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THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

REPORT

ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS FOR THE TOURISM FUND AND TOURISM
PROMOTION FUND FOR THE 2020/2021 AND 2021 /2022 FINANCIAL YEARS

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 AUG 2024	
DAY: WEDNESDAY	
TABLED BY:	HON. RAHIM DAWOOD, MP VICE-CHAIR - SPECIAL FUNDS
CLERK AT THE TABLE:	RUTHEN NGINYO

Directorate of Audit, Appropriations, and Other Select Committees
National Assembly
Parliament Buildings
NAIROBI

August, 2024

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LIST OF ABBREVIATIONS AND ACRONYMS

CoK	-	Constitution of Kenya, 2010
CIT	-	Contract Implementation Team
ERP	-	Enterprise Resource Planning
FY	-	Financial Year
IFMIS	-	Integrated Financial Information Management System
KAA	-	Kenya Airports Authority
MDAs	-	Ministries, Departments and Agencies
PFM	-	Public Finance Management
OAG	-	Office of the Auditor-General
PSASB	-	Public Sector Accounting Standards Board
PSC	-	Public Service Commission
SRC	-	Salaries and Remuneration Commission
TPF	-	Tourism Promotion Fund

CHAIRPERSON'S FOREWORD

Hon. Speaker, on behalf of the Special Funds Accounts Committee and pursuant to Standing Order 199, it is my pleasant duty and honor to present to the House the report of the Committee on the audited financial statements for the Tourism Fund and Tourism Promotion Fund for 2020/2021 and 2021 /2022 financial years.

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226 provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfilment of these constitutional provisions, the National Assembly established various Committees to examine reports of the Auditor-General to ascertain whether public funds are utilized in a lawful, authorized, effective, efficient, economical, and transparent manner. The Special Funds Accounts Committee, which was established in the Fifth Session of the Eleventh Parliament following the review of the National Assembly's Standing Orders, is one of these Committees.

The Committee received oral and written submissions from Mr. David W. Mwangi, Chief Executive Officer, Tourism Fund, and Mr. Stephen Kinyanjui, Chief Executive Officer, Tourism promotion Fund which formed the basis of its observations, findings, and recommendations.

Hon. Speaker, I wish to express appreciation to the Honorable Members of the Committee, the Office of the Speaker, and the Clerk of the National Assembly, the Parliamentary Liaison Offices of the Auditor-General and the National Treasury and the Committee Secretariat for facilitating the Committee in the production of this report.

HON. FATUMA ZAINAB MOHAMMED, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1. The Special Funds Accounts Committee is one of the six Watchdog Committees of the National Assembly established under Standing Order 205. It is mandated to examine the reports of the Auditor General on the following:
 - i) *Funds established by statute or by subsidiary legislation, except Funds under Standing Order 205B (Decentralized Funds Accounts Committee)*
 - ii) *The Equalization Fund;*
 - iii) *The Equalization Fund Advisory Board;*
 - iv) *The Political Parties Fund; and*
 - v) *Other funds as may be communicated by the Honorable Speaker*

1.2 Committee Membership

2. The Committee comprises the following members:

S/ N	Name	Constituency	Party
1	Hon. Fatuma Zainab Mohammed, MP (Chairperson)	Migori (CWR)	Independent
2	Hon. Dawood Abdul Rahim, HSC, MP (Vice Chairperson)	North Imenti	Independent
3	Hon. Faith Wairimu Gitau, MP	Nyandarua (CWR)	UDA
4	Hon. Charles Ngusya Nguna	Mwingi West	Wiper
5	Hon. Dr. Christine Ombaka Oduor, MP	Siaya (CWR)	ODM
6	Hon. Erastus Kivasu Nzioka, MP	Mbooni	Wiper
7	Hon. Eve Akinyi Obara, MP	Kabondo Kasipul	ODM
8	Hon. Joseph Majimbo Kalasinga, MP	Kabuchai	FORD-K
9	Hon. Tom Mboya Odege, MP	Nyatike	ODM
10	Hon. Catherine Nakhabi Omanyoo, MP	Busia (CWR)	ODM
11	Hon. Cecilia Asinyen Ngigit, MP	Turkana (CWR)	UDA
12	Hon. Erick Wamumbi, MP	Mathira	UDA
13	Hon. Joseph Kimutai Cherorot, MP	Kipkelion East	UDA
14	Hon. Joshua Odongo Oron, MP	Kisumu Central	ODM
15	Hon. Paul Kibichi Biego, MP	Chesumei	UDA

1.3 Committee Secretariat

3. The Secretariat facilitating the Committee comprises the following staff:

S/N	NAME	DESIGNATION
1.	Mr. Erick Nyambati	Clerk Assistant I
2.	Ms. Comfort Achieng	Clerk Assistant III
3.	Mr. Nimrod Mate	Clerk Assistant III
4.	Mr. Robert Ngetich	Fiscal Analyst II
5.	Ms. Judith Kanyoko	Legal Counsel II
6.	Ms. Bevaline Mosoti	Research Officer III
7.	Mr. Derrick Kathurima	Media Relations Officer III
8.	Ms. Faith Muiya	Public Communications Officer III
9.	Mr. Peter Mutethia	Hansard Audio Officer III
10.	Mr. Joshua Lenambet	Serjeant At Arms

2.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE TOURISM FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

4. Mr. David W. Mwangi, Chief Executive Officer, Tourism Fund appeared before the Committee on **Tuesday, 7th November 2023** to adduce evidence on the audited financial Statements for the Tourism Fund for Financial Years 2020/2021 and 2021/2022, respectively. The minutes of the Committee sittings, and submissions tabled by the Accounting Officer are annexed to this report. He was accompanied by:

- | | |
|------------------------|-------------------------------------|
| 1. Ms. Lilian Wafukho | - Director Cooperate Services |
| 2. Mr. Eden Odhiambo | - Director, Strategy and Resources, |
| 3. Mr. Kelvin Mungasio | - Manager Supply Chain Management |

2.1 Examination of the report of the Auditor-General for the Financial Year 2020/2021

1. Construction works for proposed Ronald Ngala Utalii College

5. The construction works of the proposed Ronald Ngala Utalii College was awarded to a local contractor on 14 May, 2013 at a contract sum of Kshs. 8,961,370,998. The contract commencement date was on 20 June, 2013 and the date of practical completion on 19 June, 2018. The following issues were noted in the execution of the contract.

- (i) The first addendum to the contract was made on 14 May, 2013 which introduced sectional completion of the project into five (5) phases. The first (1) Phase was on site clearance, boundary wall/fencing, excavations and earth works for the entire site, sub-structure works up to and including ground floor beds/slabs for all buildings, erection, and completion of the administration block, tuition block (1No.) and kitchen/dining hall all estimated to take 12 months from the start date of 20 June, 2013 and at a cost of Kshs.1,900,000,000.
- (ii) The second addendum to the contract dated 25 August, 2014 scaled down the contract sum from Kshs.8,961,370,998 to Kshs.4,923,005,000 and revised the contract completion date to 28 February, 2017.
- (iii) A third addendum to the agreement was agreed on 20 April, 2021 valid for a period of twelve (12) months from the date of execution which provided that:
 - The main contractor and the sub-contractors would grant to the Fund a rebate in the sum of Kshs.85,509,569 or 20% of Kshs.435,133,292 being the total outstanding interests, penalties and contractual claims certified by the project consultants as at 1 August, 2020.
 - The outstanding amount of Kshs.349,623, 722 was due and payable to the main contractor and subcontractor as at the date of the execution of the addendum and was to be settled no later than 30 days.
 - The main contractor and subcontractors shall complete the specific works within

twelve (12) months as per the annexed schedule of uncompleted works and bills of quantities.

- (iv) According to Interim certificate No.39 dated 31 May, 2021 which reflects the total amount of work certified as Kshs.4,025,996,193 out of which Kshs.3,900,353,661 relates to the main contractor. Included in the amount payable to the main contractor is Kshs.432,596,500 claim on interests on delayed payments attributed to underfunding on grants by The National Treasury to the Project.
 - (v) The project approved completion date was 28 February, 2017. However, at the time of the audit in February, 2022, the completion period had lapsed by about five (5) years while the project completion rate was at 71% as per the progress report dated 28 February,2022.
6. Under the circumstances, the value for money on project expenditure incurred on account of the project has not been realized.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

- 7. During the financial year 2021/2022 the project was at 71%; the project has since progressed and the current status is 79.015% as per the attached monthly progress report (Attachment 1). Since the financial year 2021/2022 Tourism Fund over the years has reorganized its finances and the amount contributed towards the project have been steady and the Tourism Promotion Fund has also been instrumental in the financial progress made towards the project (Attachment 2);

SOURCE OF FUNDS

FY	TOURISM FUND	NATIONAL TREASURY	TOURISM PROMOTION FUND	TOTAL DISBURSED
2021/22	596,320,000.00	130,000,000.00	700,000,000.00	1,426,320,000.00
2022/23	1,170,000,000.00	58,600,000.00	500,000,000.00	1,728,600,000.00

- 8. To ensure prudence and adequate monitoring and evaluation of the project; Tourism Fund Constituted a Contract Implementation Committee, that comprises members from Tourism Fund Management, State Department of Public Works and The Attorney General as had been in Attachment 3; Tourism fund has put in measures to ensure the new timelines for the completion of the project are met, this being 21st of June 2024 as per the approved extension (Attachment 4)

Findings and Observations of the Committee

9. The Committee observed the following:

- i) **Management scaled down the project by carrying out sectional completion of**

- the project in five (5) phases and revised the initial contract sum of Kshs. 8,961,370,998 to Kshs. 4,923,005,000.
- ii) The revised completion date of the project was 28th February,2017 and yet, the project was still incomplete five (5) years later in February,2022.
 - iii) The source of financing the project was not established before implementing the project.
 - iv) The National Treasury, Tourism Fund and Tourism Promotion Fund had paid in total an amount of Kshs. 3,154,920,000 to the contractors in the financial year 2022/2023.
 - v) The project was about 71% complete in the financial year 2021/2022 and had since progressed to79% in the current year.
 - vi) Management had constituted a Contract Implementation Committee, which comprised of members from Tourism Fund Management, State Department of Public Works and The Attorney General To ensure prudence and adequate monitoring and evaluation of the project.
 - vii) Management had put in place measures to ensure the new timelines for the completion of the project are met, before 21st of June 2024 as per the approved extension.
 - viii) The Matter is unresolved.

Recommendations of the Committee

10. The Committee recommends the following.

Within three (3) months upon the adoption of this report, the Accounting officer must provide a progress report and the contract agreement for Consultancy of the project to the Auditor General and to the National Assembly for audit verification.

11. The Fund Management entered into a contract for consultancy, supervision and management of the Ronald Ngala Utalii College on 25 May, 2012. The details were;

- i. The consultancy fees were based on the initial contract sums of Kshs.8,961,370,998 of the construction works of the project signed on 14 May, 2013. The contract was revised on 25 August, 2014 with the second addendum which scaled down the contract sum from Kshs.8,961,370,988 to Kshs.4,923,005,669.
- ii. Addendum between Tourism Fund and a consortium of consultants was executed on 8 April, 2021 where the consortium granted a rebate in the sum of Kshs.214,490,430 being 20% of the total outstanding professional fees, penalties and interest of Kshs.1,091,479,332.
- iii. A review of the consultants' fee notes and payments revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs.2,278,603,612 as at 30 June, 2021 as shown below;

Consultant	Interim	Reference	Interest Penalty
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	Fee Note No		(Kshs.)
Lead Architect		TF/021 INV 120/BSL	
Quantity Surveys	19	UC/P/105/FN109	374,305,369
Civil and Structural Engineers	2	220/100FN/12	459,687,377
Mechanical and Electrical Engineers	14	WC/GEN/RNUC/F/2020	431,690,519
Total			2,278,603,612

12. Although the Fund Management has explained that the reason for levying of interest penalties is due to insufficient disbursements of budgeted amounts to the Project by The National Treasury over the years, the continued delay in disbursements of funds to the project may lead to the continued escalation of project costs from interests and penalties which were not budgeted for. In view of the above, there is no value for money on the project expenditure incurred on account of interest charged on delayed payments to project consultants.

Findings and Observations of the Committee

13. The Committee observed the following:

- i. The project consultant continued to charge interest penalties for delayed payments as indicated on interim certificates and had accumulated up to Kshs. 2,278,603,612 as at 30 June, 2021**
- ii. Consultancy fees for the project was based on the initial contract sum of Kshs. 8,961,370,998 and not the revised contract sum of Kshs. 4,923,005,669.**
- iii. The continued delay in disbursements of funds to the project has resulted in continued escalation of project costs from interests and penalties which were not budgeted for.**
- iv. The matter is unresolved.**

Recommendations of the Committee

14. The Committee recommended the following.

- i. The National Treasury must consult the Attorney General on legal matters before engaging in contractual obligations with third parties.**
- ii. Within three (3) months upon the adoption of this report, the accounting officer**

must submit the analysis and supporting documentation for interest penalties amounting to Kshs. 2,278,603,612 and contractual documents to the Auditor General and the National Assembly for audit verification.

2.2 Examination of the report of the Auditor-General for the Financial Year 2020/2021

1. CONSTRUCTION WORKS FOR PROPOSED RONALD NGALA UTALII COLLEGE

15. The construction works of the proposed Ronald Ngala Utalii College was awarded to a local contractor on 14 May, 2013 at a contract sum of Kshs.8,961,370,998. The contract commencement date was on 20 June, 2013 and date of practical completion on 19 June, 2018. On 25 August 2014 the contract sum was scaled down from Kshs.8,961,370,998 to Kshs.4,923,005,000 with revised contract completion date of 28 February, 2017 as per second addendum. Further, a third addendum to the agreement was agreed on 20 April, 2021 valid for a period of twelve (12) months from the date of execution. The Accounting Officer on 6 May, 2021 granted to the contractor an extension of thirty-six (36) months with effect from 8 June, 2020 to 7 July, 2023. Review of the implementation of the contract during the year ended 30 June, 2022 revealed the following issues;

- i) According to interim certificate No.50 dated 22 June, 2022, the certified amount of works for the main contractor and subcontractors was Kshs.5,882,902,991. The certified amount included Kshs.5,385,941,115 for works executed by the main contractor as analysed below:

Item	Costs (Kshs.)
Valuation of Main Works	3,430,752,600
Interest on Delayed Release of Retention Money	124,250,000
Interest on Delayed Payments	465,500,345
Price Fluctuations	999,315,350
Other Contractual Claims (Idle Plant, Labour etc)	366,122,820
	5,385,941,115

16. The certified works amount of Kshs.5,882,902,991 exceeds the revised contract Kshs.4,923,005,669 by Kshs.959,897,322.05 or 19.49% as per the addendum of contract agreement executed on the 25 August, 2014. No approval was provided to support the variation.

