of Buildings	3,989,068	1,651,325
Maintenance and Repair of Equipment	2,511,593	4,267,308
Maintenance and Repair of Vehicles	6,796,423	5,740,191
Total	13,297,085	11,658,824

10. Contracted services

	2019/2020 Kshs.	2018/2019 Kshs
Contracted Services	18,257,742	23,010,636
	18,257,742	23,010,636

11. General expenses

The following are included in general expenses:

	2019/2020 Kshs.	2018/2019 Kshs
Medical Expenses	17,476,723	20,250,661
Staff Development	6,923,736	14,091,624
Staff and Students' Recreation Activities	2,938,358	3,899,362
Staff Welfare	6,214,910	3,998,861
Travelling and Subsistence Expenses	7,614,160	11,568,575
Industrial Training Expenses	616,651	9,218,993
Special Courses	2,794,397	5,257,277
Class Text Books, Library Books, & Periodicals	2,895,350	-
External Examination Expenses	2,106,632	2,802,268
Research Expenses	1,461,514	4,206,259
Bursaries Expenses	4,869,152	4,141,470
Professional Clothes and Uniforms	2,051,571	2,102,786
Food and Beverage	56,895,121	77,821,559
Printing and Stationery	2,323,743	2,928,648
Cleaning Materials	3,124,294	3,629,052
Entertainment and Public Relations	12,375,433	22,545,566
Renewal and Replacement	4,403,198	13,927,325
Heat, Light and power	34,386,594	42,964,227
Water, Sewerage and Land Rates	22,867,087	23,709,178
Postage and Telephone	2,487,016	4,024,580
Licences and Professional Services	7,078,778	3,803,596
Quality Assurance	1,029,675	1,960,950
Alumni, Placement & Collaboration	1,853,944	2,547,049
Finance Costs	383,586,207	385,210,085
Increase in Provision for Bad and Doubtful Debts	224,587	(1,630,081)
Insurances	12,380,390	11,112,494
Audit fee	464,000	464,000
Total	603,443,222	676,556,363

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

	Provision For Bad and Doubtful Debts for the year Ended 30th June 2020	
	2019/2020	2018/2019
	Kshs.	
Increase/Decrease in Provision for bad and doubtful debts)	224,587	(1,630,081)
Total	224,587	(1,630,081)
	Finance costs for the year ended 30th June 2020	
	2019/2020	2018/2019
	Kshs.	
Bank Charges	1,954,380	3,243,557
(Loss)Gain on Foreign Exchange	(200,837)	133,864
Interest on Loan from G.O.K	381,832,664	381,832,664
Total	383,586,207	385,210,085
Grand Expenses Total	1,081,358,352	1,233,607,264
	12. Cash and cash equivalents	
	2019/2020	2018/2019
	Kshs.	
Cash in Hand -College	59,992	108,322
Cash in Hand -Hotel	41,839	191,393
Cash at Bank -College	(2,247,578)	8,181,751
Co-Operative -Nairobi	(1,164,294)	2,650,454
Co-Operative -Mombasa	(1,547,772)	2,938,731
Co-Operative -Kisumu	104,804,858	142,729,316
Co-Operative -Development Account	50,352,014	33,759,160
ABSA - Shillings	2,962,852	275,849
ABSA - Foreign	3,821,872	
Cash at Bank -Hotel	3,821,872	
Co-Operative - Shillings	17,121	2,072,524
Co-Operative - Foreign	4,445,000	3,945,000
Floats -College	882,369	954,785
Floats & N-Pesa	163,428,274	197,807,284
	12(a) Cash and cash equivalents	
	a) Current account	
ABSA-Shillings	0945027746	50,352,014
ABSA-Foreign	022700524	2,962,852
Co-operative Bank of Kenya	01129070937100	(2,247,578)
Co-operative Bank of Kenya	01129070937101	(1,164,294)
Co-operative Bank of Kenya	01129070937102	(1,547,772)
Co-operative Bank of Kenya-Hotel	01136070937100	3,821,872
	52,177,094	49,878,469