- ii) According to minutes of the contract implementation committee held on 21 June, 2022 on variations, the committee noted that the bill of quantities re-measurements, site instructions, and information that support the changes were not provided. Thus, recommended that comprehensive bills of variations, instructions and approvals for changes be provided.
- It was also noted by the committee that on extension of the contract, the Project Manager was expected to write to the Accounting Officer which had not been done. Therefore, there was no evidence that the contract implementation team recommended the request from the contractor for the extension of the contract period, variation of use of prime costs, use of contingencies, reimbursable costs and use of provisional sums.

- iii) There was no justification for inclusion of interest on delayed release of retention money due of Kshs. 124,250,000 to the main contractor whereas the project has not been completed and closed out.
- iv) Included to the attachment 1 – Cost analysis and summary of bill of quantities to the 2nd addendum between the Fund (Employer) and the Contractor made on 25 August, 2014 is provisional sums for price fluctuations of Kshs. 350,000,000.

However, as per interim certificate No.50 dated 22 June, 2022 the contractor had charged Kshs. 999,315,350 which exceeds the provisional sums by Kshs. 649,315,350.

No approval was provided for exceeding the provisional sums and also, no detailed assessment analysis was provided to support the price fluctuations of claimed amount of Kshs. 999,315,350 contrary to clause 35.1 of agreement and conditions of contract for building works.

- v) Other contractual claims (Idle plant, labour etc.) amounting to Kshs.366,122,820 also exceeded the bills of quantity provisional sums of contingencies of Kshs.250,000,000 by Kshs.166,122,820. No analysis, support documentation and approvals have been provided to justify the claim.
- vi) Interim certificate No.50 dated 22 June, 2022 also includes the amount of work certified for the Electrical works by the subcontractor of Kshs. 289,050,230 as detailed below;

Item	Costs (Kshs.)
Valuation of works	264,261,098
Interest on Delayed Payments	16,789,133
Contractual Claims	8,000,000
Total	289,050,231

The interest on delayed payments amounting to Kshs. 16,789,133 was not supported by detailed analysis of the balance. In addition, the contractual claims of Kshs. 8,000,000 were not analyzed with supporting evidence.

Submissions by the Accounting Officer

- i. The Accounting Officer submitted the following; In accordance to the provisions of the Procurement Act sec 151(2)(e), the Fund's Contract Implementation Team (CIT) considered variation orders as had been attached, assessed by which CIT members from the State Department of Public Works subsequently assessed. The findings were presented during the CIT committee meeting on October 21, 2022.

- ii. Following extensive deliberations there was a unanimous consent from CIT members (Opinion was presented to the CEO. Communication to the Main Contractor, through the lead consultant of the approved variation orders. The lead Consultants acknowledged the contents of the approved variation orders.
- iii. Following the resolutions from the CIT meeting on June 21, 2022, Tourism Fund wrote to the Lead Consultants on the recommendation of CIT on remeasurements The lead consultant informed Tourism Fund that comprehensive Bills of variations (remeasurements, Variation of use of prime cost, contingencies, reimbursables and provisional sums) are being prepared for submission to the Fund
- iv. The matter of interest on delayed release of retention monies was considered among the items in the variation orders by CIT.excerpt from the CIT committee Report, highlights the opinion of the Committee on the Interest on delayed release of retention. As provided below;
Interest due to delay in releasing retention money_The CIT noted that the completion period had been delayed from 19th June, 2016 to anticipated completion date of 7th February, 2023. It had been recommended that the payment of interest on delayed release of 1st moiety and 2nd moiety be reviewed taking into account the delay in completion on the one hand and the fact that the threshold for release of these monies has not been attained.
The claim included an item for interest on suspended profit. This was declined. The CIT had recommended that the item of interest on suspended work be expunged. The consultant has clarified that the contractor's case is based on delay on anticipated release of retention. Although this delay has been explained and documentary evidence supplied, it is noted that: -
- a. The various delays have been adequately compensated
 - b. The conditions for the release of retention have not been attained
 - c. The contractor has not demonstrated that they did all in their power to meet the release of retentions or part thereof at the anticipated period (Acceleration of works, sectional completion, release from performance and termination).
- It is therefore recommended that this whole item of claim be declined.

- v. The matter of price fluctuation was considered among the items in the variation orders by CIT. excerpt from the CIT committee Report, highlights the opinion of the Committee on the same as provided below;
PRICE FLUCTUATIONS. The MC presented a claim of **KES 1,080,239,348.51** as compensation for loss occasioned by changes of costs of materials and labour. The Project manager evaluated the claim and recommended a compensation of **KES 870,012,371.**
The CIT had noted that this is a fluctuating contract and had required the consultant to clarify the source of the indices applied and the computation methodology. The

consultant has clarified they applied the overall consumer price indices (CPI) as provided in section 139 of the Public Procurement and Asset disposal Act 2015. Consumer price indices are provided as Appendix A.

The fluctuation calculations have been updated to include payments made up to July, 2022. This has raised the fluctuation claim to KES 1,078,682,421.05 from the earlier recommended amount of KES 870,012,371.00. The consultant also projected the effect of fluctuations on the balance of works at KES 689,155,753.23 at the current consumer price index of 229.88. This is futuristic and fluctuations shall be updated as indices change. These amounts shall attract office administrative overheads at 10% and VAT at 16%.

The cost due to fluctuations is therefore as follows: -

Fluctuations on Executed Works	KES 1,078,682,421.05
Add 10% Administrative overheads	<u>KES</u> 107,868,242.11
SUB TOTAL 2	KES 1,186,550,663.15
Add 16% VAT	KES 189,848,106.10
FLUCTUATIONS_	KES 1,376,398,769.25

It is noted that the balance of work will continue to attract fluctuations and is recommended that project completion be accelerated to reduce the effect of future fluctuations.

The variation orders for subcontractors have been submitted to Tourism Fund and the same is to be tabled to the CIT committee for consideration

- vi. During the financial year 2022/2023 the project was at 77.5%. The current status is 79.015% as per the attached monthly progress report During the financial year 2022/2023 The project faced substantial financial challenges, relying solely on funding from Tourism Fund. Towards the end of the financial year, received a boost of KES 500 million from Tourism Promotion Fund.

Findings and observation of the committee

17. The Committee observed the following;

- i. Interest penalty amounting to Kshs. 16,789,133 charged on delayed payments for interim certificate no.50 was not supported by a detailed analysis**
- ii. Contractual claims of Kshs. 8,000,000 included in certificate no.50 were not analyzed and supported by documentary evidence.**
- iii. The contractor charged Kshs. 999,315,350 for provisional sums of price fluctuations as per interim certificate No.50, thereby exceeding the amount of Kshs. 35,000,000 indicated in the addendum by Kshs. 649,315,350.**
- iv. The contractor charged Interest penalty on delayed release of retention money amounting to Kshs. 124,250,000 and yet the project is still ongoing.**
- v. The certified works amounting to Kshs. 5,882,902,991 exceeded the revised contract sum of Kshs. 4,923,005,669 by Kshs. 959,897,322.05 or 19.49% without an approval to support the variation.**
- vi. The Matter is unresolved.**

Recommendations of the Committee

18. The Committee recommends that,

Within three (3) months upon the adoption of this report, the Auditor General must carry out a special audit in regard to the procurement and implementation of the project and submit the report to National Assembly for further examination.

2. Contract for consultancy supervision and management of the proposed Ronald Ngala Utalii college

19. A contract was signed on 25 May, 2012 between the Fund and a consortium of consultants, for consultancy, supervision and management of the Ronald Ngala Utalii College. The consultancy fees were based on the initial contract sum of Kshs.8,961,370,998 signed on 14 May, 2013. The contract was revised on 25 August, 2014 vide second addendum which scaled down the contract sum from Kshs.8,961,370,988 to Kshs.4,923,005,669. Review of the consultants' fee notes for the supervision of the contract during the year revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs. 2,397,311,894

Consultant	Interim Fee Note No.	Reference	Interest Penalty (Kshs.)
Lead Architect		Ref:Tf/21/09/Bsl dated 14 September, 2021	961,650,867
Quantity Surveyors	11	TF/2109/03bsl 14 September 2021	544,283,131
Civil and structural Engineers	42	220/100FN/12 dated 08 October 2020	459,687,377
Mechanical and Electrical Engineers	15	WC/GEN/RNUC/F2020 15 September, 2021	431,690,519
Total			2,397,311,894

Although Management has explained that the reason for levying of interest penalties is due to insufficient disbursements of budgeted amounts to the project by the National Treasury over the years, the continued delay in disbursements of funds to the project has resulted in continued escalation of project costs from interests and penalties which were not budgeted for. In the circumstances, the value for money on the project expenditure incurred on account of interest charged on delayed payments to projects consultants may not be realised.

Submissions by the Accounting Officer

20. The Accounting Officer submitted the following;

In the financial year 2023/2024, Tourism Fund implemented necessary measures to ensure timely and sufficient disbursement of funds towards the project to eliminate the levying of interest and penalties due to delayed payments. Among these measures is the allocation of KES 1 billion by the Tourism Promotion Fund, and the commitment of KES 1,228,000,000.00 by Tourism Fund towards the Ronald Ngala Utalii College Project, as per

the approved budget for the FY 2023/2024.

Findings and observation of the committee

21. The Committee observed the following;

- i. The project consultant continued to charge interest penalties for delayed payments as indicated on interim certificates and had accumulated up to Kshs. 2,397,311,894 as at 30 June, 2022
- ii. Consultancy fees for the project was based on the initial contract sum of Kshs. 8,961,370,998 and not the revised contract sum of Kshs. 4,923,005,669.
- iii. The continued delay in disbursements of funds to the project has resulted in continued escalation of project costs from interests and penalties which were not budgeted for.
- iv. The matter is unresolved.

Recommendations of the Committee

22. The Committee recommended the following.

- i. **The National Treasury must consult the Attorney General on legal matters before engaging in contractual obligations to third parties.**
- ii. **Within three (3) months upon adoption of this report, the accounting officer must submit the analysis and supporting documentation for interest penalties amounting to Kshs. 2,397,311,894 and the contractual documents to the Auditor General and National Assembly for audit verification.**

3. Delay in collecting long outstanding rental income

23. Note 17 to the financial statement reflects receivables from exchange transactions of Kshs. 31,695,879 which includes rental income deposit of Kshs. 17,035,644 owed by a local real estate Agency.

The balance has been outstanding from the previous years. The Agency was to refund the deposit to the Fund on or before 5 August, 2021. However, no evidence of refund of the amount has been provided for audit. This is contrary to Regulation 64(1) of the Public Finance Management (National Government) Regulations 2015 on revenue management. In the circumstances, Management was in breach of the law.

Submissions by the Accounting Officer

24. The Accounting Officer submitted the following;

Tourism Fund and Villacare Ltd reviewed the amount owed to the Fund of Kshs 17,035,644, and noted that the correct amount owed was Ksh 17,157,352.45. as per ref: VCML/TF/CON/07/004/2023.

However, it was also noted that the correct amount included Kshs 2,558,365.57 (Two Million, Five Hundred and Fifty-Eight Thousand, Three Hundred and Sixty-Five, Cents Fifty-Seven Only) which had already been processed by Villacare in relation to commission in lieu of notice Kshs 514,720.57, Vacated tenants refund Ksh 459,750.00 and deposits of new tenants who did not take occupation Kshs 1,583,895.00 as per ref: VCML/TF/CON/07/018/2023. This has resulted to Kshs 14,598,986.90 (Fourteen Million, Five Hundred and Ninety-Eight Thousand, Nine Hundred and Eighty-Six Only) owed to the

Fund.

Villacare took the undertaking to clear the outstanding amount as per Ref; VCML/TF/CON/07/027/2023 and made their first deposit of Kshs 1,000,000= (One Million Only) vide cheque No. 36363 and 36376 for Kshs 500,000 (Five Hundred Thousand Only) each Villacare has further given a Professional undertaking from Kamau Muthoni Advocates as per Ref: KM/TF/2023 dated 12th September, 2023(Encls) to pay the balance in four (4) months time

Item	Amount Paid Out Villacare	Amount Payable TF	Remarks
Commission in lieu of notices	514,720.57		Termination notice was not served
Vacated tenants Refunds processed	459,750.00		Processed refunds
Deposit of New tenants who did not take occupation refunds processed	1,583,895		Processed refunds
Total Paid out	2,558,365.57		
Total Rent and Deposit Due to TF		14,598,986.90	
Deposited by Villacare		(1,000,000.00)	
Total Remittable amount		13,598,986.90	

Findings and observation of the committee

25. The Committee observed the following;

- i. Kshs. 14,598,986.90 was owed to the Fund by Villacare.
- ii. Villacare took the undertaking to clear the outstanding amount and made their first deposit of Kshs 1,000,000 and Kshs 500,000.
- iii. Villacare gave a Professional undertaking from Kamau Muthoni Advocates as to pay the balance in four (4) month's Time
- iv. **The Matter is unresolved.**

Recommendations of the Committee

26. The Committee recommended the following.

Within three (3) months upon the adoption of this report, the accounting officer must recover the long outstanding rental income and submit the supporting documents to the Auditor General and to the National Assembly for audit verification.

3.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE TOURISM PROMOTION FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

27. Mr. Stephen Kinyanjui, Chief Executive Officer, Tourism promotion Fund appeared before the Committee on **Thursday, 9th November 2023** to adduce evidence on the audited financial Statements for the Tourism Promotion Fund for Financial Years 2020/2021 and 2021/2022, respectively. . He was accompanied by:
- i. Ms. Seline Wandera - Principal Accountant
 - ii. Ms. Doreen Okoyana - Director. Programme Manager
 - iii. Mr. John Makau - Finance Manager

3.1 Examination of the report of the Auditor-General for the Financial Year 2020/2021

1. Inaccuracy in the Financial Statements –Statement of Cash flows;

28. The statement of cash flow for the year under review reflected Kshs.918,774,864 and Kshs.7,946,831 in respect of total payments and purchase of property plant and equipment respectively. However, computation of the makeup of payments listed in the statement gave a total of Kshs.917,595,090 while Note 16 to the financial statements reflected additions to property, plant and equipment during the year amounting to Kshs.621,400. The resultant variances of Kshs.1,179,833 and Kshs.7,325,431 were not reconciled. In this circumstance, the accuracy of statement of cash flow for the year ended 30th June 2021 could not be confirmed.

Submissions by the Accounting Officer

29. The Accounting Officer submitted the following;
- It's true as per the findings, the statement of cash flow for the year under review of the financial statements erroneously reflected Kshs.918,774,864 in respect of total payments instead of 917,595,090 which was a casting error. Whereas an amount of Kshs.7,946,831 in respect of purchase of property plant and equipment respectively as at 30th June 2021 is inclusive of additions during the year under review of Kshs.621,400, where Kshs.7,325431 was the opening balance for the year starting July 2020. This was amended to reflect the position as indicated in the amended financial statements presented to the auditors during the audit exercise.

Observations of the Committee

30. The Committee observed that;
- i. The casting error in the statement of cash flow was rectified.
 - ii. The Matter is resolved.

2. Unsupported Expenditure

31. The Statement of financial performance reflected expenditure on use of goods and services amounting to Kshs.41,335,953. The amount as disclosed in Note 7 to the financial

statements included Kshs.1,316,570 incurred on policy documents and Strategic Plan development, comprising of Kshs.1,115,600 and Kshs.200,970 in respect of temporary imprests and payment to a consultant respectively. However, documents relating to procurement of the consultant were not provided for audit. Consequently, the accuracy and validity on policy and strategic plan amounting to Kshs.1,316,570 could not be confirmed.

Submissions by the Accounting Officer

32. The Accounting Officer submitted the following;

It is regrettable that during the time of audit we were not able to provide all the required documents in time. This was due to moving offices from NSSF building to occupy the current offices at Tourism Fund building hence mix up of items/documents leading to delay in provision the documents..

Observations of the Committee

33. The Committee observed that;

- i. The documents relating to procurement of the consultant were provided for audit verification.
- ii. The Matter is resolved.

3.Unreconciled Revenue from Non-Exchange Transactions

34. The Statement of financial performance for the year under review reflected proceeds from air passenger's service charge amounting to Kshs.763,340,959. According to Note 5 to the financial statements, the amount was in form of transfers from the Kenya Airports Authority (KAA). However, the financial statements of KAA for the year ended 30thJune 2021 reflected an amount of Kshs.770,969,000 transferred to the Fund during the year. The difference of Kshs.7,628,041 between the amounts reported by the two (2) entities was not reconciled or explained.

Submissions by the Accounting Officer

35. The Accounting Officer submitted the following;

In response to this finding, Tourism Promotion Fund Management states that the variance was caused by the difference in exchange rate that was used by the two entities to convert the proceeds remitted in dollars (The dollar account conversion rate used by TPF was at the rate of Kshs.115.00). However, the management engaged Kenya Airports Authority to ensure the reconciliation of the figures as advised to ensure uniformity in reporting.

Findings of the Committee

36. The Committee observed that;

- i. The variance of Kshs. 7,628,041 was not explained.
- ii. The Matter is unresolved.

Recommendations of the Committee

37. The Committee recommends that within three months upon the adoption of this report the

Accounting Officer to reconcile the variance of Kshs. 7,628,041 and provide documentation to the Auditor General and to the National Assembly for audit verification.

4. Budget Control and Performance

38. The statement of comparison of budget and actual amounts reflected approved expenditure budget of Kshs. 1,998,944,000 from Air Passengers Service Charges, Interest from Investment and retained funds brought forward. However, during the year, the fund incurred total expenditure of Kshs.918,940,846 or 46% of the approved budget resulting in underspending of Kshs.1,080,624,554 or 54%. The under expenditure affected planned activities by the Funds Management and affected service delivery to citizens.

Submissions by the Accounting Officer

39. The Accounting Officer submitted the following;

As per the audit findings, the Fund incurred Kshs.918,319,446 out of a budgeted expenditure amount of Kshs.1,998,944,000 resulting to underutilization of Kshs.1,080,624,554 which was an indication that the activities planned by fund management for the year were not fully undertaken.

40. In response to this finding, TPF Management stated that it's true the expenditure for the FY 2020/2021 was Kshs.918,940,846 (46%) of the approved budget of Kshs.1,998,944,000.

The low expenditure was occasioned by the fact that core mandated expenditures as indicated in the work plan were not implemented. The reason for delayed implementation was because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions as indicated in the TPF regulations hence the funds could not be disbursed. Secondly, under the Operational expenses, the two running contracts on Office partitioning and Strategic Plan preparation (Consultancy) were not executed within the set timelines as indicated in the work plan partly due delays in procurement processes as well as the effect of Covid-19.

41. The unutilized amount was however revoted for utilization in the FY 2021/2022 as provided for by the TPF regulations which provides that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established.

Findings of the Committee

42. The Committee observed that;

- i. The under expenditure of Kshs. 1,080,624,554 was occasioned by the fact that core mandated expenditures as indicated in the work plan were not implemented because of delays in procurement processes and the effect of Covid-19.
- ii. The under expenditure adversely affected planned activities service delivery to citizens.
- iii. The Matter is resolved.

5. Remuneration of Directors

43. The statement of financial performance reflected remuneration and Directors expenditure amounting to Kshs. 5,583,777. The amount which is equivalent to 9% of operations and maintenance budget of Kshs.63,548,600, exceeded the set limit of 5% as per the Executive Office of the President Circular NO. OP/CAB.9/1A dated 11th March 2020. In the circumstance, management was in breach of government guidelines.

Submissions by the Accounting Officer

44. The Accounting Officer submitted the following;

In response to this finding, Tourism Promotion Fund Management states that among the reasons for over expenditure on board allowances was the special meetings held both by the oversight board, and the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee which included sensitization of the members at different levels.

45. This was undertaken considering the fact that the Tourism Promotional Fund was a new entity (15 months old as at 30th June 2021) still under operationalization, with new governing regulations necessitating board members' sensitization. However, the management took note of the anomaly as raised and promised to regularize the annual activities of the board to avoid over expenditure as guided.

Findings of the Committee

46. The Committee observed that;

- i. Management exceeded the set limit of 5% or by Kshs. 2,406,347 on the operational and maintenance budget as per the Office of the President Circular NO. OP/CAB.9/1A dated 11th March 2020.
- ii. Management was in breach of government guidelines.
- iii. The Matter is unresolved.

Recommendations of the Committee

47. The Committee recommended that

- (i) The accounting officer must ensure that, all applicable accounting and financial controls, systems, standards, laws and procedures are followed in the preparation of financial statements in compliance with the Public Finance Management Act, 2012, and in accordance with the standard prescribed by the Public Sector Accounts standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.
- (ii) Upon adoption of the report, the Cabinet Secretary must surcharge the Accounting Officer and the Board in office at the time of this audit for the amount of Kshs. 2,406,347 spent above the threshold set out by Circular NO. OP/CAB.9/1A.

6.Senior Management Employees on Acting Appointments

48. The Funds management team comprising of the Chief Executive Officer, Director Programmes Management, Funds Manager and Projects Officer were all on acting appointments for a period exceeding one year contrary to Section 34 (3) of the Public Service Commission Act, 2017 which provides that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of Six Months. In the circumstance, management was in breach of the law.

Submissions by the Accounting Officer

49. The Accounting Officer submitted the following;

As per the audit findings, it's true the entire management team were all on acting positions and entire team had acted for a period of over one year which is contrary to the Public Service Act, 2017.

50. In response to this finding, Tourism Promotion Fund Management confirmed that the officers were all on deployment from the Ministry of Tourism and Wildlife with the objective of operationalization of the fund which was established towards the end of FY 2019/2020. However, the management through the approval of the Oversight board did engage the Salaries and Remuneration Commission, for approval of its human resource structure for the sake of filling the position in line with the requirement of the Public Service Act, 2017.

Findings of the Committee

51. The Committee observed that;

- i. Management allowed Officers to act beyond six months which was contrary to Section 34(3) of the Public Service Commission Act 2017
- i. The Matter is unresolved.

Recommendations of the Committee

52. The Committee recommends that;

- (i) within three (3) months upon the adoption of this report, the Accounting Officer must engage the Public Service Commission (PSC) for the approval of its human resource structure for the purpose of filling the position in line with the requirement of the Public Service Act, 2017 and Salaries and Remuneration Commission (SRC) to approve the salaries to be paid.
- (ii) Within six months of the adoption of this report, the Accounting Officer must provide a status report on the engagement with the Public Service Commission and the Salaries and Remuneration Commission to the Auditor General and to the National Assembly for audit verification.

7. Non-Implementation of Integrated Financial Information Management System (IFMIS)

53. During the FY 2020/2021, the Fund did not implement the IFMIS System and or to link its Enterprise Resource Planning (ERP) with IFMIS system therefore not adhering to The

National Treasury requirements. In addition, the fund continued to operate and rely on manual preparation of its key documents which may perpetuate errors.

Submissions by the Accounting Officer

54. The Accounting Officer submitted the following;

As per the audit findings its true the Fund did not implement IFMIS System and or to link Enterprise Resource Planning (ERP) with IFMIS system therefore not adhering to Treasury circular. In addition, the fund continued to operate and rely on manual preparation of her key documents which may perpetuate errors.

55. In response to this finding, Tourism Promotion Fund Management confirmed that the process of developing the accounting system had been initiated and its ongoing.

This had been considered in the FY 2021/2022, the planned acquisition was captured in the procurement plan as well as a budget line item set aside for the purpose of acquiring the approved Accounting Software to be linked with IFMIS.

This is being undertaken jointly with the guidance from the ICT Authority. See attached correspondences with ICTA, budget line and work plan on the development of the system. The consultant was procured in the FY 2022/2024 and the ERP development is in progress.

Findings of the Committee

56. The Committee observed that;

- i. The Fund continues to operate a manual system to process documents and reports which is prone to errors.
- ii. Management was in the process of developing the ERP system
- iii. The Matter is unresolved.

Recommendations of the Committee

57. The Committee recommends that within three months upon the adoption of this report the Accounting Officer must provide a status report on the development of the ERP system and its integration to IFMIS to the Auditor General and to the National Assembly for audit verification

3.2 Examination of the report of the Auditor-General for the Financial Year 2020/2021

1. Inaccuracy on Revenue from Non- Exchange Transactions

58. The statement of financial performance reflected under Revenue from non- exchange transactions, proceeds to be realized under Section 3 of the Air Passengers Service Charge Act amount of Kshs. 1,181,698,150.

However, the financial statements of Kenya Airports Authority for the same period reflected an amount of Kshs. 1,166,654,000 as transfer to the Fund. The variance of Kshs. 15,044,150 had not been reconciled nor explained.

In these circumstances, the accuracy and completeness of proceeds to be realized under the air passenger service charge of Kshs. 15,044,150 could not be confirmed.

Submissions by the Accounting Officer

59. The Accounting Officer submitted the following;

As per the findings, it's true, the statement of financial performance under Note 5 reflected Proceeds to be realized under section 3 of the Air Passengers Service Charge Act of Kshs.1,181,698,150.

60. In response to this finding, Tourism Promotion Fund Management stated that the variance was caused by the difference in exchange rate being used by the two entities to convert the proceeds remitted in dollars (The dollar account conversion rate used by TPF was at the rate of Kshs.115.00). However, the management engaged Kenya Airports Authority to ensure the reconciliation of the figures as advised to ensure uniformity in reporting.

Findings of the Committee

61. The Committee observed that;

- i. The variance of. Kshs. 15,044,150 was caused by the difference in exchange rate that was used by the two entities to convert the proceeds remitted in dollars and had not been reconciled.
- iii. The Matter is unresolved.

Recommendations of the Committee

62. The Committee recommends that within three months upon adoption of this report the Accounting Officer must reconcile the variance of Kshs. 15,044,150 and provide documentation to the Auditor General and the National Assembly for audit verification.

2. Budgetary Control and Performance

63. The statement of comparison of budget and actual amounts reflected the approved expenditure budget of Kshs. 2,445,561,000. However, the Fund incurred total expenditure

of Kshs.1,466,115,000 or 60% of the budget resulting to an overall underutilization of Kshs.979,446,000 or 40%.

Submissions by the Accounting Officer

64. The Accounting Officer submitted the following;

As per the audit findings, the Fund incurred Kshs.1,466,115,000 out of a budgeted expenditure amount of Kshs.2,445,561,000 resulting to underutilization of Kshs.979,446,000 which was an indication that the activities planned by fund management for the year were not fully undertaken. In response to this finding, Tourism Promotion Fund Management stated that it's true the expenditure for the FY 2021/2022 was Kshs.1,466,115,000 (60%) of the approved budget.

65. The low expenditure was occasioned by the fact that most of the core mandated expenditures as indicated in the work plan were not implemented. The reason for delayed implementation was because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions as indicated in the TPF regulations hence the funds could not be disbursed.

66. The unutilized amount was however revoted for utilization in the FY 2022/2023 as provided for by the TPF regulations which provides that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established (Section 8 of TPF regulations).

Observations of the Committee

67. The Committee observed that;

The under absorption of Kshs. 979,446,000 was occasioned by the fact that core mandated expenditures as indicated in the work plan were not implemented because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions in accordance with the Tourism Promotion Fund regulations and delays in procurement processes as well as the effect of Covid-19. The under expenditure adversely affected planned activities service delivery to citizens.

iv. The Matter is unresolved.

Recommendations of the Committee

i. Within three (3) months upon the adoption of this report, the Accounting Officer must apply the revoted funds on the intended activities and submit the supporting documentation to the Auditor General and the National Assembly for audit verification.

3. Over Expenditure on Oversight Board Expenses

68. The financial performance reflected Board expenses amount of Kshs.6,531,165. However, the amount which was equivalent to 8% of operations and maintenance budget of Kshs. 77,369,000, exceeded the set limit of 5% as per Executive Office of the President Circular No. OP/CAB. /9/1A of 11th March, 2020 which caps board expenses to the lower of Ksh.