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

b)Staff Car Loan	0946134406	4,762,811	1,030,486
ABSA		4,762,811	1,030,486

c)On- Call Deposits	104,804,858	142,729,316
Co-operative Bank of Kenya	104,804,858	142,729,316

d)Others			
Cash In Hand-College	59,992	108,322	
Cash In Hand-Hotel	41,839	191,393	
Floats-College	4,445,000	3,945,000	
Floats-Hotel	882,369	954,785	
Grand Total	5,429,200	5,199,500	
	167,173,963	198,837,770	

13. Receivables from exchange transactions/Trade and other receivables

	2019/2020 Kshs.	2018/2019 Kshs
Current receivables		
College Accounts Receivable College	44,062,760	63,759,265
Utalii: Hotel-Hotel	102,734,204	-
Project Debtors	45,300,916	-
Hotel Accounts Receivable	138,824,213	149,925,582
KSMS Accounts Receivable	-	17,046,823
Students' Accounts Receivable	65,715,424	56,136,856
Hotel Staff Debtor	537,245	759,928
Utalii: Hotel Debtor	420,075,460	-
Total current receivables	817,250,223	287,628,455
Non-current receivables		
Total non-current receivables	817,250,222.95	287,628,455
Total receivables		

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

14. Receivables from non-exchange contracts/special accounts receivables		2019/2020	2018/2019
Current receivables		Kshs.	Kshs
Staff Advances Account College		1,592,704	1,885,755
Staff Advances Account Hotel		266,750	452,375
Imprests Account College		2,124,859	2,779,528
Imprests Account Hotel		-	892
Medical Advances Account College		1,037,615	762,865
Medical Advances Account Hotel		5,900	-
Medical Advances Account College		6,110,596	8,711,957
Curtain & Furniture Advances Hotel		2,309,585	3,245,221
Curtain & Furniture Advances Hotel		2,113,320	1,330,000
Hospitalization Deposit		737,225	690,519
AHTSA		3,116,184	3,116,184
Warwick International		96,422,078	96,422,078
Kenya Revenue Authority		7,879,201	6,506,902
Prepayments College and COD		1,036,702	220,208
Prepayments Hotel and COD		5,149,069	5,149,069
Deposits		129,903,787	131,273,553
Total current receivables			
		2019/2020	2018/2019
		Kshs.	Kshs
15. Inventories			
Food Stores -College		2,706,062	5,076,686
Food Stores -Hotel		2,747,593	4,342,723
Beverage Stores- College		1,918,877	825,728
Beverage Stores- Hotel		868,089	1,560,143
General and Maintenance -College		6,422,498	4,659,307
General and Maintenance -Hotel		2,338,286	1,688,364
Containers Stores- College		310,897	375,430
Containers Stores- Hotel		509,700	699,920
Tobacco		-	13,422
Zawadi Shop		68,307	95,890
Dugus Stores- College		1,190,575	434,544
Total Inventories at the lower of cost and net realizable value		19,080,884	19,772,157

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

16. Refundable Deposits from Customers

	2019/2020 Kshs.	2018/2019 Kshs
Hotel Deposits Account	2,668,787	2,463,066
Total	2,668,787	2,463,066