30,000,000 or 5% of the operations and maintenance budget of the state corporation. In these circumstances, the management was in breach of the guidelines

Submissions by the Accounting Officer

69. The Accounting Officer submitted the following; As per the Findings, its true Note 8 of board expenses reflected an expenditure Kshs.6,531,165. However, this amount was above 5% of operations and maintenance budget contrary to the circular. Tourism Promotion Fund Management stated that apart from the statutory meeting Allowances, the expenditure included expenses on board allowances for the special meetings held both by the oversight board, and also the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee)
70. Secondly, there were Workshops held by oversight board members to analyze and evaluate project proposals for funding considering, among the functions of the board includes “to determine the allocation of financial resources from the Fund required by the TIAs for the development, promotion and branding of tourism Sector in Kenya”: Thirdly, the projects committee of the board is also mandated to periodically carry out Projects monitoring and evaluation of the ongoing programs and report the same to the Oversight Board. These activities resulted into the increased expenditure under this item as stated above.
71. It’s important to note that the approved budget for the item under Audit was Kshs.6, 650,000 which was not surpassed as per the annual expenditure (Kshs.6, 531,165). However, the management took note as raised and promised to regularize the annual activities of the board to avoid exceeding the amount proposed by the circular as well seek the approvals in event of foreseen extra expenditure as guided by the circular from Head of Public Service of Ref. No. OP/CAB.9/1A dated 11th March, 2020.
72. The Committee observed that;
- Management exceeded the set limit of 5% or by Kshs. 2,662,715 on the operational and maintenance budget as per the Office of the President Circular NO. OP/CAB.9/1A dated 11th March, 2020
 - Management was in breach of government guidelines.
 - The Matter is unresolved.

Recommendations of the Committee

45. The Committee recommends that;
- The Accounting Officer must ensure that, all applicable accounting and financial controls, systems, standards, laws and procedures are followed in the preparation of financial states in compliance with the Public Finance Management Act, 2012 and in accordance with the standard prescribed by the Public Sector Accounts s standards Board as per Regulation101(4) of the Public Finance Management (National Government) Regulations, 2015

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 AUG 2024	DAY: WEDNESDAY
TABLED BY:	MR. RATION BAWOBA, MP
CLEAR AT THE TABLE:	✓ SECRETARY, SPECIAL FUNDS BETHEL NGUNYO

THIRTEENTH PARLIAMENT – THIRD SESSION
THE NATIONAL ASSEMBLY
SPECIAL FUNDS ACCOUNTS COMMITTEE.
ADOPTION LIST FOR THE
ELEVENTH REPORT ON AUDITED FINANCIAL STATEMENTS FOR
THE:

- | | | |
|---------------------------|---|------------------------|
| 1. Tourism Fund | - | 2020/2021and 2021/2022 |
| 2. Tourism Promotion Fund | - | 2020/2021and 2021/2022 |

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - Chairperson	
2.	Hon. Dawood Abdul Rahim, HSC, MP – Vice-Chairperson	
3.	Hon. Charles Ngusya Nguna, MP	
4.	Hon. Dr. Christine Ombaka Oduor, MP	
5.	Hon. Erastus Kivasu Nzioka, MP	
6.	Hon. Eve Akinyi Obara, MP	
7.	Hon. Faith Wairimu Gitau, MP	
8.	Hon. Joseph Majimbo Kalasinga, MP	
9.	Hon. Tom Mboya Odege, MP	
10.	Hon. Catherine Nakhabi Omanyoo, MP	
11.	Hon. Cecilia Asinyen Ngitit, MP	
12.	Hon. Erick Wamubi MP	
13.	Hon. Joseph Kimutai Cherorot, MP	
14.	Hon. Joshua Odongo Oron, MP	
15.	Hon. Paul Biego Kibichy, MP	

**MINUTES OF THE 63RD SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON TUESDAY, 7TH NOVEMBER 2023, IN COMMITTEE ROOM 9, MAIN
PARLIAMENT BUILDINGS AT 09.30 A.M.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Catherine Nakhabi Omanyoo, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Kahugu Erick Mwangi, MP
8. Hon. Paul Kibichi Biego, MP
9. Hon. Joseph Kimutai Cherorot, MP

APOLOGIES

1. Hon. Joshua Odongo Oron, MP
2. Hon. Cecilia Asinyen Ngigit, MP
3. Hon. Dr. Christine Ombaka Oduor, MP
4. Hon. Faith Wairimu Gitau, MP
5. Hon. Joseph Majimbo Kalasinga, MP
6. Hon. Eve Akinyi Obara, MP

IN ATTENDANCE

TOURISM FUND

1. Mr. David W. Mwangi - Chief Executive Officer
2. Mr. Kelvin Mungasio - MSCA
3. Ms. Lilian Wafukho - DCS
4. Mr. Eden Odhiambo - DSRM

OFFICE OF THE AUDITOR GENERAL

1. Mr. Kenneth Nduri - Deputy Director Audit
2. Mr. Moses Murira - Principal Auditor
3. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

THE NATIONAL TREASURY

- Dr. Jackson Ndung'o - National Treasury Liason Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Principal Clerk Assistant II
2. Mr. Silvanus Makau - Clerk Assistant III
3. Ms. Maryan Gabow - Public Communications Officer II
4. Mr. Peter Mutethia - Audio Recording Officer III
5. Mr. Benard Omondi - Seajeant At Arms
- 6.

MIN. NA/AA&SC-SFAC/2023/017:

PRELIMINARIES

The Chairperson called the meeting to order at 09:35 am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of reports of the Auditor General on Account of the Tourism Fund for the Financial Years 2020/2021 and 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Mr. David W. Mwangi, Chief Executive Officer, Tourism Fund, took the witness oath and tabled the Management responses and supporting documents on the audited accounts of the Tourism Fund for Financial Years 2020/2021 and 2021/2022.

MIN. NA/AA&SC-SFAC/2023/018: EXAMINATION OF REPORTS OF THE AUDITOR GENERAL ON ACCOUNT OF THE TOURISM FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

Financial Year 2020/2021

1. Construction Works for Proposed Ronald Ngala Utalii College

The proposed Ronald Ngala Utalii College contract worth Kshs.8,961,370,998 commencement date was 20th June 2013, and the date of practical completion was on 19th June 2018. The following issues were noted in the execution of the contract.

- (i) The first addendum to the contract was made on 14 May 2013, introducing sectional completion of the project into five (5) phases. The first (1) Phase was an on-site clearance, boundary wall/fencing, excavations and earthworks for the entire site, sub-structure works up to and including ground floor beds/slabs for all buildings, erection, and completion of

the administration block, tuition block (1No.) and kitchen/dining hall all estimated to take 12 months from the start date of 20 June, 2013 and at the cost of Kshs.1,900,000,000.

- (ii) The second addendum to the contract dated 25 August 2014 scaled down the contract sum from Kshs.8,961,370,998 to Kshs.4,923,005,000 and revised the contract completion date to 28 February 2017.
- (iii) A third addendum to the agreement was agreed upon on 20 April 2021, valid for a period of twelve (12) months from the date of execution, which provided that:
 - The main contractor and the sub-contractors would grant the Fund a rebate in the sum of Kshs.85, 509,569 or 20% of Kshs.435,133,292, being the total outstanding interests, penalties and contractual claims certified by the project consultants as at 1 August 2020.
 - The outstanding amount of Kshs.349 623,722 was due and payable to the main contractor and subcontractor as at the date of the execution of the addendum and was to be settled no later than 30 days.
 - The main contractor and subcontractors shall complete the specific works within twelve (12) months per the annexed schedule of uncompleted works and bills of quantities.
- (iv) Interim certificate No.39, dated 31 May 2021, reflects the total amount of work certified as Kshs.4,025,996,193, of which Kshs.3,900,353,661 relates to the main contractor. The amount payable to the main contractor was Kshs.432,596,500 claim on interests on delayed payments attributed to underfunding on grants by The National Treasury to the Project.
- (v) The project-approved completion date was 28 February 2017. However, at the time of the audit in February 2022, the completion period had lapsed by about five (5) years, while the project completion rate was 71% as per the progress report dated 28 February 2022.

Submissions by the Accounting Officer

The Accounting Officer submitted as follows:

- i. During the financial year 2021/2022, the project was at 71%; the project has since progressed, and the current status is 79.015% as per the attached monthly progress report;
- ii. Since the financial year 2021/2022 Tourism Fund over the years has reorganized its finances, and the amount contributed towards the project has been steady. The Fund has also been instrumental in the financial progress made towards the project;

- iii. The Fund constituted a Contract Implementation Committee that comprises members from the Tourism Fund Management, the State Department of Public Works and the Attorney General;
- iv. The Fund has put in measures to ensure the new timelines for the completion of the project are met, this being the 21st of June 2024 as per the approved extension, and
- v. The Fund had settled all outstanding bills with contractors, except for the outstanding amount of Kshs. 420,000,000 owed to the consultants.

Observations of the Committee

The auditor informed the Committee that the issue remained unresolved until the audit for the 2023 financial statements was undertaken to confirm the status.

The Accounting Officer was asked to submit a report to the Committee on the scaled-down components of the project that were made when the budget was reduced from 8.9 billion to 4.9 billion within a week. The Accounting Officer was also asked to furnish the committee with a detailed breakdown of contractor payments within a week.

2. Contract for Consultancy, Supervision, and Management of the Proposed Ronald Ngala Utalii College

The Fund Management entered a contract for consultancy, supervision, and management of the Ronald Ngala Utalii College on 25 May 2012. The details were:

- (i) The consultancy fees were based on the initial contract sums of Kshs.8,961,370,998 of the project's construction works signed on 14 May 2013. The contract was revised on 25 August 2014 vide the second addendum, which scaled the contract sum from Kshs.8,961,370,988 to Kshs.4,923,005,669.
- (ii) An addendum between the Tourism Fund and a consortium of consultants was executed on 8 April 2021, where the consortium granted a rebate in the sum of Kshs.214,490,430, 20% of the total outstanding professional fees, penalties, and interest of Kshs.1,091,479,332.
- (iii) A review of the consultants' fee notes and payments revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs.2,278,603,612 as at 30 June, 2021

The continued delay in disbursement of funds to the project may lead to the continued escalation of project costs from interests and penalties not budgeted for.

Observations of the Committee

The committee observed that a response to the query was not provided and instructed the accounting officer to submit it within a week.

The matter was not addressed.

Financial Year 2021/2022

1. Construction Works for Proposed Ronald Ngala Utalii College

- i. According to interim certificate No.50 dated 22nd June 2022, the certified amount of work for the main contractor and subcontractors was Kshs.5,882,902,991. The certified amount included Kshs.5,385,941,115 for works executed by the main contractor:
 - ii. The certified works amount of Kshs.5,882,902,991 exceeded the revised contract sum of Kshs.4,923,005,669 by Kshs.959,897,322.05 or 19.49% as per the addendum of the contract agreement executed on 25th August 2014. No approval was provided to support the variation;
 - iii. The bill of quantities re-measurements, site instructions, and information that support the changes were not provided; thus, recommended that comprehensive bills of variations, instructions and approvals for changes be provided;
 - iv. On the contract extension, the Project Manager was expected to write to the Accounting Officer, which had yet to be done. Therefore, there was no evidence that the contract implementation team recommended the request from the contractor for the extension of the contract period, variation of the use of prime costs, use of contingencies, reimbursable costs, and use of provisional sums;
 - v. There was no justification for including interest on the delayed release of retention money due of Kshs.124,250,000 to the main contractor, whereas the project had yet to be completed and closed out;
 - vi. The contractor had charged Kshs.999,315,350, which exceeded the provisional sums by Kshs.649,315,350. No approval was provided for exceeding the provisional sums, and also, no detailed assessment analysis was provided to support the price fluctuations of the claimed amount of Kshs.999,315,350 contrary to clause 35.1 of the agreement and conditions of the contract for building works;
 - vii. Other contractual claims (Idle plant, labour, etc.) amounting to Kshs.366,122,820 also exceeded the bills of quantity provisional sums of contingencies of

Kshs.250,000,000 by Kshs.166,122,820. No analysis, support documentation and approvals have been provided to justify the claim.

- viii. Interim certificate No.50, dated 22 June 2022, also includes the amount of work certified for the Electrical works by the subcontractor of Kshs.289,050,230. The interest on delayed payments amounting to Kshs.16,789,133 was not supported by a detailed balance analysis. In addition, the contractual claims of Kshs.8,000,000 were not analyzed with supporting evidence;
- ix. The project completion rate was estimated at 77.50%. However, the project had delayed in completion since the last approved completion date of 28 February 2017.

Submissions by the Accounting Officer

The Accounting Officer submitted as follows:

- i. Following the resolutions from the CIT meeting on June 21, 2022, the Fund wrote to the Lead Consultants on the recommendation of CIT on re-measurements;
- ii. The lead consultant informed the Fund that comprehensive Bills of variations (remeasurements, Variation of use of prime cost, contingencies, reimbursable and provisional sums) were being prepared for submission to the Fund;
- iii. The matter of interest on the delayed release of retention monies was considered among the items in the variation orders by CIT. excerpt from the CIT committee report highlighted the opinion of the Committee on the interest in delayed release of retention;
- iv. On the interest due to the delay in releasing retention money, The CIT noted that the completion period had been delayed from 19th June, 2016 to the anticipated completion date of 7th February 2023;
- v. It had been recommended that the payment of interest on the delayed release of 1st moiety and 2nd moiety be reviewed, considering the delay in completion on the one hand and the fact that the threshold for release of these monies had yet to be attained. The claim included an item for interest on suspended profit. This was decline;
- vi. The MC presented a claim of KES 1,080,239,348.51 as compensation for loss occasioned by changes of costs of materials and labor. The Project manager evaluated the claim and recommended a compensation of KES 870,012,371. The CIT had noted that this was a

- fluctuating contract and had required the consultant to clarify the source of the indices applied and the computation methodology;
- vii. The fluctuation calculations have been updated to include payments made up to July 2022. This raised the fluctuation claim to KES 1,078,682,421.05 from the earlier recommended amount of KES 870,012,371.00;
 - viii. During the financial year 2022/2023, the project was at 77.5%. During the financial year 2022/2023, The project faced substantial financial challenges and relied solely on funding from the Fund; and
 - ix. In the 2022/23 financial the Fund received KES 500 million from the Tourism Promotion Fund for he projects.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was still pending

1. Contract for Consultancy Supervision and Management of the Proposed Ronald Ngala Utalii College

I.1. Interest on Delayed Payment

A contract was signed on 25 May 2012 between the Fund and a consortium of consultants for consultancy, supervision, and management of the Ronald Ngala Utalii College. The consultancy fees were based on the initial contract sum of Kshs.8,961,370,998 signed on 14 May 2013. The contract was revised on 25 August 2014 vide a second addendum, which scaled the contract sum from Kshs.8,961,370,988 to Kshs.4,923,005,669.

A review of the consultants' fee notes for the supervision of the contract during the year revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs.2,397,311,894 as at 30 June 2022

The continued delay in the disbursement of funds to the project resulted in the continued escalation of project costs from interests and penalties not budgeted for.

Submissions by the Accounting Officer

The Accounting Officer submitted that in the financial year 2023/2024, the Tourism Fund implemented necessary measures to ensure timely and sufficient disbursement of funds towards the project to eliminate the levying of interest and penalties due to delayed payments. Among these measures is the allocation of KES 1 billion by the Tourism Promotion Fund and the commitment of KES 1,228,000,000.00 by the Tourism Fund towards the Ronald Ngala Utalii College Project, as per the approved budget for the FY 2023/2024

Observations of the Committee

The Auditor informed the Committee that the matter was still pending.

2. Delay in Collecting Long-Outstanding Rental Income

The balance of Kshs.17,035,644 outstanding rental income owed by a local real estate Agency had been outstanding from the previous years. The Agency was to refund the deposit to the Fund on or before 5 August 2021. However, no evidence of a refund of the amount had been provided for audit. This was contrary to Regulation 64(1) of the Public Finance Management (National Government) Regulations 2015 on revenue management.

Submissions by the Accounting Officer

The Accounting Officer submitted that the correct amount owed was Ksh 17,157,352.45. However, the amount included Kshs 2,558,365.57) which had already been processed by Villacare as follows:

- i. Kshs 514,720.57 for commission in lieu of notice as the termination notice was not served;
- ii. Ksh 459,750.00 for vacated tenants' refund; and
- iii. Kshs1,583,895.00 deposits of new tenants who did not take occupation.

Therefore Kshs 14,598,986.90 was owed to the Fund. Further Villa care made an undertaking a Professional undertaking signed by Kamau Muthoni Advocates to pay the balance in four (4) months and made the first deposit of Kshs 1,000,000.

Observations of the Committee

The Accounting Officer was requested to submit a full list of the tenants to the Committee within a week.

**MIN. NA/AA&SC-SFAC/2023/019:
NEXT MEETING**

ADJOURNMENT / DATE OF

There being no other business, the Meeting was adjourned at 12:30 p.m. The next meeting is to be held on notice.

SIGNED.....*Fatima Zainab Mohammed*.....DATE.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 64TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 9TH NOVEMBER 2023, IN THE 2ND FLOOR BOARD ROOM, PROTECTION HOUSE, PARLIAMENT BUILDINGS AT 09.30 A.M.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Catherine Nakhabi Omanyoo, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Kahugu Erick Mwangi, MP
8. Hon. Paul Kibichi Biego, MP
9. Hon. Joseph Kimutai Chererot, MP
10. Hon. Cecilia Asinyen Ngitit, MP
11. Hon. Eve Akinyi Obara, MP

APOLOGIES

1. Hon. Joshua Odongo Oron, MP
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Faith Wairimu Gitau, MP
4. Hon. Joseph Majimbo Kalasinga, MP

IN ATTENDANCE

TOURISM PROMOTION FUND

1. Mr. Stephen Kinyanjui - Chief Executive Officer
2. Ms. Seline Wandera - Principal Accountant
3. Ms. Doreen Okoyana - Director. Programme Manager
4. Mr. John Makau - Finance Manager

OFFICE OF THE AUDITOR GENERAL

1. Mr. Kenneth Nduri - Deputy Director
2. Mr. Moses Murira - Principal Auditor
3. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

THE NATIONAL TREASURY

Mr. Simon Kiriiba - Parliamentary Liason Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Principal Clerk Assistant II
2. Mr. Silvanus Makau - Clerk Assistant III

3. Ms. Maryan Gabow - Public Communications Officer III
4. Mr. Peter Mutethia - Audio Officer III
5. Mr Benard Omondi - Seajearnt At Arms

MIN. NA/AA&SC-SFAC/2023/020:

PRELIMINARIES

The Chairperson called the meeting to order at 09:35 am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of reports of the Auditor General on Account of the Tourism Promotion Fund for the Financial Years 2020/2021 and 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Mr. Stephen Kinyanjui, Chief Executive Office, Tourism Promotion Fund, took the witness oath and tabled the Management responses and supporting documents on the audited accounts of the Tourism Promotion Fund for Financial Years 2020/2021 and 2021/2022.

MIN. NA/AA&SC-SFAC/2023/021:

EXAMINATION OF REPORTS OF THE

AUDITOR GENERAL ON ACCOUNT OF THE TOURISM PROMOTION FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

Tourism Promotion Fund for the Financial Year 2020/2021

1. Inaccuracy in the Financial Statements –Statement of Cash flows;

The statement of cash flow for the year under review reflected Kshs.918 774,864 and Kshs.7 946,831 regarding total payments and purchase of property plant and equipment, respectively. However, the computation of the makeup of payments listed in the statement gave a total of Kshs.917, 595,090, while Note 16 to the financial statements reflected additions to property, plant and equipment during the year amounting to Kshs. 621,400. The resultant variances of Kshs.1, 179,833 and Kshs.7, 325,431 were not reconciled.

Submissions by the Accounting Officer

The Accounting Officer submitted that the statement of cash flow for the year under review of the financial statements erroneously reflected Kshs.918,774,864 in respect of total payments instead of 917,595,090, which was a casting error.

Whereas an amount of Kshs.7,946,831 in respect of the purchase of property plant and equipment respectively as at 30th June 2021, was inclusive of additions during the year under review of Kshs.621,400, where Kshs.7,325,431 was the opening balance for the year starting July 2020.

This was amended to reflect the position indicated in the amended financial statements presented to the auditors during the audit exercise.

Observations of the Committee

The Auditor informed the Committee that the issue was addressed since the amendment was made on the statement of cash flow

2. Unsupported Expenditure

The Statement of financial performance reflects expenditure on the use of goods and services amounting to Kshs.41,335,953. The amount included Kshs.1,316,570 incurred on policy documents and Strategic Plan development, comprising Kshs.1,115,600 and Kshs.200,970 regarding temporary imprests and payment to a consultant, respectively. However, documents relating to the procurement of the consultant were not provided for audit.

Submissions by the Accounting Officer

The Accounting Officer submitted that during the time of Audit, the management could not provide all the required documents in time. This was due to moving offices from the NSSF building to occupy the current offices at the Tourism Fund building, hence the mix-up of items/documents leading to a delay in providing the documents.

The documents relating to the procurement of the Consultants have since been provided to the auditors

Observations of the Committee

The Auditor informed the Committee that the issue was addressed after a review of the documents

3. Unreconciled Revenue from Non-Exchange Transactions

The Statement of financial performance for the year under review reflected proceeds from air passenger's service charge amounting to Kshs.763,340,959. According to Note 5 to the financial statements, the amount was transferred from the Kenya Airports Authority (KAA). However, the financial statements of KAA for the year ended 30th June 2021 reflected an amount of Kshs.770,969,000 transferred to the Fund during the year. The difference of Kshs.7,628,041 between the amounts reported by the two (2) entities was not reconciled or explained.

Submissions by the Accounting Officer

The Accounting Officer submitted that the variance was caused by the difference in the exchange rate that was used by the two entities to convert the proceeds remitted in dollars (The dollar account conversion rate used by TPF was at the rate of Kshs.115.00). However, the management engaged Kenya Airports Authority to ensure the reconciliation of the figures as advised to ensure uniformity in reporting.

Observations of the Committee

The Auditor informed the Committee that the matter was still pending

The Committee asked the Accounting Officer to within two weeks work with the Auditors and conclude the reconciliation

4. Budget Control and Performance

The comparison of budget and actual amounts reflected approved expenditure budget revenue of Kshs.1,998,944,000 from Air Passengers Service Charges, Interest from Investment and retained funds brought forward. However, during the year, the fund incurred a total expenditure of Kshs.918,940,846 or 46% of the approved budget, resulting in an underspending of Kshs.1,080,624,554 or 54%. The under-expenditure affected planned activities by the Funds Management and affected service delivery to citizens.

Submissions by the Accounting Officer

The Accounting Officer submitted that the expenditure for the FY 2020/2021 was Kshs.918,940,846 (46%) of the approved budget of Kshs.1,998,944,000. The low expenditure was occasioned because core mandated expenditures, as indicated in the work plan, were not implemented. The reason for delayed implementation was that some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions as indicated in the TPF regulations; hence, the funds could not be disbursed. Secondly, under the Operational expenses, the two running contracts on Office partitioning and Strategic Plan preparation (Consultancy) were not executed within the set timelines as indicated in the work plan, partly due to delays in procurement processes and the effect of COVID-19.

The unutilized amount was, however, revoted for utilization in the FY 2021/2022 as provided for by the TPF regulations, which provide that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was resolved

5. Remuneration of Directors

The statement of financial performance reflected remuneration and Directors' expenditure amounting to Kshs.5,583,777. The amount is equivalent to 9% of operations and maintenance budget of Kshs.63,548,600, exceeded the set limit of 5% as per the Executive Office of the President Circular NO. OP/CAB.9/1A dated 11th March 2020.

Submissions by the Accounting Officer

The Accounting Officer submitted that the over expenditure on board allowances arose from the special meetings held both by the oversight board, and also the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee which included sensitization of the members at different levels. This was undertaken considering the fact that

the Tourism Promotional Fund was a new entity (15 months old as at 30th June 2021) still under operationalization, with new governing regulations necessitating board members' sensitization. However, the management took note of the anomaly as raised and promised to regularize the annual activities of the board to avoid over expenditure as guided.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was still pending since the over expenditure exceeded the set limit and was not explained

6. Senior Management Employees on Acting Appointments

The Funds management team comprising of the Chief Executive Officer, Director Programmes Management, Funds Manager and Projects Officer were all on acting appointments for a period exceeding one year contrary to Section 34 (3) of the Public Service Commission Act, 2017 which provides that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of Six Months.

Submissions by the Accounting Officer

The Accounting Officer submitted that the entire management team were all on acting positions and had acted for over one year, which is contrary to the Public Service, Act 2017. The officers were on deployment from the Ministry of Tourism and Wildlife with the objective of operationalization of the Fund which was established towards the end of 2019/2020. However, the management through the approval of the oversight board did engage the SRC for approval of its human resource structure for the sake of filling the positions in line with the Public Service Act, 2017.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was not resolved since the management allowed Officers to act beyond six months contrary to Section 34(3) of the Public Service Commission Act 2017

7. Non-Implementation of Integrated Financial Information Management System (IFMIS)

The Fund did not implement the IFMIS System to link its Enterprise Resource Planning (ERP) with IFMIS system therefore not adhering to The National Treasury requirements. In addition, the fund continued to operate and rely on manual preparation of her key documents which may perpetuate errors.

Submissions by the Accounting Officer

Tourism Promotion Fund Management confirmed that the process of developing the Accounting system had been initiated and its ongoing. This had been considered in the FY 2021/2022, the planned acquisition was captured in the procurement plan as well as a budget line item set aside for the purpose of acquiring the approved Accounting Software to be linked with IFMIS. This is being undertaken jointly with the guidance from the ICT Authority. See attached correspondences with ICTA, budget line and work plan on the development of the system. The consultant was procured in the FY 2022/2024 and the ERP development is in progress.

Findings and Observations of the Committee

- i. The Accounting Officer informed the Committee that by December 2023, the operations will be fully digitized
- ii. The Auditor informed the Committee that the matter was partly resolved since the project was work in progress

Tourism Promotion Fund for the Financial Year 2021/2022

1. Inaccuracy Revenue from Non- Exchange Transactions

The statement of financial performance reflects under Revenue from non- exchange transactions, proceeds to be realized under Section 3 of the Air Passengers Service Charge Act amount of Kshs.1,181,698,150. However, the financial statements of Kenya Airports Authority for the same period reflected an amount of Kshs.1,166,654,000 as transfer to the Fund. The variance of Kshs.15,044,150 had not been reconciled nor explained.

Submissions by the Accounting Officer

The expenditure for the FY 2021/2022 was Kshs.1,466,115,000 (60%) of the approved budget.

The low expenditure was occasioned by the fact that most of the core mandated expenditures as indicated in the work plan were not implemented. The reason for delayed implementation was because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions as indicated in the TPF regulations hence the funds could not be disbursed.

The unutilized amount was however revoted for utilization in the FY 2022/2023 as provided for by the TPF regulations which provides that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established (Section 8 of TPF regulations).

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was still pending since the Management had not reconciled with Kenya Airports Authority on the issue of using different exchange rates

2. Budget Control and Performance

The statement of comparison of budget and actual amounts reflected approved revenue and expenditure budget of Kshs.2,445,561,000. However, the Fund incurred total expenditure of Kshs.1,466,115,000 or 60% of the budget resulting to an overall underutilization of Kshs.979,446,000 or 40%.

Submissions by the Accounting Officer

The expenditure for the FY 2021/2022 was Kshs.1,466,115,000 (60%) of the approved budget. The low expenditure was occasioned by the fact that most of the core mandated expenditures as indicated in the work plan were not implemented. The reason for delayed implementation was because some MDAs that had been approved for funding and budgeted for didn't meet the

disbursement conditions as indicated in the TPF regulations hence the funds could not be disbursed.

The unutilized amount was however revoted for utilization in the FY 2022/2023 as provided for by the TPF regulations which provides that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established (Section 8 of TPF regulations).

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was resolved

3. Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2022 contrary to Section 149(2)(l) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Submissions by the Accounting Officer

4. Over Expenditure on Oversight Board Expenses

The financial performance reflected Board expenses amount of Kshs.6,531,165. However, the amount which was equivalent to 8% of operations and maintenance budget of Kshs.77,369,000, exceeded the set limit of 5% as per Executive Office of the President Circular No. OP/CAB./9/1A of 11th March, 2020 which caps board expenses to the lower of Ksh.30,000,000 or 5% of the operations and maintenance budget of the state corporation.

Submissions by the Accounting Officer

Apart from the statutory meeting Allowances, the expenditure included expenses on board allowances for the special meetings held both by the oversight board, and also the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee) Secondly, there were Workshops held by oversight board members to analyze and evaluate project proposals for funding considering, among the functions of the board includes "to determine the allocation of financial resources from the Fund required by the TIAs for the development, promotion and branding of tourism Sector in Kenya": Thirdly, the projects committee of the board is also mandated to periodically carry out Projects monitoring and evaluation of the ongoing programs and report the same to the Oversight Board. These activities resulted into the increased expenditure under this item as stated above.