17. Trade and other payables from exchange transactions

	2019/2020 Kshs.	2018/2019 Kshs
Accrued Expenses College	48,944,235	72,686,895
Accrued Expenses Hotel	152,905	76,042
Utalii hotel-Hotel	420,075,461	-
Suppliers' Accounts College	126,381,344	76,856,557
Utalii hotel-College	102,734,204	-
Suppliers' Accounts Hotel	33,024,596	46,073,154
NHIF	660,750	554,750
P. A. Y. E	16,191,384	6,343,783
N.S.S.F	891,850	258,250
Staff Shortages	140,775	94,970
Kenyuco Sacco	(1,273,612)	436,192
Kenyuco Housing Sacco	1,136,955	353,715
Pension Deductions	10,746,314	2,931,393
Higher Education Loans Board	36,343	18,937
Education Levy	1,876,082	1,876,082
Select Management Services Ltd	156,184	70,809
Faulu Kenya Ltd	2,137,646	579,301
Other Staff Co-operative Societies	11,121,027	3,397,383
Co-operative Bank Staff Loans Deductions	-	15,595
Barclays Bank Staff Loans Deductions	1,261,101	423,170
KCB Staff Loan deductions	927,282	467,465
Standard Chartered Bank Loan Deduction	2,560,581	1,042,603
Staff Loans Scheme Deduction Account	2,632,402	2,386,505
Staff Service Charge Account College	832,354	-
Staff Service Charge Account Hotel	601,856	1,318,624
Salaries Control Account Hotel	14,763,499	580,091
Payroll deduction Hotel	9,661,496	7,257,529
Utalii hotel	447,500	83,985
External exams (IATA) Contra	67,183	48,383
Insurance Claims and Others	1,833,286	9,451,553
Staff Welfare Fund Account	2,898,011	2,189,811
Pension Scheme Refunds Account	2,039,741	2,069,325
Deceased Special Fund Account	14,843,001	774,934
Prepaid Fees Account	15,003,676	16,962,127
University of Surrey	351,931	351,931
Total Taxes	40,669,696	51,053,668
Training Levy college	377,338	377,338
Catering Levy College	1,021,286	760,558
Catering Levy Hotel	5,250,772	3,766,015
Students' Caution Money	7,194,842	6,784,842
Students' Council Account KUCSA	151,838	120,013
Bursaries Ac	(4,172,114)	(4,172,114)
Degree program identity card and Food Handlers	719,690	641,490
Students class funds & clubs	168,937	164,172
Watalamu Renovation Hotel-hotel	6,325,382	6,325,382
Watalamu Renovation Hotel-college	(6,325,382)	(6,325,382)
Deferred Revenue/ Income- College	13,166,710	13,166,710
Accrued Interest for GOK	4,060,280,428	3,678,447,764
Total trade and other payables	4,970,688,767	4,009,142,299

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

18 Current Provisions

Year 2019	Trade receivables		Total
	Kshs.	Specific Accounts Kshs.	
Balance at the beginning of the year	66,458,406	117,310,369	183,768,775
Additional provisions raised	514,335	(2,144,435)	(1,630,081)
Balance as at 30 June 2019	66,972,760	115,165,933	182,138,694
Year 2020	Trade receivables Kshs.	Specific Accounts Kshs.	Total Kshs.
Balance at the beginning of the year	66,972,760	115,165,933	182,138,694
Additional provisions raised	293,075	(68,488)	224,587
Balance as at 30 June 2020	67,265,835	115,097,445	182,363,281
19. Borrowings			
		2019/2020	2018/2019
		Kshs.	Kshs.
Loan from G.O.K		122,125,028	127,125,028
Total non-current borrowings		122,125,028	127,125,028

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

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

20. Cash generated from operations

	2019/2020 Kshs.	2018/2019 Kshs
Deficit for the year before tax	(467,551,358)	(430,649,313)
Adjusted for:		
Depreciation	44,619,631	114,642,204
Amortized Reserves	(5,079,262)	(5,079,262)
Contribution to provisions	224,587	(1,630,081)
Working capital adjustments:		
Increase/Decrease in inventory	691,273	(242,037)
Increase/Decrease in receivables	(528,252,003)	32,801,472
Increase/Decrease in payables	961,752,189	398,113,805
Net cash flows from operating activities	6,405,057	107,956,788

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

21.	INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2020	2019/2020	2018/2019
		Kshs.	Kshs.
INCOME			
	Interest earned from staff loans	628,744.82	770,179
	Bank interest earned		
	628,745	770,179	
LESS: EXPENDITURE			
	Bank charges	10,200.00	19,434
	618,545	750,745	
	Surplus		

STAFF LOANS SCHEME FUND AS AT 30TH JUNE 2019			
	2019/2020	2018/2019	
	Kshs.	Kshs.	
	Staff Loans Scheme Fund	21,562,327	20,811,582
	Surplus	618,545	750,745
	Amount received from Kenya Utalii College	22,180,871	21,562,327

REPRESENTED BY:			
	Loan Scheme Principal Advances	14,785,656	18,145,336
	Bank Account balance	4,762,811	1,030,486
	Amount Receivable from Kenya Utalii College	2,632,402	2,386,505

NOTE: The staff loans is in relations to Car, Housing and Car Insurance Loan to Members of staff			
Workings:			
	Interest	458,952.54	
	Car loan	169,792.28	
	House loan	638,744.82	
		10,200.00	
	Less Bank Charges	618,544.82	
		22,180,870	21,562,327

Kenya Utalii College,

Annual Report and Financial Statements For The Year Ended 30th June 2020 Notes to the Financial Statements for the year ended 30th June 2020

22. Capital Reserve – Refurbishment of Utalii Hotel and Individual Kitchens

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:

	2019/2020 Kshs.	2018/2019 Kshs
Balance at beginning of year	167,981,556	173,060,818
Add: Development Grants		
Less: Amortization	5,079,262	5,079,262
Balance at end of year	162,902,294	167,981,556

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 2020

ACCUMULATED FUND AS AT 30TH JUNE 2020

	2019/2020 Kshs.	2018/2019 Kshs
Balance Brought Forward		
Amortization of Revaluation Reserve	(1,548,454,359)	(1,167,716,826)
Capital Grants	75,804,277	74,606,288
Total	(1,472,650,082)	(1,093,110,538)
Deficit for the Year	(467,551,358)	(430,649,313)
Balance carried Forward	(1,940,201,440)	(1,548,454,359)

26. Capital Grants

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

	2019/2020 Kshs.	2018/2019 Kshs
Balance Brought Forward	125,000,000	125,000,000
Capital Grants received during the year		
Total	125,000,000	125,000,000

Annual Report and Financial Statements For The Year Ended 30th June 2020

Notes to the Financial Statements for the year ended 30th June 2020

ITEM	REVALUATION AS AT 30TH JUNE 2020									
TOTAL	LAND	BUILDINGS	PLANT AND FURNITURE	MACHINERY	TECHNICAL EQUIPMENT AND VEHICLES	MOTOR COMPUTERS	HARDWARE	KSHS	KSHS	KSHS
Note. 23										
COST / VALUATION	4,216,634,500	184,271,396	(37,862,769)	(18,133,580)	(11,748,001)	(33,548,722)	4,299,612,824	21,140,668	-	-
Revaluation Account College as at 1st July 2018										
Revaluation Account Hotel as at 1st July 2018										
Balance as at 1st July 2018	268,790,928	18,427,140	-	18,715,456	-	-	305,933,524	74,606,288	-	-
Charge for the Year to Revaluation Reserve Account	69,999,503	4,606,785	-	-	-	-	-	-	-	-
Prior Year Adjustment										
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 (Revalued figure)	3,877,844,069	161,237,471	(39,831,121)	(13,454,716)	(12,033,301)	(33,548,722)	3,940,213,680			
COST / VALUATION										
Revaluation Account College as at 1st July 2019	4,216,634,500	184,271,396	(37,862,769)	(18,133,580)	(11,748,001)	(33,548,722)	4,299,612,824	21,140,668		
Revaluation Account Hotel as at 1st July 2019										
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 2019	338,790,431	23,033,925	-	18,715,456	-	-	380,539,812			
Charge for the Year to Revaluation Reserve Account	71,197,492	4,606,785	-	-	-	-	75,804,277			
Accumulated Depreciation as at 30th June 2020	409,987,922	27,640,710	-	18,715,456	-	-	456,344,088			
Net Book Value as at 30.6.2020 (Revaluation A/c)	3,806,646,578	156,630,686	(39,831,121)	(13,454,716)	(12,033,301)	(33,548,722)	3,864,409,404			
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			

Kenya Utalii College,
Annual Report and Financial Statements For The Year Ended 30th June 2020
Notes to the Financial Statements for the year ended 30th June 2020