It's important to note that the approved budget for the item under Audit was Kshs.6, 650,000 which was not surpassed as per the annual expenditure (Kshs.6, 531,165). However, the

management took note as raised and promised to regularize the annual activities of the board to avoid exceeding the amount proposed by the circular as well seek the approvals in event of foreseen extra expenditure as guided by the circular from Head of Public Service of Ref. No. OP/CAB.9/1A dated March 11 2020

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was still pending since the Management did not seek approval for the over expenditure.

**MIN. NA/AA&SC-SFAC/2023/022:
NEXT MEETING**

ADJOURNMENT / DATE OF

There being no other business, the Meeting was adjourned at 12:30 p.m. The next meeting is to be held on notice.

SIGNED..... DATE.....

Fatima Zainab
Fatima Zainab

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

**MINUTES OF THE 17TH SITTING OF SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON FRIDAY, 5TH APRIL 2024, IN PRIDE INN PARADISE HOTEL.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Eve Akinyi Obara, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Catherine Nakhabi Omanyoo, MP
8. Hon. Cecilia Asinyen Ngigit, MP
9. Hon. Joseph Kimutai Cherorot, MP
10. Hon. Erick Wamumbi, MP
11. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Joshua Odongo Oron, MP
4. Hon. Joseph Majimbo Kalasinga, MP

OFFICE OF THE AUDITOR-GENERAL

Mr. David Osiemo - Liaison Officer.

NATIONAL TREASURY

Mr Simon Kiriiba - Liaison Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Ms. Erick Nyambati - Clerk Assistant I
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Mr. Robert Ngetich - Fiscal Analyst II
5. Ms. Judith Kanyoko - Legal Counsel II
6. Mr. Derrick Kathurima - Media Relations Officer III
7. Ms. Felistus Muiya - Public Communications Officer III
8. Mr. Joshua Lenambet - Sergeant-at-arms
9. Mr. Abdifatah Mahat - Attachee

MIN. NA/AA&GPC-SFAC/2024/051

PRELIMINARIES

The Chairperson called the meeting to order at 9.39am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Report writing on the Consideration of the Auditor General Reports on Accounts of Tourism Fund for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&GPC-SFAC/2024/052

REPORT WRITING ON THE CONSIDERATION OF THE AUDITOR GENERAL REPORTS ON THE TOURISM FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

REPORT OF THE AUDITOR GENERAL ON THE TOURISM FUND FOR THE FINANCIAL YEAR 2020/2021

Basis for qualification

1. Construction works for proposed Ronald Ngala Utalii College

1. The construction works of the proposed Ronald Ngala Utalii College was awarded to a local contractor on 14 May, 2013 at a contract sum of Kshs. 8,961,370,998. The contract commencement date was on 20 June, 2013 and the date of practical completion on 19 June, 2018. The following issues were noted in the execution of the contract.
 - (i) The first addendum to the contract was made on 14 May, 2013 which introduced sectional completion of the project into five (5) phases. The first (1) Phase was on site clearance, boundary wall/fencing, excavations and earth works for the entire site, sub-structure works up to and including ground floor beds/slabs for all buildings, erection, and completion of the administration block, tuition block (1No.) and kitchen/dining hall all estimated to take 12 months from the start date of 20 June, 2013 and at a cost of Kshs.1,900,000,000.
 - (ii) The second addendum to the contract dated 25 August, 2014 scaled down the contract sum from Kshs.8,961,370,998 to Kshs.4,923,005,000 and revised the contract completion date to 28 February, 2017.
 - (iii) A third addendum to the agreement was agreed on 20 April, 2021 valid for a period of twelve (12) months from the date of execution which provided that:
 - The main contractor and the sub-contractors would grant to the Fund a rebate in the sum of Kshs.85,509,569 or 20% of Kshs.435,133,292 being the total outstanding interests, penalties and contractual claims certified by the project consultants as at 1 August, 2020.
 - The outstanding amount of Kshs.349,623, 722 was due and payable to the main

contractor and subcontractor as at the date of the execution of the addendum and was to be settled no later than 30 days.

- The main contractor and subcontractors shall complete the specific works within twelve (12) months as per the annexed schedule of uncompleted works and bills of quantities.
- (iv) According to Interim certificate No.39 dated 31 May, 2021 which reflects the total amount of work certified as Kshs.4,025,996,193 out of which Kshs.3,900,353,661 relates to the main contractor. Included in the amount payable to the main contractor is Kshs.432,596,500 claim on interests on delayed payments attributed to underfunding on grants by The National Treasury to the Project.
- (v) The project approved completion date was 28 February, 2017. However, at the time of the audit in February, 2022, the completion period had lapsed by about five (5) years while the project completion rate was at 71% as per the progress report dated 28 February,2022.
2. Under the circumstances, the value for money on project expenditure incurred on account of the project has not been realized.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

3. During the financial year 2021/2022 the project was at 71%; the project has since progressed and the current status is 79.015% as per the attached monthly progress report (Attachment 1). Since the financial year 2021/2022 Tourism Fund over the years has reorganized its finances and the amount contributed towards the project have been steady and the Tourism Promotion Fund has also been instrumental in the financial progress made towards the project (Attachment 2);

SOURCE OF FUNDS

FY	TOURISM FUND	NATIONAL TREASURY	TOURISM PROMOTION FUND	TOTAL DISBUSED
2021/22	596,320,000.00	130,000,000.00	700,000,000.00	1,426,320,000.00
2022/23	1,170,000,000.00	58,600,000.00	500,000,000.00	1,728,600,000.00

4. To ensure prudence and adequate monitoring and evaluation of the project; Tourism Fund Constituted a Contract Implementation Committee, that comprises members from Tourism Fund Management, State Department of Public Works and The Attorney General as had been in Attachment 3; Tourism fund has put in measures to ensure the new timelines for the completion of the project are met, this being 21st of June 2024 as per the approved extension (Attachment 4)

Findings and Observations of the Committee

5. The Committee observed the following:

- i) Management scaled down the project by carrying out sectional completion of the project in five (5) phases and revised the initial contract sum of Kshs. 8,961,370,998 to Kshs. 4,923,005,000.**
- ii) The revised completion date of the project was 28th February, 2017 and yet, the project was still incomplete five (5) years later in February, 2022.**
- iii) The source of financing the project was not established before implementing the project.**
- iv) The National Treasury, Tourism Fund and Tourism Promotion Fund had paid in total an amount of Kshs. 3,154,920,000 to the contractors in the financial year 2022/2023.**
- v) The project was about 71% complete in the financial year 2021/2022 and had since progressed to 79% in the current year.**
- vi) Management had constituted a Contract Implementation Committee, which comprised of members from Tourism Fund Management, State Department of Public Works and The Attorney General To ensure prudence and adequate monitoring and evaluation of the project.**
- vii) Management had put in place measures to ensure the new timelines for the completion of the project are met, before 21st of June 2024 as per the approved extension.**
- viii) The Matter remained unresolved.**

Recommendations of the Committee

6. The Committee recommends the following.

Within three (3) months upon the adoption of this report, the Accounting officer to provide a progress report and the contract agreement for Consultancy of the project to the Auditor General for audit verification.

- 7. The Fund Management entered into a contract for consultancy, supervision and management of the Ronald Ngala Utalli College on 25 May, 2012. The details were;**
 - i. The consultancy fees were based on the initial contract sums of Kshs. 8,961,370,998 of the construction works of the project signed on 14 May, 2013. The contract was revised on 25 August, 2014 with the second addendum which scaled down the contract sum from Kshs. 8,961,370,988 to Kshs. 4,923,005,669.**
 - ii. Addendum between Tourism Fund and a consortium of consultants was executed on 8 April, 2021 where the consortium granted a rebate in the sum of Kshs. 214,490,430 being 20% of the total outstanding professional fees, penalties and interest of Kshs. 1,091,479,332.**
 - iii. A review of the consultants' fee notes and payments revealed continued**

imposition of interest on delayed payments on interim certificates amounting to Kshs.2,278,603,612 as at 30 June, 2021 as shown below;

Consultant	Interim Fee Note No	Reference	Interest Penalty (Kshs.)
Lead Architect		TF/021 INV 120/BSL	
Quantity Surveys	19	UC/P/105/FN109	374,305,369
Civil and Structural Engineers	2	220/100FN/12	459,687,377
Mechanical and Electrical Engineers	14	WC/GEN/RNUC/F/2020	431,690,519
Total			2,278,603,612

8. Although the Fund Management has explained that the reason for levying of interest penalties is due to insufficient disbursements of budgeted amounts to the Project by The National Treasury over the years, the continued delay in disbursements of funds to the project may lead to the continued escalation of project costs from interests and penalties which were not budgeted for. In view of the above, there is no value for money on the project expenditure incurred on account of interest charged on delayed payments to project consultants.

Findings and Observations of the Committee

9. The Committee observed the following:

- i. The project consultant continued to charge interest penalties for delayed payments as indicated on interim certificates and had accumulated up to Kshs. 2,278,603,612 as at 30 June, 2021
- ii. Consultancy fees for the project was based on the initial contract sum of Kshs. 8,961,370,998 and not the revised contract sum of Kshs. 4,923,005,669.
- iii. The continued delay in disbursements of funds to the project has resulted in continued escalation of project costs from interests and penalties which were not budgeted for.
- iv. The matter remained unresolved.

Recommendations of the Committee

10. The Committee recommended the following.

- i. The National Treasury should consult the Attorney General on legal matters before engaging in contractual obligations to third parties.
- ii. Within three (3) months upon the adoption of this report, the accounting officer submits the analysis and supporting documentation for interest penalties amounting to Kshs. 2,278,603,612 to the auditor General for audit verification.

REPORT OF THE AUDITOR-GENERAL ON TOURISM FUND FOR THE FINANCIAL YEAR 2021/2022

1. CONSTRUCTION WORKS FOR PROPOSED RONALD NGALA UTALII COLLEGE

11. The construction works of the proposed Ronald Ngala Utalii College was awarded to a local contractor on 14 May, 2013 at a contract sum of Kshs.8,961,370,998. The contract commencement date was on 20 June, 2013 and date of practical completion on 19 June, 2018. On 25 August 2014 the contract sum was scaled down from Kshs.8,961,370,998 to Kshs.4,923,005,000 with revised contract completion date of 28 February, 2017 as per second addendum. Further, a third addendum to the agreement was agreed on 20 April, 2021 valid for a period of twelve (12) months from the date of execution. The Accounting Officer on 6 May, 2021 granted to the contractor an extension of thirty-six (36) months with effect from 8 June, 2020 to 7 July, 2023. Review of the implementation of the contract during the year ended 30 June, 2022 revealed the following issues;

- i) According to interim certificate No.50 dated 22 June, 2022, the certified amount of works for the main contractor and subcontractors was Kshs.5,882,902,991. The certified amount included Kshs.5,385,941,115 for works executed by the main contractor as analysed below:

Item	Costs (Kshs.)
Valuation of Main Works	3,430,752,600
Interest on Delayed Release of Retention Money	124,250,000
Interest on Delayed Payments	465,500,345
Price Fluctuations	999,315,350
Other Contractual Claims (Idle Plant, Labour etc)	366,122,820
	5,385,941,115

12. The certified works amount of Kshs.5,882,902,991 exceeds the revised contract Kshs.4,923,005,669 by Kshs.959,897,322.05 or 19.49% as per the addendum of contract agreement executed on the 25 August, 2014. No approval was provided to support the variation.

- ii) According to minutes of the contract implementation committee held on 21 June, 2022 on variations, the committee noted that the bill of quantities re-measurements, site instructions, and information that support the changes were not provided. Thus, recommended that comprehensive bills of variations, instructions and approvals for changes be provided. It was also noted by the committee that on extension of the contract, the Project Manager was expected to write to the Accounting Officer which had not been done. Therefore, there was no evidence that the contract implementation team recommended the request from the contractor for the extension of the contract period, variation of use of prime costs, use of contingencies, reimbursable costs and use of provisional sums.
- iii) There was no justification for inclusion of interest on delayed release of retention money due of Kshs. 124,250,000 to the main contractor whereas the project has not been completed and closed out.
- iv) Included to the attachment 1 – Cost analysis and summary of bill of quantities to the 2nd addendum between the Fund (Employer) and the Contractor made on 25 August, 2014 is provisional sums for price fluctuations of Kshs. 350,000,000.

However, as per interim certificate No.50 dated 22 June, 2022 the contractor had charged Kshs. 999,315,350 which exceeds the provisional sums by Kshs. 649,315,350.

No approval was provided for exceeding the provisional sums and also, no detailed assessment analysis was provided to support the price fluctuations of claimed amount of Kshs. 999,315,350 contrary to clause 35.1 of agreement and conditions of contract for building works.

- v) Other contractual claims (Idle plant, labour etc.) amounting to Kshs.366,122,820 also exceeded the bills of quantity provisional sums of contingencies of Kshs.250,000,000 by Kshs.166,122,820. No analysis, support documentation and approvals have been provided to justify the claim.
- vi) Interim certificate No.50 dated 22 June, 2022 also includes the amount of work certified for the Electrical works by the subcontractor of Kshs. 289,050,230 as detailed below;

Item	Costs (Kshs.)
Valuation of works	264,261,098
Interest on Delayed Payments	16,789,133
Contractual Claims	8,000,000
Total	289,050,231

The interest on delayed payments amounting to Kshs. 16,789,133 was not supported by detailed analysis of the balance. In addition, the contractual claims of Kshs. 8,000,000 were not analyzed with supporting evidence.