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 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	7,795,881	6,665,360,153
Balance as at 1st July 2018-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	1,973,856	67,346,234
Additions Hotel	-	-	-	180,000	3,613,920	-	32,900	-	3,826,820
Transfers/adjustments- COLLEGE	-	-	-	-	-	-	-	-	-
Transfers/adjustments- HOTEL	-	-	-	-	-	-	-	-	-
Less Disposal	-	-	-	-	-	-	-	-	-
At 30 June 2019	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
Charge for the Year	-	39,773,882	-	3,286,306	30,857,959	22,397,697	16,767,183	1,559,176	114,642,204
Disposal	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Accumulated Depreciation At 30 June 2019	-	196,088,146	-	11,043,707	105,650,145	83,358,197	51,409,051	3,118,352	450,667,599
Net book values as at 30.6.2019	4,900,000,000	1,394,867,126	47,201,192	19,772,284	9,831,346	(3,692,407)	(5,502,410)	6,651,385	6,369,128,515
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	7,795,881	6,427,822,065
COST / VALUATION									
Balance as at 1st July 2019 -College	4,900,000,000	1,564,629,890	47,201,193	28,768,919	76,673,186	69,740,790	35,922,672	9,769,737	6,732,706,387
Balance as at 1st July 2019-Hotel	-	26,325,382	-	2,047,072	38,808,305	9,925,000	9,983,969	-	87,089,728
Revaluation College	-	-	-	-	-	-	-	-	-
Revaluation Hotel	-	-	-	-	-	-	-	-	-
Additions College	-	(1)	34,797,945	0	1,275,000	(0)	711,128	(0)	36,784,071
Additions Hotel	-	-	-	-	-	-	-	-	-
Lees: Disposal	-	-	-	-	-	-	-	-	-
At 30 June 2020	4,900,000,000	1,590,955,272	81,999,138	30,815,991	116,756,491	79,665,790	46,617,769	9,769,737	6,856,580,186
DEPRECIATION / ARMOTIZATION									
Balance as at 1st July 2019	-	196,088,146	-	11,043,707	105,650,145	83,358,197	51,409,050	3,118,356	450,667,602
Charge for the Year	-	39,115,747	-	3,081,599	255,000	-	213,338	1,953,947	44,619,631
Accumulated Depreciation At 30 June 2020	-	235,203,893	-	14,125,306	105,905,145	83,358,197	51,622,388	5,072,303	495,287,233
Net book values as at 30.6.2020	4,900,000,000	1,355,751,379	81,999,138	16,690,685	10,851,346	(3,692,407)	(5,004,619)	4,697,433	6,361,292,953
Net book values as at 30.6.2019	4,900,000,000	1,394,867,126	47,201,192	19,772,284	9,831,346	(3,692,407)	(5,502,410)	6,651,385	6,369,128,515
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 2020/2021

Kenya Utalii College,

Other Notes

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, foreign Exchange risk and market risk.

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

Kenya Utalii College,

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FY 2017/2018

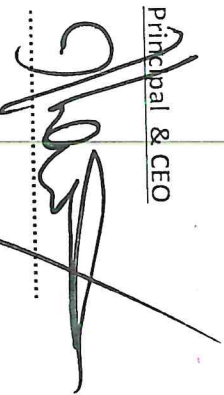
The following is the summary of Observation raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point 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 and Wildlife for waiver of accrued interest on GOK loan	National Treasury	In progress	
2.	Trade and other payables	This is as a result of interest accrued on GOK	National Treasury	In progress	
3.	Long Outstanding Receivables	Proposal for writeoff	Management	In progress	
4.	Loan from the Government of Kenya	Request sent to Ministry of Tourism and Wildlife for waiver of accrued interest. Principal amount to be converted into Grants	National Treasury	In progress	
5.	Development Grant	Savings to have Kshs. 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	

Kenya Utalii College,

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Other matters Overall Budget Analysis	Interest on Seeking Waiver	Gok National Treasury	In progress	
2.	Failure to implement IFMIS	In Communication with National Treasury to integrate	Management	In progress	
3.	Mombasa Campus and Nairobi Library Facilities	Books in put to the System	Magement	In progress	

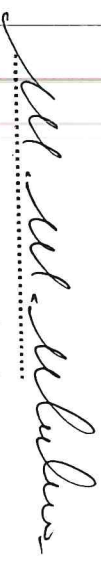
Principal & CEO



Date

30/7/2021

Chairman-KUC Council



Date

30/7/2021