Submissions by the Accounting Officer

- i. The Accounting Officer submitted the following; In accordance to the provisions of the Procurement Act sec 151(2)(e), the Fund's Contract Implementation Team (CIT) considered variation orders as had been attached, assessed by which CIT members from the State Department of Public Works subsequently assessed. The findings were presented during the CIT committee meeting on October 21, 2022.
- ii. Following extensive deliberations there was a unanimous consent from CIT members (Opinion was presented to the CEO. Communication to the Main Contractor, through the lead consultant of the approved variation orders. The lead Consultants acknowledged the contents of the approved variation orders.
- iii. Following the resolutions from the CIT meeting on June 21, 2022, Tourism Fund wrote to the Lead Consultants on the recommendation of CIT on remeasurements The lead consultant informed Tourism Fund that comprehensive Bills of variations (remeasurements, Variation of use of prime cost, contingencies, reimbursables and provisional sums) are being prepared for submission to the Fund
- iv. The matter of interest on delayed release of retention monies was considered among the items in the variation orders by CIT. excerpt from the CIT committee Report, highlights the opinion of the Committee on the Interest on delayed release of retention. As provided below;
Interest due to delay in releasing retention money_The CIT noted that the completion period had been delayed from 19th June, 2016 to anticipated completion date of 7th February, 2023. It had been recommended that the payment of interest on delayed release of 1st moiety and 2nd moiety be reviewed taking into account the delay in completion on the one hand and the fact that the threshold for release of these monies has not been attained.
The claim included an item for interest on suspended profit. This was declined. The CIT had recommended that the item of interest on suspended work be expunged. The consultant has clarified that the contractor's case is based on delay on anticipated release of retention. Although this delay has been explained and documentary evidence supplied, it is noted that: -
 - a. The various delays have been adequately compensated
 - b. The conditions for the release of retention have not been attained
 - c. The contractor has not demonstrated that they did all in their power to meet the release of retentions or part thereof at the anticipated period (Acceleration of works, sectional completion, release from performance and termination).
- v. The matter of price fluctuation was considered among the items in the variation orders by CIT. excerpt from the CIT committee Report, highlights the opinion of the

Committee on the same as provided below;

PRICE FLUCTUATIONS. The MC presented a claim of **KES 1,080,239,348.51** as compensation for loss occasioned by changes of costs of materials and labour. The Project manager evaluated the claim and recommended a compensation of **KES 870,012,371.**

The CIT had noted that this is a fluctuating contract and had required the consultant to clarify the source of the indices applied and the computation methodology. The consultant has clarified they applied the overall consumer price indices (CPI) as provided in section 139 of the Public Procurement and Asset disposal Act 2015. Consumer price indices are provided as Appendix A.

The fluctuation calculations have been updated to include payments made up to July, 2022. This has raised the fluctuation claim to KES 1,078,682,421.05 from the earlier recommended amount of KES 870,012,371.00. The consultant also projected the effect of fluctuations on the balance of works at KES 689,155,753.23 at the current consumer price index of 229.88. This is futuristic and fluctuations shall be updated as indices change. These amounts shall attract office administrative overheads at 10% and VAT at 16%.

The cost due to fluctuations is therefore as follows: -

Fluctuations on Executed Works	KES 1,078,682,421.05
Add 10% Administrative overheads	<u>KES 107,868,242.11</u>
SUB TOTAL 2	KES 1,186,550,663.15
Add 16% VAT	KES 189,848,106.10
FLUCTUATIONS	KES 1,376,398,769.25

It is noted that the balance of work will continue to attract fluctuations and is recommended that project completion be accelerated to reduce the effect of future fluctuations.

The variation orders for subcontractors have been submitted to Tourism Fund and the same is to be tabled to the CIT committee for consideration

- vi. During the financial year 2022/2023 the project was at 77.5%. The current status is 79.015% as per the attached monthly progress report During the financial year 2022/2023 The project faced substantial financial challenges, relying solely on funding from Tourism Fund. Towards the end of the financial year, received a boost of KES 500 million from Tourism Promotion Fund.

Findings and observation of the committee

13. The Committee observed the following;

- i. Interest penalty amounting to Kshs. 16,789,133 charged on delayed payments for interim certificate no.50 was not supported by a detailed analysis
- ii. Contractual claims of Kshs. 8,000,000 included in certificate no.50 were not analyzed and supported by documentary evidence.
- iii. The contractor charged Kshs. 999,315,350 for provisional sums of price fluctuations

- as per interim certificate No.50, thereby exceeding the amount of Kshs. 35,000,000 indicated in the addendum by Kshs. 649,315,350.
- iv. The contractor charged Interest penalty on delayed release of retention money amounting to Kshs. 124,250,000 and yet the project is still ongoing.
 - v. The certified works amounting to Kshs. 5,882,902,991 exceeded the revised contract sum of Kshs. 4,923,005,669 by Kshs. 959,897,322.05 or 19.49% without an approval to support the variation.
 - vi. **The Matter remained unresolved.**

Recommendations of the Committee

14. The Committee recommends that,

Within three (3) months upon the adoption of this report, the Auditor General to carry out a special audit in regard to the procurement and implementation of the project and submit the report to parliament for further examination.

2. CONTRACT FOR CONSULTANCY SUPERVISION AND MANAGEMENT OF THE PROPOSED RONALD NGALA UTALII COLLEGE

15. A contract was signed on 25 May, 2012 between the Fund and a consortium of consultants, for consultancy, supervision and management of the Ronald Ngala Utalii College. The consultancy fees were based on the initial contract sum of Kshs.8,961,370,998 signed on 14 May, 2013. The contract was revised on 25 August, 2014 vide second addendum which scaled down the contract sum from Kshs.8,961,370,988 to Kshs.4,923,005,669. Review of the consultants' fee notes for the supervision of the contract during the year revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs. 2,397,311,894

Consultant	Interim Fee Note No.	Reference	Interest Penalty (Kshs.)
Lead Architect		Ref:Tf/21/09/Bsl dated 14 September, 2021	961,650,867
Quantity Surveyors	11	TF/2109/03bsl 14 September 2021	544,283,131
Civil and structural Engineers	42	220/100FN/12 dated 08 October 2020	459,687,377
Mechanical and Electrical Engineers	15	WC/GEN/RNUC/F2020 15 September, 2021	431,690,519
Total			2,397,311,894

Although Management has explained that the reason for levying of interest penalties is due to insufficient disbursements of budgeted amounts to the project by the National Treasury over the years, the continued delay in disbursements of funds to the project has resulted in continued escalation of project costs from interests and penalties which were not budgeted for. In the circumstances, the value for money on the project expenditure incurred on account of interest charged on delayed payments to projects consultants may not be realised.

Submissions by the Accounting Officer

16. The Accounting Officer submitted the following;

In the financial year 2023/2024, Tourism Fund implemented necessary measures to ensure timely and sufficient disbursement of funds towards the project to eliminate the levying of interest and penalties due to delayed payments. Among these measures is the allocation of KES 1 billion by the Tourism Promotion Fund, and the commitment of KES 1,228,000,000.00 by Tourism Fund towards the Ronald Ngala Utalii College Project, as per the approved budget for the FY 2023/2024.

Findings and observation of the committee

17. The Committee observed the following;

- v. **The project consultant continued to charge interest penalties for delayed payments as indicated on interim certificates and had accumulated up to Kshs. 2,397,311,894 as at 30 June, 2022**
- vi. **Consultancy fees for the project was based on the initial contract sum of Kshs. 8,961,370,998 and not the revised contract sum of Kshs. 4,923,005,669.**
- vii. **The continued delay in disbursements of funds to the project has resulted in continued escalation of project costs from interests and penalties which were not budgeted for.**
- viii. **The Matter remained unresolved**
- ix. **The matter remained unresolved.**

Recommendations of the Committee

18. The Committee recommended the following.

- i. **The National Treasury should consult the Attorney General on legal matters before engaging in contractual obligations to third parties.**
- ii. **Within three (3) months upon the adoption of this report, the accounting officer submits the analysis and supporting documentation for interest penalties amounting to Kshs. 2,397,311,894 to the auditor General for audit verification.**

3. DELAY IN COLLECTING LONG OUTSTANDING RENTAL INCOME

19. Note 17 to the financial statement reflects receivables from exchange transactions of Kshs. 31,695,879 which includes rental income deposit of Kshs. 17,035,644 owed by a local real estate Agency.

The balance has been outstanding from the previous years. The Agency was to refund the deposit to the Fund on or before 5 August, 2021. However, no evidence of refund of the amount has been provided for audit. This is contrary to Regulation 64(1) of the Public Finance Management (National Government) Regulations 2015 on revenue management. In the circumstances, Management was in breach of the law.

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Submissions by the Accounting Officer

20. The Accounting Officer submitted the following;

Tourism Fund and Villacare Ltd reviewed the amount owed to the Fund of Kshs 17,035,644, and noted that the correct amount owed was Ksh 17,157,352.45. as per ref: VCML/TF/CON/07/004/2023.

However, it was also noted that the correct amount included Kshs 2,558,365.57 (Two Million, Five Hundred and Fifty-Eight Thousand, Three Hundred and Sixty-Five, Cents Fifty-Seven Only) which had already been processed by Villacare in relation to commission in lieu of notice Kshs 514,720.57, Vacated tenants refund Ksh 459,750.00 and deposits of new tenants who did not take occupation Kshs 1,583,895.00 as per ref: VCML/TF/CON/07/018/2023. This has resulted to Kshs 14,598,986.90 (Fourteen Million, Five Hundred and Ninety-Eight Thousand, Nine Hundred and Eighty-Six Only) owed to the Fund.

Villacare took the undertaking to clear the outstanding amount as per Ref; VCML/TF/CON/07/027/2023 and made their first deposit of Kshs 1,000,000= (One Million Only) vide cheque No. 36363 and 36376 for Kshs 500,000 (Five Hundred Thousand Only) each Villacare has further given a Professional undertaking from Kamau Muthoni Advocates as per Ref: KM/TF/2023 dated 12th September, 2023(Encls) to pay the balance in four (4) months time

Item	Amount Paid Out Villacare	Amount Payable TF	Remarks
Commission in lieu of notices	514,720.57		Termination notice was not served
Vacated tenants Refunds processed	459,750.00		Processed refunds
Deposit of New tenants who did not take occupation refunds processed	1,583,895		Processed refunds
Total Paid out	2,558,365.57		
Total Rent and Deposit Due to TF		14,598,986.90	
Deposited by Villacare		(1,000,000.00)	
Total Remittable amount		13,598,986.90	

Findings and observation of the committee

21. The Committee observed the following;

- i. Kshs. 14,598,986.90 (Fourteen Million, Five Hundred and Ninety-Eight Thousand, Nine Hundred and Eighty-Six Only) was owed to the Fund by Villacare.
- ii. Villacare took the undertaking to clear the outstanding amount and made their first deposit of Kshs 1,000,000= (One Million Only) and Kshs 500,000 (Five Hundred

- Thousand Only).
- iii. Villa care gave a Professional undertaking from Kamau Muthoni Advocates as to pay the balance in four (4) month's time.
 - iv. The Matter remained unresolved.

Recommendations of the Committee

22. The Committee recommended the following.

Within three (3) months upon the adoption of this report, the accounting officer to recover the long outstanding rental income and submit the supporting documents to the auditor General for audit verification

MIN. NA/AA&GPC-SFAC/2024/053. **ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 3.21p.m. The next meeting will be held on notice.

SIGNED.....*Fatuma*.....DATE *17/08/2024*.....

HON. FATUMA ZAINAB MOHAMMED, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE

**MINUTES OF THE 18TH SITTING OF SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON SATURDAY, 6TH APRIL 2024, IN PRIDE INN PARADISE HOTEL.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Eve Akinyi Obara, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Catherine Nakhabi Omanyoo, MP
8. Hon. Cecilia Asinyen Ngitit, MP
9. Hon. Joseph Kimutai Cherorot, MP
10. Hon. Erick Wamumbi, MP
11. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Joshua Odongo Oron, MP
4. Hon. Joseph Majimbo Kalasinga, MP

OFFICE OF THE AUDITOR-GENERAL

Mr. David Osiemo - Liaison Officer.

NATIONAL TREASURY

Mr Simon Kiriiba - Liaison Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Ms. Erick Nyambati - Clerk Assistant I
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Mr. Robert Ngetich - Fiscal Analyst II
5. Ms. Judith Kanyoko - Legal Counsel II
6. Mr. Derrick Kathurima - Media Relations Officer III
7. Ms. Felistus Muiya - Public Communications Officer III
8. Mr. Joshua Lenambet - Sergeant-at-arms
9. Mr. Abdifatah Mahat - Attachee

MIN. NA/AA&GPC-SFAC/2024/054

PRELIMINARIES

The Chairperson called the meeting to order at 9.54am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Report writing on the Consideration of the Auditor General Reports on Accounts of Tourism Promotion Fund for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&GPC-SFAC/2024/055 - REPORT WRITING ON THE CONSIDERATION OF THE AUDITOR GENERAL REPORTS ON THE TOURISM PROMOTION FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

REPORT OF THE AUDITOR GENERAL ON TOURISM PROMOTION FUND FOR THE FINANCIAL YEAR 2020/2021

1. Inaccuracy in the Financial Statements –Statement of Cash flows;

1. The statement of cash flow for the year under review reflected Kshs.918,774,864 and Kshs.7,946,831 in respect of total payments and purchase of property plant and equipment respectively. However, computation of the makeup of payments listed in the statement gave a total of Kshs.917,595,090 while Note 16 to the financial statements reflected additions to property, plant and equipment during the year amounting to Kshs.621,400. The resultant variances of Kshs.1,179,833 and Kshs.7,325,431 were not reconciled. In this circumstance, the accuracy of statement of cash flow for the year ended 30th June 2021 could not be confirmed.

Submissions by the Accounting Officer

2. The Accounting Officer submitted the following;
It's true as per the findings, the statement of cash flow for the year under review of the financial statements erroneously reflected Kshs.918,774,864 in respect of total payments instead of 917,595,090 which was a casting error. Whereas an amount of Kshs.7,946,831 in respect of purchase of property plant and equipment respectively as at 30th June 2021 is inclusive of additions during the year under review of Kshs.621,400, where Kshs.7,325,431 was the opening balance for the year starting July 2020. This was amended to reflect the position as indicated in the amended financial statements presented to the auditors during the audit exercise.

Observations of the Committee

3. The Committee observed that;
 - i. The amendment was made on the statement of cash flow.
 - ii. The Matter is resolved.

2. Unsupported Expenditure

4. The Statement of financial performance reflected expenditure on use of goods and services amounting to Kshs.41,335,953. The amount as disclosed in Note 7 to the financial statements included Kshs.1,316,570 incurred on policy documents and Strategic Plan development, comprising of Kshs.1,115,600 and Kshs.200,970 in respect of temporary imprests and payment to a consultant respectively. However, documents relating to procurement of the consultant were not provided for audit. Consequently, the accuracy and validity on policy and strategic plan amounting to Kshs.1,316,570 could not be confirmed.

Submissions by the Accounting Officer

5. The Accounting Officer submitted the following;
It is regrettable that during the time of audit we were not able to provide all the required documents in time. This was due to moving offices from NSSF building to occupy the current offices at Tourism Fund building hence mix up of items/documents leading to delay in provision the documents. Documents relating to procurement of the Consultant are also annexed as (**Appendix II**) to the response of the finding.

Observations of the Committee

6. The Committee observed that;
 - i. The documents relating to procurement of the consultant were provided for audit verification.
 - ii. The Matter is resolved.

3. Unreconciled Revenue from Non-Exchange Transactions

7. The Statement of financial performance for the year under review reflected proceeds from air passenger's service charge amounting to Kshs.763,340,959. According to Note 5 to the financial statements, the amount was in form of transfers from the Kenya Airports Authority (KAA). However, the financial statements of KAA for the year ended 30th June 2021 reflected an amount of Kshs.770,969,000 transferred to the Fund during the year. The difference of Kshs.7,628,041 between the amounts reported by the two (2) entities was not reconciled or explained.

Submissions by the Accounting Officer

8. The Accounting Officer submitted the following;
In response to this finding, Tourism Promotion Fund Management states that the variance was caused by the difference in exchange rate that was used by the two entities to convert the proceeds remitted in dollars (The dollar account conversion rate used by TPF was at the rate of Kshs.115.00). However, the management engaged Kenya Airports Authority to ensure the reconciliation of the figures as advised to ensure uniformity in reporting.

Findings of the Committee

9. The Committee observed that;

- i. The variance of Kshs. 7,628,041 was caused by the difference in the exchange rate used by the two entities to convert the proceeds remitted in dollars and had not been reconciled.
- ii. The Matter remained unresolved.

Recommendations of the Committee

- 10. The Committee recommends that within three months upon the adoption of this report the Accounting Officer to reconcile the variance of Kshs. 7,628,041 and provide documentation to the Auditor general for verification.**

4. Budget Control and Performance

11. The statement of comparison of budget and actual amounts reflected approved expenditure budget of Kshs. 1,998,944,000 from Air Passengers Service Charges, Interest from Investment and retained funds brought forward. However, during the year, the fund incurred total expenditure of Kshs.918,940,846 or 46% of the approved budget resulting in underspending of Kshs.1,080,624,554 or 54%. The under expenditure affected planned activities by the Funds Management and affected service delivery to citizens.

Submissions by the Accounting Officer

12. The Accounting Officer submitted the following:
As per the audit findings, the Fund incurred Kshs.918,319,446 out of a budgeted expenditure amount of Kshs.1,998,944,000 resulting to underutilization of Kshs.1,080,624,554 which was an indication that the activities planned by fund management for the year were not fully undertaken.
13. In response to this finding, TPF Management stated that it's true the expenditure for the FY 2020/2021 was Kshs.918,940,846 (46%) of the approved budget of Kshs.1,998,944,000. The low expenditure was occasioned by the fact that core mandated expenditures as indicated in the work plan were not implemented. The reason for delayed implementation was because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions as indicated in the TPF regulations hence the funds could not be disbursed. Secondly, under the Operational expenses, the two running contracts on Office partitioning and Strategic Plan preparation (Consultancy) were not executed within the set timelines as indicated in the work plan partly due delays in procurement processes as well as the effect of Covid-19.
14. The unutilized amount was however revoted for utilization in the FY 2021/2022 as provided for by the TPF regulations which provides that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established.

Findings and observations of the Committee

15. The Committee observed that;
- i. The under expenditure of Kshs. 1,080,624,554 was occasioned by the fact that core mandated expenditures as indicated in the work plan were not implemented because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions in accordance with the Tourism Promotion Fund regulations and delays in procurement processes as well as the effect of Covid-19.
 - ii. The under expenditure adversely affected planned activities service delivery to citizens.
 - iii. The Matter remained unresolved.

Recommendations of the Committee

within three (3) months upon the adoption of this report, the Accounting Officer to apply the revoted funds on the intended activities and submit the supporting documentation to the Auditor general for audit verification.

5. Remuneration of Directors

16. The statement of financial performance reflected remuneration and Directors expenditure amounting to Kshs. 5,583,777. The amount which is equivalent to 9% of operations and maintenance budget of Kshs.63,548,600, exceeded the set limit of 5% as per the Executive Office of the President Circular NO. OP/CAB.9/1A dated 11th March 2020. In the circumstance, management was in breach of government guidelines.

Submissions by the Accounting Officer

17. The Accounting Officer submitted the following;
- In response to this finding, Tourism Promotion Fund Management states that the among the reasons for the over expenditure on board allowances was the special meetings held both by the oversight board, and also the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee which included sensitization of the members at different levels.
18. This was undertaken considering the fact that the Tourism Promotional Fund was a new entity (15 months old as at 30th June 2021) still under operationalization, with new governing regulations necessitating board members' sensitization. However, the management took note of the anomaly as raised and promised to regularize the annual activities of the board to avoid over expenditure as guided.

Findings of the Committee

19. The Committee observed that;
- i. Management exceeded the set limit of 5% or by Kshs. 2,406,347 on the operational and maintenance budget as per the Office of the President Circular NO. OP/CAB.9/1A dated 11th March 2020

- ii. Management was in breach of government guidelines.
- iii. The Matter remained unresolved.

Recommendations of the Committee

20. The Committee recommended that

The accounting officer ensures that, all applicable accounting and financial controls, systems, standards, laws and procedures are followed in the preparation of financial states in compliance with the Public Finance Management Act, 2012 and in accordance with the standard prescribed by the Public Sector Accounts standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

6. Senior Management Employees on Acting Appointments

21. The Funds management team comprising of the Chief Executive Officer, Director Programmes Management, Funds Manager and Projects Officer were all on acting appointments for a period exceeding one year contrary to Section 34 (3) of the Public Service Commission Act, 2017 which provides that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of Six Months. In this circumstance, management was in breach of the law.

Submissions by the Accounting Officer

22. The Accounting Officer submitted the following;

As per the audit findings, it's true the entire management team were all on acting positions and entire team had acted for a period of over one year which is contrary to the Public Service Act, 2017.

23. In response to this finding, Tourism Promotion Fund Management confirmed that the officers were all on deployment from the Ministry of Tourism and Wildlife with the objective of operationalization of the fund which was established towards the end of FY 2019/2020. However, the management through the approval of the Oversight board did engage the Salaries and Remuneration Commission, for approval of its human resource structure for the sake of filling the position in line with the requirement of the Public Service Act, 2017.

Findings of the Committee

24. The Committee observed that;

- i. Management allowed Officers to act beyond six months which was contrary to Section 34(3) of the Public Service Commission Act 2017
- i. The Matter remained unresolved.

Recommendations of the Committee

25. The Committee recommends that ;

within three (3) months upon the adoption of this report, the Accounting Officer to engage the Public service commission (PSC) for the approval of its human resource structure for the sake of filling the position in line with the requirement of the Public Service Act, 2017 and Salaries and Remuneration Commission(SRC) to approve the salaries to be paid.

7. Non-Implementation of Integrated Financial Information Management System (IFMIS)

26. During the FY 2020/2021, the Fund did not implement the IFMIS System and or to link its Enterprise Resource Planning (ERP) with IFMIS system therefore not adhering to The National Treasury requirements. In addition, the fund continued to operate and rely on manual preparation of her key documents which may perpetuate errors.

Submissions by the Accounting Officer

27. The Accounting Officer submitted the following;

As per the audit findings its true the Fund did not implement IFMIS System and or to link Enterprise Resource Planning (ERP) with IFMIS system therefore not adhering to Treasury circular. In addition, the fund continued to operate and rely on manual preparation of her key documents which may perpetuate errors.

28. In response to this finding, Tourism Promotion Fund Management confirmed that the process of developing the accounting system had been initiated and its ongoing.

This had been considered in the FY 2021/2022, the planned acquisition was captured in the procurement plan as well as a budget line item set aside for the purpose of acquiring the approved Accounting Software to be linked with IFMIS.

This is being undertaken jointly with the guidance from the ICT Authority. See attached correspondences with ICTA, budget line and work plan on the development of the system.

The consultant was procured in the FY 2022/2024 and the ERP development is in progress.

Findings of the Committee

29. The Committee observed that;

- i. The Fund continues to operate a manual system to process documents and reports, although it is prone to errors.
- ii. Management was in the process of developing the ERP system
- iii. The Matter remained unresolved.

Recommendations of the Committee

30. The Committee recommends that within three months upon the adoption of this report the Accounting Officer to provide a status report on the development of the ERP system and its integration to IFMIS to the Auditor General for audit verification

REPORT OF THE AUDITOR GENERAL ON TOURISM PROMOTION FUND FOR THE FINANCIAL YEAR 2021/2022

Audit Finding

1. Inaccuracy on Revenue from Non- Exchange Transactions

31. The statement of financial performance reflected under Revenue from non- exchange transactions, proceeds to be realized under Section 3 of the Air Passengers Service Charge Act amount of Kshs. 1,181,698,150.

However, the financial statements of Kenya Airports Authority for the same period reflected an amount of Kshs. 1,166,654,000 as transfer to the Fund. The variance of Kshs. 15,044,150 had not been reconciled nor explained.

In these circumstances, the accuracy and completeness of proceeds to be realized under the air passenger service charge of Ksh. 15,044,150 could not be confirmed.

Submissions by the Accounting Officer

32. The Accounting Officer submitted the following;

As per the findings, it's true, the statement of financial performance under Note 5 reflected Proceeds to be realized under section 3 of the Air Passengers Service Charge Act of Kshs.1,181,698,150.

33. In response to this finding, Tourism Promotion Fund Management stated that the variance was caused by the difference in exchange rate being used by the two entities to convert the proceeds remitted in dollars (The dollar account conversion rate used by TPF was at the rate of Kshs.115.00). However, the management engaged Kenya Airports Authority to ensure the reconciliation of the figures as advised to ensure uniformity in reporting.

(Appendix III)

Findings of the Committee

34. The Committee observed that;

- i. The variance of. Kshs. 15,044,150 was caused by the difference in exchange rate that was used by the two entities to convert the proceeds remitted in dollars and had not been reconciled.
- iii. The Matter remained unresolved.

Recommendations of the Committee

35. The Committee recommends that within three months upon the adoption of this report the Accounting Officer to reconcile the variance of Kshs. 15,044,150 and

provide documentation to the Auditor general for audit verification.

2. Budgetary Control and Performance

36. The statement of comparison of budget and actual amounts reflected the approved expenditure budget of Kshs. 2,445,561,000. However, the Fund incurred total expenditure of Kshs.1,466,115,000 or 60% of the budget resulting to an overall underutilization of Kshs.979,446,000 or 40%.

Submissions by the Accounting Officer

37. The Accounting Officer submitted the following;

As per the audit findings, the Fund incurred Kshs.1,466,115,000 out of a budgeted expenditure amount of Kshs.2,445,561,000 resulting to underutilization of Kshs.979,446,000 which was an indication that the activities planned by fund management for the year were not fully undertaken. In response to this finding, Tourism Promotion Fund Management stated that it's true the expenditure for the FY 2021/2022 was Kshs.1,466,115,000 (60%) of the approved budget.

38. The low expenditure was occasioned by the fact that most of the core mandated expenditures as indicated in the work plan were not implemented. The reason for delayed implementation was because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions as indicated in the TPF regulations hence the funds could not be disbursed.
39. The unutilized amount was however revoted for utilization in the FY 2022/2023 as provided for by the TPF regulations which provides that any unutilized funds (retained funds) shall be retained in the Fund and shall be spent only for the objects and purposes for which the Fund is established (Section 8 of TPF regulations).**(Appendix IV)**

Observations and Findings of the Committee

40. The Committee observed that;
- i. The under absorption of Kshs. 979,446,000 was occasioned by the fact that core mandated expenditures as indicated in the work plan were not implemented because some MDAs that had been approved for funding and budgeted for didn't meet the disbursement conditions in accordance with the Tourism Promotion Fund regulations and delays in procurement processes as well as the effect of Covid-19.
 - ii. The under expenditure adversely affected planned activities service delivery to citizens.
 - iii. The Matter remained unresolved.

Recommendations of the Committee

41. within three (3) months upon the adoption of this report, the Accounting Officer to apply the revoted funds on the intended activities and submit the supporting documentation to the Auditor general for audit verification

3. Over Expenditure on Oversight Board Expenses

6. The financial performance reflected Board expenses amount of Kshs.6,531,165. However, the amount which was equivalent to 8% of operations and maintenance budget of Kshs. 77,369,000, exceeded the set limit of 5% as per Executive Office of the President Circular No. OP/CAB. /9/1A of 11th March, 2020 which caps board expenses to the lower of Ksh. 30,000,000 or 5% of the operations and maintenance budget of the state corporation. In these circumstances, the management was in breach of the guidelines

Submissions by the Accounting Officer

7. The Accounting Officer submitted the following; As per the Findings, its true Note 8 of board expenses reflected an expenditure Kshs.6,531,165. However, this amount was above 5% of operations and maintenance budget contrary to the circular. Tourism Promotion Fund Management stated that apart from the statutory meeting Allowances, the expenditure included expenses on board allowances for the special meetings held both by the oversight board, and also the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee)
8. Secondly, there were Workshops held by oversight board members to analyze and evaluate project proposals for funding considering, among the functions of the board includes “to determine the allocation of financial resources from the Fund required by the TIAs for the development, promotion and branding of tourism Sector in Kenya”: Thirdly, the projects committee of the board is also mandated to periodically carry out Projects monitoring and evaluation of the ongoing programs and report the same to the Oversight Board. These activities resulted into the increased expenditure under this item as stated above.
9. It’s important to note that the approved budget for the item under Audit was Kshs.6, 650,000 which was not surpassed as per the annual expenditure (Kshs.6, 531,165). However, the management took note as raised and promised to regularize the annual activities of the board to avoid exceeding the amount proposed by the circular as well seek the approvals in event of foreseen extra expenditure as guided by the circular from Head of Public Service of Ref. No. OP/CAB.9/1A dated March 11 2020.

Observations and Findings of the Committee

10. The Committee observed that;

- i. Management exceeded the set limit of 5% or by Kshs. 2,662,715 on the operational and maintenance budget as per the Office of the President Circular NO. OP/CAB.9/1A dated 11th March 2020
- ii. Management was in breach of government guidelines.
- iii. The Matter remained unresolved.

Recommendations of the Committee

45. The Committee recommends that;

The accounting officer ensures that, all applicable accounting and financial controls, systems, standards, laws and procedures are followed in the preparation of financial states in compliance with the Public Finance Management Act,2012 and in accordance with the standard prescribed by the Public Sector Accounts s standards Board as per Regulation101(4) of the Public Finance Management (National Government) Regulations,2015.

MIN. NA/AA&GPC-SFAC/2024/056. ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 4.21p.m. The next meeting will be held on notice.

SIGNED.....*Fatuma*.....DATE..17/08/2024.....

**HON. FATUMA ZAINAB MOHAMMED, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE**