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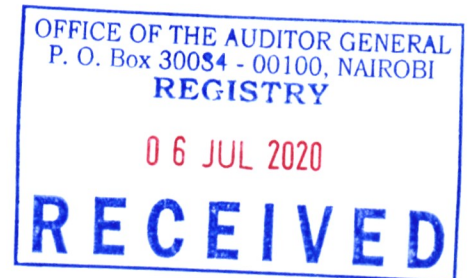
OF

**THE AUDITOR-GENERAL**

**ON**

**TOURISM FUND**

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



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**TOURISM FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**


**FOR THE FINANCIAL YEAR ENDING JUNE 30, 2019**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)

**Tourism Fund**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**CORPORATE INFORMATION AND MANAGEMENT**

**(a) Background information**

Tourism Fund is a statutory body established by an Act of Parliament under Section 66 of The Tourism Act, 2011.

**(b) Principal activities:**

**MANDATE**

Mobilize resources to finance the development of a sustainable tourism industry in Kenya.

**VISION**

To be the lead mobilizer of funding for the sustainable development of Tourism Industry in Kenya.

**MISSION**

To effectively manage the Tourism Fund through policy development, collection of tourism levy and other funds for funding the development and sustenance of the tourism industry.

**CORE VALUES**

<b>TEAM WORK;</b>	To create one family focused to deliver
<b>CUSTOMER FOCUS;</b>	Meet and surpass expectations of all our customers
<b>INTEGRITY;</b>	To uphold good conduct and ethics in all our operations
<b>ACCOUNTABILITY;</b>	Transparent and socially responsible
<b>PROFESSIONALISM;</b>	Committed to excellence through continuous improvement
<b>INNOVATION;</b>	To promote and reward creativity and embrace best practices in service delivery
<b>EQUITY;</b>	Committed to fairness in all our undertakings

**(c) Key Management**

Tourism Fund's day-to-day management is under the following key organs:

- Board of Trustees
- Chief Executive Officer
- Directorate
- Management

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**CORPORATE INFORMATION AND MANAGEMENT**

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1	Chief Executive Officer	Mr. Joseph Cherutoi
2	Ag. Director of Corporate Services	Mr. Eric Kiplagat
3	Ag. Director of Levy Services	Mr. Charles Okeyo
4	Ag. Director Strategy and Resource Mobilization	Mr. Eden R. Odhiambo
5	Supply Chain Manager	Mrs. Emily Wagema
6	Corporate Communication and Marketing Manager	Ms. Patricia Ondeng
7	Legal Services Manager	Mr. James Muriithi Njogu
8	Risk and Internal Audit Manager	Mr. Abraham Kiprono Kiptum
9	Head of Human Capital	Mr. Adan Adad
10	Ag. Information, Communication & Technology Manager	Mr. Isaiah Rutto

**(e) Fiduciary Oversight Arrangements**

**Committees of the Board**

The Board has four standing committees that meet under the terms of reference set out by the Board, namely:

**Finance and Strategy Committee**

The finance committee reviews the annual budget and is responsible for the financial

The members are : Mr.Abdulhakim Saleh Balala (Chairperson), CPA Rael Rotich, Mr.Biko Gwendo and Mr.Kiprop Chirchir.

**Audit and Risk Assurance Committee**

The committee is responsible for reviewing audit reports, compliance with relevant laws, procedures and standards, quality of financial reporting and oversight on internal controls among others.

The members are : CPA Caroline Ng'anga (Chairperson), CPA Rael Rotich, Mr.Peter Ngori and Mr.Athman Said.

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**CORPORATE INFORMATION AND MANAGEMENT**

**(e) Fiduciary Oversight Arrangements  
Committees of the Board**

**Staff and Technical Committee**

The committee is responsible for monitoring and appraising the performance management, reviewing of human resource policies and making recommendations on issues to do with general staff welfare to the board.

The members are : Mr.Biko Gwendo (Chairperson), Ms.Susan Ongalo, Mr.Athman Said and Mr.Abdulhakim Saleh Balala.

**Revenue Management and Projects Committee**

The committee is responsible for monitoring and appraising projects.

The members are : Mr.Kiprop Chirchir (Chairperson), Mr.Peter Ngori, CPA Rael Rotich, Ms.Susan Ongalo and CPA Caroline Ng'anga.

**(f) Entity Headquarters Location and Contacts**

**Head Office.**

Tourism Fund, Valley Road, 5th Floor,  
P.O Box 46987-00100, Nairobi, Kenya  
Tel: 020-2714900/1/2  
Website: [www.tourismfund.co.ke](http://www.tourismfund.co.ke)

**(g) Entity Regional Offices Location and Contacts**

**Nairobi North Regional office and Nairobi South Regional office**

Tourism Fund, Valley Road, 3rd and 4th Floor,  
P.O Box 46987-00100, Nairobi, Kenya  
Tel: 020-2730708

**Mombasa Regional Office**

Pereira Building 3rd Floor Machakos Road  
P.O. Box 99832-80100 Mombasa, Kenya  
Tel: 041-220493

**Tourism Fund  
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For the year ended June 30, 2019**

**CORPORATE INFORMATION AND MANAGEMENT**

**(g) Entity Regional Offices Location and Contacts**

**Kisumu Regional Office**

Reinsurance Plaza 7<sup>th</sup> Floor Oqinqa Odinga Road  
P.O. Box 1406-40100 Kisumu, Kenya  
Tel: 057-2022247

**Nakuru Regional office**

AFC Building, Mezzanine Floor, Kijabe off Kenyatta Avenue  
P.O. Box 2812-20100 Nakuru, Kenya  
Tel: 051-2215660

**Nyeri Regional office**

Sohan Plaza 4<sup>th</sup> Floor Nvavo Road  
P.O Box 348-10100 Nyeri, Kenya  
Tel: 061-2030778

**(h) Entity Bankers**

**Kenya Commercial Bank**

K.I.C.C Branch, Harambee Avenue  
P.O. Box 48400-00100 Nairobi

**National Bank of Kenya Ltd**

Harambee Avenue Branch.  
P.O Box 73866-00100 Nairobi

**Co-operative Bank of Kenya Ltd**

Parliament Road Branch.  
P.O Box 5772-00200 Nairobi

**(i) Independent Auditors**

Auditor-General  
Kenya National Audit Office  
Anniversary Towers-University way  
P.O BOX 30084-00100, Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O BOX 40112-00200, Nairobi, Kenya

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**BOARD OF TRUSTEES**



**Alfonse Kioko**  
**Chairman**

Mr. Alfonse Kioko was appointed as the Chairman of the Board of Trustees of Tourism Fund in May 2019. Born in 1960, Mr. Alfonse Kioko is a graduate of Harvard Business School Advanced Management Programme (AMP). He also holds a Bachelor's degree in Economics and Masters in Planning from University of Nairobi. He has done other management programmes from Cape Town Business School in South Africa and Maastricht University in Netherlands. He has held various senior management positions both locally and abroad. He joined Kenya Airways in 1989 as a management trainee and rose to the position of Regional General Manager Middle East and Asia based in Dubai. He was Group Managing Director & CEO for Precision Air Tanzania for 10 years. He is a businessman and a consultant.



**Mr Peter Ngori**  
**Trustee**

Mr Peter Ngori was appointed to Board of Tourism Board in 2017. He has wealth of experience in Tourism Industry that spans to over 40 years. He holds Advanced Diploma in Hotel Management and Diploma in Hotel Management.



**Ms Rael Rotich**  
**Alternate Trustee National Treasury**

CPA Rael Rotich was appointed as Alternate Trustee of Tourism Fund in 2017. She holds MBA (Finance Option) and Bachelor of Commerce.



**CPA Caroline Nganga**  
**Trustee**

Ms Caroline Nganga was re-appointed to the Board of Tourism Fund in 2019. She holds BSc Statistics, MBA (Strategic Management Option) and CPA (K). She is also a member of ICPAK, Institute of Internal Auditors and Associate member of Chartered Institute of Arbitrators.

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**BOARD OF TRUSTEES**



**Mr Kiprop Chirchir  
Trustee**

Kiprop Chirchir is a leading entrepreneur and a business man. He previously worked with Nation Media Group as a Marketer. He is a graduate of Moi University from where he attained Bachelor of Business Management. Mr.Chirchir was re-appointed to the Tourism Fund board in 2019.



**Mr Abdul Hakim Balala  
Trustee**

Mr Abdul Hakim Balala was appointed to the Board of Tourism Fund in February 2019. He has experience in Hospitality and Banking industry.



**Ms Susan Ongalo  
Trustee**

Ms Susan Ongalo was appointed to the Board of Tourism Fund in February 2019. She has wealth of experience in Tourism Industry. She holds Bachelor of Leadership and Management in International Relations, Diploma in Occupational Health and Diploma in Public Relations. She is an Associate member of AIGM. She is currently the Chief Executive Officer of Kenya Tourism Foundation.



**Mr Biko Gwendo  
Trustee**

Mr. Biko Gwendo was appointed to the Board of Tourism Fund in February 2019. He is the Executive Director at the International Research and Development Actions (IRDAC) and has worked in the field of Project Cycle Management for over 15 years. He has been a consultant for the Ford Foundation's Office for Southern Africa office and Eastern Africa office. He has consulted for the United Nations, European Union, Deloitte East Africa, Palladium International and Australian Agency for International Development, County Governments and the Government of Kenya. He holds MA in Economics and International Development and is a keen stakeholder in the hospitality industry in Kenya.

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**BOARD OF TRUSTEES**



Mr. Said Athman was appointed as Alternate Trustee of Tourism Fund in 2018. He is Tourism Secretary in the Ministry of Tourism. He holds a Masters in Regional and Urban Planning, University of Nairobi and an Honorary Building Economics degree from University of Nairobi and studied at the Starehe Boys Centre. He is a Quantity Surveyor, Planner, and Associate Arbitrator, Institute of Arbitrators of Kenya.

**Mr Said Athman Mtwana  
Alternate Trustee Ministry of Tourism**

**Tourism Fund  
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**TOP LEVEL MANAGEMENT TEAM**



Pursuing Phd in Leadership, MBA, Bachelor of Commerce, CPA (K)

**Mr Joseph Cherutoi  
Chief Executive Officer**



MBA, Bachelor of Commerce, CPA(K)

**Mr Eric Kiplagat  
Ag. Director of Corporate Services**



Bachelor of Arts, Bachelor of Laws Degree, Pursuing Postgraduate Diploma in Law at Kenya School of Law

**Mr Charles Okeyo  
Ag. Director of Levy Services**



Bachelor of Arts (Economics) with 28 years experience in Revenue Management.

**Mr. Eden R. Odhiambo  
Ag. Director Strategy and Resource Mobilization**

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**TOP LEVEL MANAGEMENT TEAM**



Procurement professional from CIPS with over 20 years of experience in the Banking Industry.

**Mrs Emily Wagem  
Supply Chain Manager**



Pursuing Masters of Arts (Corporate Communications), Bachelor of Business & Office Management, Diploma Business Management

**Ms Patricia Ondeng  
Corporate Communication and Marketing Manager**



Masters of Laws (Corporate Governance and Financial Regulation), Masters of Laws (Women's Law & Human Rights), Bachelor of Law (LLB), Post graduate Diploma in Legal Practice, Certified Secretary (Kenya),

**Mr. James Muriithi Njogu  
Legal Services Manager**



MBA (Corporate Management), Bachelor of Commerce (Finance), Diploma in Criminology and Social Order, CPA(K).

**CPA Abraham Kiprono Kiptum  
Internal Audit Manager**

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**TOP LEVEL MANAGEMENT TEAM**



MBA, B.COM (Human Resource), Higher Diploma in Human Resources Management, Diploma in Human Resource Management.

**Mr Adan Adad  
Head of Human Capital**



MBA (Strategic Management), BSC (Information Technology)

**Mr. Isaiah Rutto  
Ag. Information, Communication & Technology Manager**

**Tourism Fund  
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For the year ended June 30, 2019**

**STATEMENT BY THE CHAIRMAN BOARD OF TRUSTEES**

On behalf of the board of trustees it's my pleasure to present the Fund annual report. I am delighted to report that Tourism Fund performed very strongly. I am also honoured to be part of this dynamic and service oriented organization determined to ensure prosperity of the tourism industry.

The Board of Trustees continues to ensure that a robust governance structure is in place to enable the Fund succeed and finance the long term sustainable growth of the industry. To this end, the Board safeguards the structured process of delivering right skills and independence to support the successful execution of the Fund's strategy.

Tourism Fund 2018/19 performance was achieved during a year marked by exogenous pressures, including the global financial crisis and resulting travel advisories that had a substantial impact on the country's economy. In this environment, we have proven ourselves to be agile, resilient and adequately responsive to ensure sustainable tourism development.

During the financial year, the fund registered an overall improved performance of 13.8% in comparison to the previous year 2017/18.

Finally, in the light of the Fund's strong performance, the Board is optimistic about the resilience demonstrated this far to create increasing value and better outcomes for our stakeholders in future. I have no doubt that Tourism Fund team is experienced enough to face these challenges and make 2019/20 another year of success.

On behalf of the board of Trustees, I take this opportunity to thank our stakeholders, without whom our success in the year 2018/19 would not have been achieved. I would also like to thank our entire workforce for their hard work and dedication.



Mr. Alfonse Kioko  
**Chairman Board of Trustees**

**Tourism Fund  
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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

The financial 2018/19 marks the 48<sup>th</sup> year since inception of Tourism Fund. Since its launch in 1972, Tourism Fund has consistently implemented strategic plans with a view to enhancing service delivery to our customers thus improving voluntary compliance and levy collection.

The period under review saw continued investment in the execution of our corporate strategy aimed at utilizing new innovative ways and breaking new grounds to build and expand its horizons in providing information and direction in the implementation of the Tourism Act.

**Operating Economic Environment in 2018/19**

Kenya has shown resilient growth so far this year and its economy remains one of the fastest-growing in the region. During the financial year 2018/19, the Gross Domestic Product and the economy at large was on the upward trend.

Tourism sector earnings increased substantially. On the domestic front, improvements in hotel occupancy were recorded for the better part of the year.

In line with the vision 2030 plan synchronized with our strategic plan 2014-19, Tourism Fund made significant strides in the following areas:

**Revenue performance**

During the Financial year 2018/19, Tourism Fund collected a total of Kshs.2.74 Billion against a target of Kshs.3.16 Billion, being a performance rate of 87%.

**ISO 9001:2008 certification**

Tourism Fund is ISO 9001:2008 certified. This certification of compliance recognizes that the policies, practices and procedures of the Fund are in tandem with the best practices in the world and it goes a long way to confirm to our clients and stakeholders of our commitment to excellent service delivery.

The said certification has enabled implementation of dedicated activities that led to continuous improvement, and enhanced the Fund's efficiency.

**Office Block.**

After many years of planning and execution, The Fund has finally realized the dream of setting up and completing the office block along Valley Road. This is a capital project that has been going on for the last seven years. Substantial amount of internal resources has been put into the construction of the office block and it now stands out as an icon in the upper Hill area. This is going to be a home for the Ministry of Tourism and other agencies within the sector.

**Tourism Fund  
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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

**Construction of the Second Tourism Hospitality College Kilifi County-  
Ronald Ngala Utalii College.**

The Ronald Ngala Utalii College is jointly funded by Tourism Fund and the National Treasury, as per the Cabinet Memorandum signed in June 2014 which requires that Tourism Fund set aside Kshs. 500 million annually in favor of the project and the National Treasury set aside Kshs. 1.23 billion annually. This proposal is presented and documented in the Medium Term Expenditure Framework (MTEF) and the General Economic and Commercial Affairs Sector (GECA) sector paper.

The Fund is now in the fifth year of implementing this flagship project. It is expected that at completion, the college will offer training opportunities to students' specializing in tourism and hospitality. By the end of the fourth year, a total of 53.73% completion rate had been achieved. It is expected that the project will be fully operational by the end of the remaining one year.

**Conclusion**

Tourism Fund is optimistic of exceeding the targets with the support of the Government and the stakeholders. The Fund will continue to improve on quality, efficiency and service delivery through a wide range of initiatives and improved business processes.



Joseph Cherutoi  
**Chief Executive Officer**

**Tourism Fund  
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**CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure used to direct and manage the business affairs of the Trustees.

The Board of Trustees is the supreme forum for formulating and interpreting policy and charting out the roadmap for goal attainment including plans of action. The Trustees attach great importance to the need to conduct the business and operations of the Fund with integrity, professionalism and in accordance with generally accepted international corporate practice.

The Board meets on a regular basis to review management performance including revenue collection, operational issues and future planning. The trustees are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, and operational revenue and compliance issues.

The Board is responsible for the management of the affairs of the Fund including:

- Review and approval of the policy of the Fund.
- Monitoring the performance of the Fund in carrying out its core functions.
- Offering general direction and guidelines for the overall operations of Tourism Fund.

**Committees of the Board**

The Board has three standing committees that meet under the terms of reference set out by the Board, namely:

· **Finance and Strategy Committee**

The finance committee reviews the annual budget and is responsible for the financial policies of the Fund.

The members are : Mr.Abdulhakim Saleh Balala (Chairperson), CPA Rael Rotich, Mr.Biko Gwendo and Mr.Kiprop Chirchir.

· **Audit and Risk Assurance Committee**

The committee is responsible for reviewing audit reports, compliance with relevant laws, procedures and standards, quality of financial reporting and oversight on internal controls among others.

The members are : CPA Caroline Ng'anga (Chairperson), CPA Rael Rotich, Mr.Peter Ngori and Mr.Athman Said.

· **Staff and Technical Committee**

The committee is responsible for monitoring and appraising the performance management, reviewing of human resource policies and making recommendations on issues to do with general staff welfare to the board.

The members are : Mr.Biko Gwendo (Chairperson), Ms.Susan Ongalo, Mr.Athman Said and Mr.Abdulhakim Saleh Balala.

**Revenue Management and Projects Committee**

The committee is responsible for monitoring and appraising projects.

The members are : Mr.Kiprop Chirchir (Chairperson), Mr.Peter Ngori, CPA Rael Rotich, Ms.Susan Ongalo and CPA Caroline Ng'anga.

**Tourism Fund**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of Tourism Fund's affairs.

**Principal activities**

The principal activities of the Tourism Fund are as follows:

- (a) Finance the development of tourism products and services ;
- (b) Finance the marketing of Kenya as a tourist destination through the Tourism Board ;
- (c) Finance the activities of the Protection Service ;
- (d) Finance the tourism research, tourism intelligence and the national tourism information management system ;
- (e) Finance the activities of the Tourism Sector Safety, Communication and Crisis Management Centre to be established and managed by the Ministry ;
- (f) Finance training and capacity development activities of the College and of such other tourism hospitality training institutions as may be established under this Act ;
- (g) Mobilize resources to support tourism-related activities.

**Results**

The results of Tourism Fund for the year ended June 30, 2019 are set out on page 1 - 24.

**Directors**

The members of the Board of Trustees who served during the year are shown on pages vi - viii.

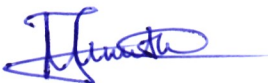
**Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after end of each financial year. Tourism Fund did not make any surplus during the year 2018/2019 and hence no remittance to the Consolidated Fund.

**Auditors**

The Auditor General is responsible for the statutory audit of Tourism Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**James Njogu**  
**Corporate Secretary**

**Nairobi**

**Date :** 30/06/2020

**Tourism Fund  
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**STATEMENT OF BOARD OF TRUSTEES RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Tourism Act 2011 require the Directors to prepare financial statements in respect of Tourism Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year 2018/2019 and the operating results of the Fund for that year. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as the end of the financial year ended June 30, 2019. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Fund;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act, 2012 and Tourism Act 2011. The Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that Tourism Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**


The Fund's financial statements were approved by the Board on 17 SEPTEMBER <sup>2019</sup> ~~2020~~ and signed on its behalf by:

CRA CAROLINE E. NGANCA



Trustee/Director

SUSAN M. ONGAB



Trustee/Director

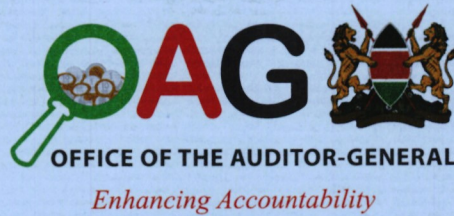
PETER S. NGOU



Trustee/Director

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON TOURISM FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Tourism Fund set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tourism Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Tourism Act, No.28 of 2011.

#### **Basis for Qualified Opinion**

##### **1. Long Outstanding Receivables from Non-Exchange Transactions**

The statement of financial position as at 30 June, 2019 reflects receivables from non-exchange transactions totalling Kshs.289,149,767. The balance includes staff advances totalling Kshs.1,508,532 owed by former employees. Although Management explained that provisions had been made to recognize doubtful debts included in the balance, no satisfactory explanation was provided why the staff debts were not recovered before the debtors left the Fund. Further, records on efforts made, if any, to recover the advances were not provided for audit.

In addition, unpaid levies increased by Kshs.40,444,678 or 43% from Kshs.92,369,180 at the beginning of the year to Kshs.132,813,858 as at 30 June, 2019 even as revenue from fines, penalties and levies increased by Kshs.340,188,983 or 13%. No explanation was provided for the large increase in debtors during the year under review.

Further, as previously reported, provisions totalling Kshs.20,443,841 relating to dishonored cheques for levy collections included Kshs.9,500,423 due from a defunct Club. As reported, the Fund was enjoined in the petition for winding up of the Club under Case No.1 of 2005 at the High Court of Kenya in Mombasa. In a decision made on 19 June, 2014, the Court ruled that the Club be wound up and an Official Receiver be appointed as provisional liquidator. The Receiver had not paid the debt as at 30 June, 2019 and therefore its recoverability was doubtful.

In view of these issues, the accuracy, completeness and level of recoverability of receivables from non-exchange transactions balance totalling Kshs.289,149,767 as 30 June, 2019 could not be confirmed.

## **2.0 Unconfirmed Expenditures on Construction of Ronald Ngala Utalii College**

The statement of financial performance reflects grants and transfers totaling Kshs.1,781,681,509 being remittances made to various entities in the year under review, as further disclosed in Note 11 to the financial statements. The balance includes Kshs.576,165,250 transferred to the envisaged Ronald Ngala Utalii College.

Numerous unsatisfactory matters have been observed in relation to the transfers and expenditures reported on construction of the College in previous years and in the year under review, as highlighted in the following paragraphs:

### **2.0.1 Failure to Account for Transfers to the College**

The transfers made to the College since its inception have not been properly accounted for, as explained below:

- (i) Although the Fund has since the financial year ended 30 June, 2010 continually provided funds and reported to have implemented civil works for the upcoming College, no disclosures have been made in the books of the Fund, or independently, on the progress of works or the assets and liabilities of the College as at 30 June, 2019, or in earlier years.
- (ii) Further, the financial statements of the College have never been submitted to the Auditor-General for audit, contrary to Section 84 of the Public Finance Management Act, 2012. In addition, besides gazettelement of the College, it appears that it has no Governing Board, or staff deployed to start its operations.
- (iii) In addition, Management has never provided an analysis of the transfers made to the Fund by the National Treasury as capital grants for the College, and the value of the aggregate grants and other monies or resources invested by the Fund in the College.
- (iv) IPSAS No.11 requires the reporting entity to disclose in its financial records the aggregate amount of costs incurred and recognized surpluses (less recognized deficits) to date; the amount of advances received; and the amount of retentions. The contracts signed by the Fund with the main contractor, consultants and the sub-contractor provided for retention monies and advance payments to various contractors. However, during the year under review, retentions totalling Kshs.153,502,220 were not reported in the financial statements of the Fund and an advance payment of Kshs.90,327,220 that was

yet to be recovered was not disclosed in the financial statements, contrary to IPSAS 51.

## 2.0.2 Unsatisfactory Implementation of Construction Works

The following unsatisfactory issues were noted in relation to implementation of construction works for the College in the year under review, and in previous years:

- (i) Records provided for audit indicated that the College was initially established as Kenya Utalii College, Coast Branch vide Cabinet Memo Ref: CAB.58/4A of 13 September, 2007 on 60 acres of land in Kilifi County donated by REA Vipingo Plantations Company Limited.
- (ii) Its establishment followed a Cabinet Memorandum jointly submitted by the Ministry of Tourism and Wildlife and the Ministry of Finance on 27 August, 2007.
- (iii) In the Memorandum, the Ministries had indicated that the cost of constructing the College would amount to Kshs.1,948,000,000 analyzed as follows:
  - Estimated Cost of Training Facilities - Kshs.462,000,000
  - Estimated Cost of Administration facilities - Kshs.138,600,000
  - Estimated Cost of Staff Accommodation - Kshs.462,000,000
  - Estimated Cost of Three or Four - Star Application Hotel - Kshs.616,000,000
  - Estimated Cost of Pre-opening Expenses - Kshs.15,500,000
  - Contingencies - Kshs.154,000,000
- (iv) The Cabinet after considering the contents of the Memorandum on 13 September, 2007 notified the Accounting Officers for the ministries of its decision to authorize construction of Kenya Utalii College, Coast Branch, at the Rea Vipingo site.

The Ministries proposed that the Project be undertaken in four phases estimated to cost Kshs.500,000 each.

- (v) The development of the College was soon thereafter transferred from Kenya Utalii College to Catering and Tourism Development Levy Trustees (now Tourism Fund) and the name of the College was changed to Ronald Ngala Utalii College.
- (vi) In 2010 the Tourism Minister through Gazette Notice No.3478 of 25 March, 2010, established Ronald Ngala Utalii Academy in place of the envisaged Ronald Ngala Utalii College and appointed Board members of the Academy in Gazette Notices dated 6 August, 2010 and 5 November, 2010. However, the appointments were nullified in 2012 alongside those of other Tourism Agencies by the new Minister for Tourism. There is no record of a new Board having been appointed thereafter.
- (vii) In view of the change of name from Ronald Ngala Utalii College to Ronald Ngala Utalii Academy, there is no clarity on the name under which the land and other assets of the College are registered. Further, only 40 acres of the 60-acre College land were fenced with the remainder 20 acres left exposed to encroachers.

- (viii) The Fund's procurement plan did not include the estimated cost of the project in a multi-year procurement plan as required in Section 26(3) of the Public Procurement and Disposal Act, 2005 applicable then, and Section 12 of the Public Finance Management Act, 2012.
- (ix) No evidence was provided to confirm that the procurement of architectural and other consultancy services was preceded by an advertisement for Expression of Interest by potential contractors, as required by Section 78 of the Public Procurement and Disposal Act, 2005. Further, there was no record indicating that the Tender Committee approved the use of Request for Proposal Method of procurement instead of advertisement for Expression of Interest from the wider market of potential providers of the consultancy services.
- (x) Contrary to Section 26(3)(c) of the Public Procurement and Disposal Act, 2005 on segregation of duties and Section 28 of the Act on appointment of a procuring agent, the Tender Evaluation Committee included two members from the procured consortium of consultants; an Architect and a Quantity Surveyor. The two were responsible for designing the buildings and drawing the Bills of Quantities. Their appointment may have cast doubt on the objectivity and fairness of the cost estimates applied in the project.
- (xi) The tender for consultancy services was awarded to an architectural firm on the basis of the technical proposal submitted by the firm. However, the tender award did not specify the scale of fees applicable to professional services. Similarly, the tender document did not indicate how the consultants were to be paid. The proposal indicated that the firm was to negotiate the scale of fees to be paid for the services it would provide. However, records on the negotiations were not provided for audit. Therefore, their occurrence could not be confirmed given that the tender award was made on the day the negotiations were due to begin.
- (xii) The consortium included a surveyor whose bid was not evaluated and who was also one of the consultants contracted to the project. Consequently, the objectivity and fairness of the evaluation process may have been doubtful.
- (xiii) The award of the construction contract was made to the third lowest prequalified bidder at Kshs.8,961,370,998 and not the lowest bidder who had quoted Kshs.8,462,639,707 resulting to a significant price difference of Kshs.498,731,291, notwithstanding that all the bidders had undergone evaluation and prequalification processes and had their competencies and suitability confirmed.
- (xiv) At the tender award price amounting to Kshs.8,961,370,998, the cost was Kshs.7,013,370,998 or 361% higher than the original estimated cost amounting to Kshs.1,948,000,000 proposed by the Ministry of Tourism and Wildlife and Ministry of Finance and approved by the Cabinet. No record was provided for audit to explain the increase in the cost of the Project, and whether the new cost was approved by the Cabinet.
- (xv) The contract was revised on 25 August, 2014 through Second Addendum that scaled down the contract sum from Kshs.8,961,370,998 to

Kshs.4,923,005,000. However, no records were provided for audit to explain the basis for the change in scope of the project and whether the change was approval by the Cabinet.

- (xvi) On 10 March, 2016, the architect presented Fee Note No.9 for services valued at Kshs.208,780,092. Included in the fees were out of pocket expenses totalling Kshs.44,953,350, for which no supporting documents were provided for audit verification. On 8 September, 2015, the Quantity Surveyor presented Fee Note No.3 for services valued at Kshs.242,971,448. Included in the fees were reimbursement costs totalling Kshs.7,196,378 for which the consultant did not provide supporting records, contrary to Section 139(2)(d) of the Public Procurement and Asset Disposal Act, 2015.
- (xvii) In financial year 2016/2017, the Fund paid Kshs.7,959,600 to Kilifi County Government being land rates for the College. However, an advocate engaged in August, 2013 to negotiate the outstanding land rates with the County Government was on 9 September 2014 paid Kshs.13,000,000, excluding fees. The advocate was to obtain the rates clearance certificate within 30 days from the date of the payment. On 10 October, 2016, the advocate wrote to the Fund requesting for an additional Kshs.10,000,000 'to finalize the matter' but the Fund did not honor the request. The reasons for the payments made to the Advocate in excess of the value of the outstanding rates were not explained by Management.
- (xviii) The Project's Quantity Surveyors addressed Interim Valuation Certificate No.34 to Management in June, 2019. The certificate was for work done valued at Kshs.2,186,217,000. In addition, the certificate included amounts totalling to Kshs.1,140,373,000 described as interest on delayed payments, price fluctuations, extended price fluctuations and idle plant and labor, among other contractual claims. However, contrary to Clause 35 of the terms and conditions of the contract, detailed information on how the interest and penalties arose was not submitted by the Surveyors alongside the certificate. As a result, the validity of the additional costs could not be confirmed.
- (xix) Examination of Certificate No.33 dated 24 April, 2019, indicated that work certified was at 72% level of completion whereas 90% of the project period had lapsed. A site visit done on 16 October, 2019 showed most tasks were behind schedule. As at 30 June, 2019 payment claims totalling Kshs.6,236,525,432 had been lodged by the contractor and consultants. The claims were comprised of works valued at Kshs.3,554,228,346 and consultancy services valued at Kshs.2,631,215,086.
- (xx) Records provided for audit indicated that payments to the consultants as at 30 June, 2019 totalled Kshs.2,631,215,086 all computed on the basis of the original contract sum amounting to Kshs.8,961,370,998, as reflected in the interim certificates No.33. Management did not explain why the Quantity Surveyor and the Architect had not scaled down the contract sum from Kshs.8,961,370,998 to Kshs.4,923,005,000, as indicated in the contract's Second Addendum dated 25 August, 2014.

- (xxi) No record was provided to align the expenditure totalling Kshs.2,631,215,086 incurred on the consultants to the payments rates prescribed in the Architects and Quantity Surveyors Act Cap 525 of 2010, or the contracts entered into between the Fund and the consultants. When viewed against provisions on costing consultancy services prescribed in the Act, the fees totalling Kshs.2,631,215,086 charged by the consultants seemed high and did not match the civil works expenditure totalling Kshs.3,605,310,346 as at 30 June, 2019 and the contract sum totalling Kshs.4,923,005,000.

In view of these issues, the probity and value for money on the public funds spent by the Fund on the envisioned College as at 30 June, 2019 could not be confirmed. In addition, the amount of funds received and transfers made by the Fund in relation to the Project, and the valuation of the work-in-progress and the pending works as at 30 June, 2019 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

The report for the previous year highlighted several unsatisfactory issues concerning the financial statements, lawfulness and effectiveness in use of public funds and effectiveness of internal control, risk management and governance. The matters had not been resolved as at 30 June, 2019.

### **Prior Year Issues**

The audit report for the year ended 30 June, 2018 highlighted several issues relating to the balances reflected in the financial statements, lawfulness and effectiveness in use of public resources and effectiveness of internal control, risk management and governance. Management's report on progress made in resolving the issues indicates that some of the issues have since been resolved and efforts to resolve the rest are ongoing.

The status of all the issues shall be confirmed after they are discussed by the National Assembly.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Delayed Completion of Office Block**

As previously reported, included in the property, plant and equipment balance totalling Kshs.2,639,240,649 as at 30 June, 2019 is Kshs.1,563,350,922 being work-in-progress on construction of the Fund's office block.

However, examination of the contract agreement indicated that the works contracted at Kshs.811,717,150 were due for completion on 30 November, 2012. There were no records showing approval for extension of the contract after the initial contract duration expired.

In addition, Financial Appraisal No.6 dated October, 2018 indicated an additional upward variation of the contract price by Kshs.695,272,103 to Kshs.1,506,989,253 equivalent to 85.65% of the original contract price. However, record of the variation having been approved by the Tender Committee, as required by Section 139 of the Public Procurement and Asset Disposal Act, 2015, was not provided for audit. Information obtained soon after the audit inspection indicated that the Fund occupied the building in January, 2019 and had let out some of the offices to various tenants.

As a result of the missing records, validity and value for money on the expenditure totalling Kshs.1,563,350,922 spent on construction of the building could not be confirmed.

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

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

### **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of Management and Board of Trustees**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting, unless Management is aware of the intention to dissolve the Fund, or to cease operations.

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

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

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

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

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

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence

obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**27 January, 2022**

**Tourism Fund**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

	Note	2018-2019 Kshs	2017-2018 Kshs
<b>Revenue from non-exchange transactions</b>			
Fines, Penalties and Levies - Tourism Levy	2	2,798,530,685	2,458,341,702
Grants from GOK	3	200,000,000	93,750,000
<b>Total revenue from non-exchange transactions</b>		<b>2,998,530,685</b>	<b>2,552,091,702</b>
<b>Revenue from exchange transactions</b>			
Rental revenue from facilities and equipment	4	218,791	208,373
Finance Income - External Investments (Interest)	5	1,288,504	1,884,839
<b>Total revenue from exchange transactions</b>		<b>1,507,295</b>	<b>2,093,211</b>
<b>Total revenue</b>		<b>3,000,037,980</b>	<b>2,554,184,913</b>
<b>Expenses</b>			
Use of Goods and Services	6	8,444,050	5,866,267
Employee costs	7	594,235,497	478,886,360
Remuneration of Directors - Trustees	8	32,126,306	19,708,904
Depreciation and Impairment expense	9	64,813,808	48,361,189
Repairs and Maintenance	10	48,928,686	47,587,977
Grants and Subsidies	11	1,781,681,509	1,383,014,819
General Operating Expenses	12	243,972,145	219,267,021
<b>Total expenses</b>		<b>2,774,202,001</b>	<b>2,202,692,538</b>
<b>Other gains/(losses)</b>			
Loss on sale of assets	13 -	1,804,993	94,621
<b>(Deficit) / Surplus for the period</b>		<b>224,030,985</b>	<b>351,586,995</b>

The notes set out in pages 6 - 17 form an integral part of these Financial Statements.

**Tourism Fund**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**


**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30<sup>TH</sup> JUNE 2019**

	Note	2018-2019 Kshs	2017-2018 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	14	80,715,688	101,696,864
Receivables from non-exchange transactions	15	289,149,767	242,406,029
<b>Total Current Assets</b>		<b>369,865,455</b>	<b>344,102,893</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	16	2,639,240,649	2,099,397,939
Investments (Fixed deposit and interest)	17	-	3,100,000
Intangible assets	18	29,635,882	23,725,729
<b>Total Non-Current Assets</b>		<b>2,668,876,531</b>	<b>2,126,223,668</b>
<b>Total Assets</b>		<b>3,038,741,986</b>	<b>2,470,326,561</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	19	168,960,952	132,693,987
<b>Total Liabilities</b>		<b>168,960,952</b>	<b>132,693,987</b>
<b>Net Assets</b>	20	<b>2,869,781,034</b>	<b>2,337,632,574</b>
<b>Total Net Assets</b>		<b>2,869,781,034</b>	<b>2,337,632,574</b>
<b>Total Net Assets and Liabilities</b>		<b>3,038,741,986</b>	<b>2,470,326,561</b>

The Financial Statements set out on pages 1 - 23 were signed on behalf of the Trustees by:

**Chief Executive Officer**

Name: Mr. Joseph Cherutoi

Sign:   
Date: 30/06/2020

**Ag. Director of Corporate Services**

Name: Erick Kiplagat

ICPAK Member No.: 4370

Sign: 

Date: 30/06/2020

**Chairman Board of Trustees**

Name: Mr. Alfonse Kioko

Sign:   
Date: 30/06/2020

**Tourism Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**20. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30TH JUNE 2019**

	Note	Capital fund Kshs	surplus(Deficit) Kshs	Revaluation Reserve Kshs	Total Kshs
<b>Balance as at 30 JUNE 2017 (Bal b/d 1.7.2017)</b>		<b>1,984,062,150</b>	-	-	<b>1,984,062,150</b>
Surplus for the period		-	351,586,995	-	<b>351,586,995</b>
Prior Year Adjustment	21	-	1,983,440	-	<b>1,983,440</b>
<b>Balance as at 30 JUNE 2018 (Bal b/d 30.6.2018)</b>		<b>1,984,062,150</b>	<b>353,570,436</b>	-	<b>2,337,632,586</b>
Surplus for the period		-	224,030,985	-	224,030,985
Prior Year Adjustment	21	-	26,999	-	26,999
Revaluation Reserve				308,090,464	308,090,464
<b>Balance as at 30 JUNE 2019 (Bal b/d 30.6.2019)</b>		<b>1,984,062,150</b>	<b>577,628,420</b>	<b>308,090,464</b>	<b>2,869,781,034</b>

**Note:** The nature of reserves is levy collected.

The notes set out in pages 6 - 17 form an integral part of these Financial Statements.

Tourism Fund  
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STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fines, Penalties and Levies - Tourism Levy	2	2,798,530,685	2,458,341,702
Grants from GOK	3	200,000,000	93,750,000
<b>Total Receipts</b>		<b>2,998,530,685</b>	<b>2,552,091,702</b>
<b>Payments</b>			
Use of Goods and Services	6	16,345,300	10,203,067
Employee costs	7	594,235,497	478,886,360
Remuneration of Directors - Trustees	8	32,126,306	19,708,904
Repairs and Maintenance	10	48,928,686	47,587,977
Grants and Subsidies	11	1,825,651,698	1,383,014,819
General Operating Expenses	12	189,000,706	214,930,221
<b>Total Payments</b>		<b>2,706,288,193</b>	<b>2,154,331,349</b>
<b>Net changes in working capital items</b>			
Increase in Receivables	-	46,737,732	181,801,514
Increase/(Decrease) in Payables		36,287,969	25,698,646
Prior year adjustment		-	1,983,440
		<b>10,449,763</b>	<b>205,516,720</b>
<b>Net Cashflows from operating activities</b>		<b>281,792,728.93</b>	<b>192,243,632.81</b>
<b>Cashflows from investing activities</b>			
Purchase of property, plant, equipment	-	306,013,699	313,592,410
Proceeds from sale of property, plant, equipment		1,732,500	1,422,900
Finance income - Interest on Loans & Investments	5	1,288,504	1,884,839
Rental revenue from facilities and equipment	4	218,791	208,373
<b>Net cash flows used in investing activities</b>		<b>302,773,904</b>	<b>310,076,298</b>
<b>Cashflows from financing activities</b>			
<b>Net increase in cash and cash equivalent</b>		<b>20,981,176</b>	<b>117,832,665</b>
Add Cash and Cash Equivalent 1 <sup>st</sup> July 2018		101,696,863	219,529,529
<b>Cash and Cash Equivalent 30<sup>th</sup> June 2019</b>	14	<b>80,715,688</b>	<b>101,696,863</b>

The notes set out in pages 6 - 17 form an integral part of these Financial Statements.

Tourism Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance Difference	Explanation of material variances
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
<b>Revenue</b>						
Fines, penalties and levies	3,155,348,924	-	3,155,348,924	2,798,530,685	356,818,239	1
Government grants and subsidies	400,000,000	-	400,000,000	200,000,000	200,000,000	2
Finance Income (Interest)	80,000	-	80,000	1,288,504	1,208,504	3
Gains on disposal, rental income	65,120,000	-	65,120,000	218,791	64,901,209	4
<b>Total income</b>	<b>3,620,548,924</b>	<b>-</b>	<b>3,620,548,924</b>	<b>3,000,037,980</b>	<b>620,510,944</b>	
<b>Expenses</b>						
Use of Goods and Services	12,710,000	-	12,710,000	8,444,050	4,265,950	5
Employee costs	621,510,517	-	621,510,517	594,235,497	27,275,020	6
Remuneration of Directors - Trustees	38,860,000	-	38,860,000	32,126,306	6,733,694	7
Depreciation and Amortization expense	46,913,839	-	46,913,839	64,813,808	17,899,969	8
Repairs and Maintenance	52,406,374	-	52,406,374	48,928,686	3,477,688	9
Grants and Subsidies	2,110,700,000	-	2,110,700,000	1,781,681,509	329,018,491	10
General Operating Expenses, loss on disposal	286,573,723	-	286,573,723	245,777,138	40,796,585	11
<b>Total expenditure</b>	<b>3,169,674,454</b>	<b>-</b>	<b>3,169,674,454</b>	<b>2,776,006,995</b>	<b>393,667,459</b>	
<b>Surplus for the period</b>	<b>450,874,470</b>	<b>-</b>	<b>450,874,470</b>	<b>224,030,985</b>	<b>226,843,485</b>	

Explanation of material variances

- 1 The expected earnings from the International Tourist Arrivals was lower than expected growth.
- 2 Received less grants than anticipated from exchequer for the ongoing construction of Ronald Ngala Utalii College due to austerity measures implemented by the Exchequer.
- 3 Increased uptake of staff loans.
- 4 Rental income from the office block was budgeted for, but tenancy/occupancy is yet to take place.
- 5 The increase mainly in Electricity and Water among other expenses was due to the occupation of the new office block that consequently led to additional office space.
- 6 Provision was made for organizational restructuring guided by the approved salaries review. The process for was ongoing at the closure of the financial year.
- 7 Savings were realised from the implementation of cost cutting measures.
- 8 Furniture & Fittings were acquired upon relocation to the new office block.
- 9 Savings were realised from the implementation of cost cutting measures.
- 10 Grants to KTB and KTB were fully paid. However, the anticipated RNUC Grants from the exchequer were received 50% of the budgeted Treasury estimates.
- 11 Savings were realised from the implementation of cost cutting measures.

## **Tourism Fund**

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#### **NOTES TO THE FINANCIAL STATEMENTS**

Tourism Fund prepares its general purpose financial statements in accordance with International Public Sector Accounting Standards (IPSAS). In the preparation of the said statements for the financial year under review, Tourism Fund elected to comply with the The Public Finance Management Act 2012 section 192 and Kenya Gazette No. 5440 pronouncement dated 8<sup>th</sup> August 2014, as detailed below:

2.2.3 The state and County Corporations carrying out commercial activities shall apply IFRS while regulatory and noncommercial State and County Corporations shall apply IPSAS Accrual.

The IPSAS that Tourism Fund has complied with in line with the pronouncement in the preparation of its financial statements are: IPSAS: 1, 2, 3, 9, 17, 19, and 20. These standards that Tourism Fund complied with were effective by 30<sup>th</sup> June 2014.

The notes in the financial statements provided and the respective disclosures made refer to the above applied standards.

**(a) Basis of Preparation**

The financial statements are prepared under the historical cost basis of accounting as modified by the revaluation of assets and fair value adjustments to investments. They are presented in Kenya Shillings (Kshs.) and comply with International Public Sector Accounting Standards (IPSAS).

**(b) Reclassification of items**

Some of the prior year items in the comparative statements have been reclassified in compliance with the latest IPSAS -K Reporting Framework Template.

**(c) Income Recognition**

**(i) Levy Income:** In accordance with the Tourism Act 2011, levy income is a % charge on gross sales levied by enterprises providing tourism activities and services as stipulated in the ninth schedule. The rate is gazetted by the Cabinet Secretary in charge of Tourism.

**(ii) Other Income:** Interest income is recognized on a time basis at the effective interest rate applied on the principal amounts outstanding.  
Other incomes are recognized when earned.

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**(d) Property and Equipment**

All categories of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation of each asset to its residual value where applicable over the expected useful life of the asset in equal installments. A full year's depreciation is charged in the year of purchase but no charge is made in the year of disposal.

The estimated rates are as follows

(i) Computers and Accessories	30%
(ii) Furniture, Fittings & Equipment	12.50%
(iii) Motor Vehicles	25%
(iv) Land	2%

**(e) Intangible Assets**

Intangible assets consist of various computer software systems purchased for use by the Trustees. These assets are recognized as purchased separately at cost less accumulated amortization. Amortization is charged 30% same as the category of computers and accessories.

**(f) Retirements Benefits Obligations**

The Trustees operates a Defined Contributory scheme. The assets of the scheme are held in a separate trustee administered fund. The cost of providing pension and other post retirement benefit for employees is charged to the fund.

**(g) Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and short term deposits held with the banks.

**(h) Taxation**

The Trustee is a wholly owned government organization hence is exempt from taxation on investment income.

**Tourism Fund**

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**NOTES TO THE FINANCIAL STATEMENTS**

**2 FINES, PENALTIES AND LEVIES - TOURISM LEVY**

ALL BRANCHES	2018-2019	2017-2018
Description	Kshs	Kshs
Nairobi North Region	737,741,599	648,969,606
Nairobi South Region	845,168,912	769,901,971
South Rift	389,788,629	-
Coast Region	487,802,872	430,612,696
Western Region	89,893,434	128,357,087
North Rift	57,008,311	316,332,471
Central Region	191,126,928	164,167,870
<b>Total Fines, Penalties and Levies - Tourism Levy</b>	<b>2,798,530,685</b>	<b>2,458,341,702</b>

**3 GRANTS FROM GOK**

Description	2018-2019	2017-2018
	Kshs	Kshs
Grants from GOK	200,000,000	93,750,000
<b>Total Grants from GOK</b>	<b>200,000,000</b>	<b>93,750,000</b>

**4 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	2018-2019	2017-2018
	Kshs	Kshs
Rental Revenue From Facilities And Equipment	218,791	208,373
<b>Total Rental Revenue From Facilities And Equipment</b>	<b>218,791</b>	<b>208,373</b>

**5 FINANCE INCOME - EXTERNAL INVESTMENTS (INTEREST)**

Description	2018-2019	2017-2018
	Kshs	Kshs
Interest on Loans & Investment	1,256,106	1,799,229
Interest on Staff Loans	32,398	77,131
Miscellaneous revenue	-	8,478
<b>Total Finance Income</b>	<b>1,288,504</b>	<b>1,884,839</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**6 USE OF GOODS AND SERVICES**

Description	2018-2019 Kshs	2017-2018 Kshs
Electricity & Water	7,075,050	4,903,512
Subscriptions	1,369,001	962,754
<b>Total Goods and Services</b>	<b>8,444,050</b>	<b>5,866,266</b>

**7 EMPLOYEE COSTS**

Description	2018-2019 Kshs	2017-2018 Kshs
Basic Pay	258,992,849	202,760,066
Pension and Gratuity	49,884,026	35,785,592
House Allowance	79,552,433	71,059,967
Acting Allowance	4,072,085	1,251,398
Leave Allowance	6,080,776	5,154,351
Transfer Allowance	7,387,654	95,362
Transport Allowance	24,825,668	13,826,668
Remunerative Allowance	630,000	360,000
Staff Development (Training)	30,238,615	17,436,987
Staff Uniforms	894,330	3,336,760
Staff Tea	4,066,818	3,656,075
Levy Collection Incentives	10,488,915	8,014,506
Medical Insurance	31,615,198	34,740,657
Staff Contingencies	330,367	187,135
Levy Collection expenses	85,175,763	81,220,837
<b>Total Employee Costs</b>	<b>594,235,497</b>	<b>478,886,360</b>

**Note:**

Increase in employee cost was as a result of a review of staff emoluments following reclassification of Tourism Fund and subsequently in line with guidelines from the Salaries and Remuneration Commission.

**8 REMUNERATION OF DIRECTORS - TRUSTEES**

Description	2018-2019 Kshs	2017-2018 Kshs
Chairman's Honorarium	1,200,000	1,520,000
Trustees Sitting Allowance	6,921,500	5,324,500
Trustees Travelling & Accomodation	22,604,806	10,764,404
Trustees Remuneration	1,400,000	2,100,000
<b>Total Remuneration of Directors - Trustees</b>	<b>32,126,306</b>	<b>19,708,904</b>

**Note:**

The Increase in trustees travelling and accomodation was due to training costs incurred for the board of trustees while being trained on the new revenue management system

**9 DEPRECIATION AND IMPAIRMENT EXPENSE**

Description	2018-2019 Kshs	2017-2018 Kshs
Deprn - Furniture	8,319,133	1,078,105
Deprn - Partitions	17,716,802	9,366,539
Deprn - Computers	6,830,980	8,052,140
Deprn - Motor Vehicles	15,901,920	19,119,560
Land Amortization	4,948,316	5,049,302
Deprn - Intang Assets	6,129,503	3,596,580
Deprn - Off Equip	4,967,155	2,098,964
<b>Total Depreciation and Amortization Expense</b>	<b>64,813,808</b>	<b>48,361,189</b>

**Tourism Fund**

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**NOTES TO THE FINANCIAL STATEMENTS**

<b>10 REPAIRS AND MAINTENANCE</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Repair & Maint-Motor Vehicles	9,676,626	8,490,935
E-Mail& Internet Connectivity	39,008,960	38,781,807
Repair & Maint-Building	203,765	290,555
Repair & Maint- Furniture	39,335	24,680
<b>Total Repairs and Maintenance</b>	<b>48,928,686</b>	<b>47,587,978</b>
<b>11 GRANTS AND SUBSIDIES</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Grants to Kenya Utalii College	570,238,960	495,000,000
Grants to Kenya Tourist Board	430,020,000	264,000,000
Grants to Ronald Ngala College	576,165,250	528,795,651
Grants - Other Training Activities (PERAK, KAHC)	2,171,054	337,500
Product Development	3,086,245	217,875
Grants from GOK- Transfer to Ronald Ngala Utalii College	200,000,000	94,663,793
<b>Total Grants and Subsidies</b>	<b>1,781,681,509</b>	<b>1,383,014,819</b>
<b>12 GENERAL OPERATING EXPENSES</b>		
<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Media, Advertisement & Publicity	29,519,352	15,173,306
Audit fees	1,740,000	1,740,000
Fuel Expenses	8,455,298	7,823,030
General Insurances	27,579,109	25,277,798
Legal fees	5,211,370	16,357,198
Telephone & Postage Expenses	6,439,211	6,549,613
Printing & Stationery	13,495,316	12,645,026
Security Cost	7,901,250	4,336,800
Office Rent-H/O & Branches	26,989,342	30,809,262
Strategic Ptn & Collaboration	43,970,189	-
Other General expenses	72,671,709	98,554,989
<b>Total General expenses</b>	<b>243,972,145</b>	<b>219,267,020</b>
<b>12.1 Other General operating expenses</b>		
Newspapers & Periodicals	1,588,675	1,514,010
Land Rent, Rates & Services	613,219	587,500
Entertainment & Public Relations	2,052,995	8,354,941
Shows And Exhibitions	-	7,238,275
General Office Expenses	10,193,553	1,800,636
Skills Audit	-	5,598,299
Asset Valuation	7,061,120	-
Levy Recruitment Drive	15,277,455	27,237,228
Bank Charges	2,600,187	2,907,137
Tourism Dvpt (Semin & Wkshp)	11,375,543	18,780,206
HIV Programmes	1,444,580	-
Office Cleaning	9,334,464	6,884,337
Performance Contract Surveys	3,691,223	13,089,381
Administrative Contingency	-	945
Provision For Shares Investment	3,100,000	-
ISO 9001-2008 Expenses	4,338,695	4,562,095
	<b>72,671,709</b>	<b>98,554,989</b>

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**13 NET GAIN ON SALE OF ASSETS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Loss on sale of assets	- 1,804,993	- 239,634
Gain on sale of assets	-	334,255
<b>Net gain on sale of assets</b>	<b>- 1,804,993</b>	<b>94,621</b>

**14 CASH AND CASH EQUIVALENTS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Current account	47,614,153	75,455,440
Staff car loan/ mortgage	30,838,105	24,750,757
Others(specify)	2,263,430	1,490,666
<b>Total cash and cash equivalents</b>	<b>80,715,688</b>	<b>101,696,864</b>

**14 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

Financial institution	Account number	2018-2019	2017-2018
		Kshs	Kshs
<b>a) Current account</b>			
<b>Financial Institution</b>		<b>Shs</b>	<b>Shs</b>
<b>Kenya Commercial bank</b>			
KCB-Revenue	1102119830	383,035	2,045,006
KCB-Collection	1102123803	7,474,112	2,392,185
KCB- Asset Finance	1132173450	19,995,009	19,139,373
		<b>27,852,156</b>	<b>23,576,563</b>
<b>National Bank of Kenya</b>			
NBK- Operational	01003000905800	8,840,571	22,793,802
NBK- Kisumu-Operational	01003027056500	290,000	147,434
NBK- Mombasa-Operational	01020057022800	10,270	228,661
NBK- Nyeri-Operational	01003043783700	14,885	22,528
NBK- Nakuru-Operational	01003021365200	40,536	185,020
NBK- Nairobi North - Operational	01001032774300	347,695	217,410
NBK- Nairobi South - Operational	01001032774301	430,000	197,380
NBK-Eldoret-Operational	01020214280000	13,290	-
		<b>9,987,247</b>	<b>23,792,235</b>
<b>Co-operative Bank</b>			
Co-op Collection	01136001331600	9,168,882	27,507,563
Co-op Bank Donor	01136001331601	40,107	10,317
		<b>9,208,989</b>	<b>27,517,880</b>
<b>National Bank of Kenya</b>			
NBK- RNUC	01003060819300	565,762	568,762
		<b>565,762</b>	<b>568,762</b>
<b>Sub- total</b>		<b>47,614,153</b>	<b>75,455,440</b>
<b>b) Staff car loan/ mortgage</b>			
<b>Kenya Commercial bank</b>			
KCB-Mortgage Account	1134170866	23,898,105	23,510,757
		<b>23,898,105</b>	<b>23,510,757</b>
<b>Co-operative Bank</b>			
Co-op Mortgage Account	01150001331600	6,940,000	1,240,000
		<b>6,940,000</b>	<b>1,240,000</b>
<b>Sub- total</b>		<b>30,838,105</b>	<b>24,750,757</b>
<b>c) Others(specify)</b>			
Petty cash imprest a/c		6,000	6,000
M pesa collection		1,772,993	1,013,352
Co-op Savings Hekima	01103001331600	290,437	277,314
Cash at Hand		194,000	194,000
<b>Sub- total</b>		<b>2,263,430</b>	<b>1,490,666</b>
<b>Grand total</b>		<b>80,715,688</b>	<b>101,696,864</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	10,181,742	9,956,742
Prepayments	6,973,044	5,274,577
Levy debtors	132,813,858	92,369,180
Other debtors	2,585,159	2,535,659
Provision for rd cheques	- 20,443,841	- 20,443,841
Staff imprest	10,644,735	4,820,333
Advances	2,269,963	2,277,178
Staff housing loans & Mortgages	144,125,106	145,616,202
	<b><u>289,149,767</u></b>	<b><u>242,406,029</u></b>

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16 PROPERTY, PLANT AND EQUIPMENT - 2018 / 2019										
COST	Furniture & Fittings	Partitions	Office Equipment	Computer Accessories	Motor Vehicles	Land	WIP	WIP Levy System Software	WIP Partitioning	Total
At 1st July 2017	15,286,878	127,642,697	17,295,117	67,257,629	85,927,401	285,000,000	1,371,998,165	-	67,790,893	2,038,198,780
Additions	314,700	-	5,395,078	10,056,334	43,813,000	-	93,770,471	28,900,592	119,353,635	301,603,810
Disposals	- 375,590	-	- 209,046	- 936,280	- 5,370,000	-	-	-	-	- 6,890,916
<b>At 30th June 2018</b>	<b>15,225,988</b>	<b>127,642,697</b>	<b>22,481,149</b>	<b>76,377,683</b>	<b>124,370,401</b>	<b>285,000,000</b>	<b>1,465,768,637</b>	<b>28,900,592</b>	<b>187,144,528</b>	<b>2,332,911,674</b>
Additions	62,341,891	-	3,266,208	21,647,320	-	-	97,582,285	69,532,262	39,604,078	293,974,044
Disposals	- 8,200,039	-	-	-	-	-	-	-	-	- 8,200,039
Cost of Assets Revalued	- 69,876,895	- 127,642,697	- 25,747,356	- 80,016,241	- 124,370,401	- 285,000,000	-	-	-	- 712,653,590
Revaluation	62,261,000	39,397,500	9,335,510	12,355,400	86,750,000	522,800,000	-	-	-	732,899,410
<b>At 30th June 2019</b>	<b>61,751,945</b>	<b>39,397,500</b>	<b>9,335,512</b>	<b>30,364,162</b>	<b>86,750,000</b>	<b>522,800,000</b>	<b>1,563,350,922</b>	<b>98,432,854</b>	<b>226,748,606</b>	<b>2,638,931,500</b>
<b>DEPRECIATION</b>										
At 1st July 2017	6,806,143	53,079,839	5,816,146	50,017,296	46,057,416	32,534,922	-	-	-	194,311,762
Disposals	- 207,027	-	- 115,227	- 826,128	- 4,414,255	-	-	-	-	- 5,562,637
Charge for year	1,078,105	9,366,539	2,098,964	8,052,140	19,119,561	5,049,302	-	-	-	44,764,610
prior year adjustment	-	-	-	-	-	-	-	-	-	-
<b>At 30th June 2018</b>	<b>7,677,221</b>	<b>62,446,378</b>	<b>7,799,883</b>	<b>57,243,309</b>	<b>60,762,721</b>	<b>37,584,223</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,513,735</b>
Accumulated Depreciation on Disposed Assets	- 4,662,543	-	-	-	-	-	-	-	-	- 4,662,543
Charge for year	8,319,133	17,716,802	4,967,155	6,830,980	15,901,920	4,948,316	-	-	-	58,684,306
Accumulated Depreciation on Revalued Assets	- 11,642,962	- 80,163,180	- 12,767,037	- 64,074,288	- 76,664,641	- 42,532,539	-	-	-	- 287,844,647
<b>At 30th June 2019</b>	<b>- 309,150</b>	<b>- 0</b>	<b>- 0</b>	<b>- 1</b>	<b>- 0</b>	<b>- 0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 309,149</b>
<b>Net Book Values</b>										
At 30th June 2019	62,061,096	39,397,500	9,335,511	30,364,161	86,750,000	522,800,000	1,563,350,922	98,432,854	226,748,606	2,639,240,649
At 30th June 2018	7,548,767	65,196,320	14,681,266	19,134,375	63,607,680	247,415,777	1,465,768,637	28,900,592	187,144,528	2,099,397,939

The land as indicated above is a parcel of land wholly owned by the organization and is located along Valley Road. The parcel has leasehold of 50 yrs. The 2% amortization rate is meant to take care of the amortization of the land over the lease period. The last valuation was done in August 2011.

The finance policy manual requires that the movable assets are revalued after a period of three years. The last revaluation was done more than four years ago. Therefore, there was a need to revalue the assets in order to reflect their fair market value.

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENTS

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>a) Investment in Treasury bills and bonds</b>		
<b>Financial institution</b>		
Central Bank of Kenya		
Central Bank of Kenya		
<b>Sub- total</b>	-	-
<b>b) Investment with Financial Institutions/ Banks</b>		
<b>Sub- total</b>	-	-
<b>c) Equity investments (specify)</b>		
Shares-Consolidated Bank	-	3,100,000
Shares-Institutions under Liquidation	65,700,000	62,600,000
Provision for Doubtful Debts	-	62,600,000
<b>Sub- total</b>	-	<b>3,100,000</b>
<b>Grand total</b>	-	<b>3,100,000</b>

**Note:**

A full provision for impairment of investments (Financial asset -IPSAS41) was made since it became probable that the economic benefits that were meant to flow to Tourism Fund could not be realised as the company invested in is under liquidation.

18 INTANGIBLE ASSETS SCHEDULE

	Licences, Back-up software, Bank software
<b>COST</b>	
At 1st July 2016	49,671,881
Additions	-
Disposals	-
<b>At 30th June 2017</b>	<b>49,671,881</b>
Additions	11,988,600
Disposals	-
<b>At 30th June 2018</b>	<b>61,660,481</b>
Additions	12,039,655
Disposals	-
<b>At 30th June 2019</b>	<b>73,700,136</b>
<b>DEPRECIATION</b>	
At 1st July 2016	34,338,172
Disposals	-
Charge for year	-
prior year adjustment	-
<b>At 30th June 2017</b>	<b>34,338,172</b>
Disposals	-
Charge for year	3,596,580
<b>At 30th June 2018</b>	<b>37,934,752</b>
Disposals	-
Charge for year	6,129,503
<b>At 30th June 2019</b>	<b>44,064,254</b>
<b>Net Book Values</b>	
<b>At 30th June 2019</b>	<b>29,635,882</b>
<b>At 30th June 2018</b>	<b>23,725,729</b>
<b>At 30th June 2017</b>	<b>15,333,709</b>

19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	Kshs
Trade creditors	16,151,823	5,068,227
Sundry creditors	1,320,389	2,149,097
Withholding tax	1,304,349	1,060,007
V.A.T account	3,245,220	2,337,216
Accrued expenses	86,730,459	63,901,239
Statutory Payables	3,216,350	1,185,839
Retention T.F W.I.P	56,992,362	56,992,362
	<b>168,960,952</b>	<b>132,693,987</b>

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**For the year ended June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

**21 PRIOR YEAR ADJUSTMENT**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Prior Year Adjustment	<u>26,999</u>	<u>1,983,440</u>
	<u><b>26,999</b></u>	<u><b>1,983,440</b></u>

**Tourism Fund**

**Annual Reports and Financial Statements**

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**NOTES TO THE FINANCIAL STATEMENTS**

**COMPARATIVES**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**FINANCIAL RISK MANAGEMENT**

The Fund's financial liabilities comprises of trade and other payables. The main purpose of these financial liabilities is to raise finance for the Fund's operations. The Fund has also various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. Arising out of these financial liabilities and assets is the credit / default risk and liquidity risk that the management ensures it is reduced to acceptable levels.

- (i) On financial liabilities (credit risk), the Fund has set credit limits (60 days) within which its trade payables must be settled. It is important to note that it's because of the existence of credit limits that payables which would not have been settled at the balance sheet date are accrued and settled immediately in the next financial year to avoid the default risk premium. The Fund also ensures that there are no significant concentrations of the credit risks by offsetting most of its financial liabilities within the credit limit period.
  
- (ii) On financial assets, the Fund has managed its risk to a shortage of funds through a set deadline within which levy revenues (cash) should be remitted to the Fund and any defaults are fined and penalized. It is against this backdrop that the Fund has established a Levy Compliance, Enforcement and Monitoring Unit as a way of enhancing compliance levels with levy revenues which is the major source of cash inflows for the Fund.

## **Tourism Fund**

### **Annual Reports and Financial Statements**

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#### **NOTES TO THE FINANCIAL STATEMENTS**

- (iii) The Fund also advances soft loans to employees (salary advances and engine overhaul) at no interest rates as a social benefit. To manage defaults on repayment, the Fund has a policy which ensures that repayment is by way of a payroll deduction on a monthly basis until the loan is fully serviced within the loan agreement period of 3 years (engine overhaul) and one (1) year (salary advance) as per TF's policy.

These actions by management therefore ensure that the Fund's exposure to bad debts arising from its receivables is not so significant as to affect its operations.

- (iv) On short term deposits, the Fund enters into agreements with the respective banks for on call deposits or for three months renewable maturity periods depending on the Fund's need. The deposits earn interest at the respective short-term deposit rates as agreed which is used to finance the Fund's ongoing operations of the time.

On currency risk, all the Fund's branches are locally based and thus the Fund's financial statement items are not subjected to foreign exchange translations into Kenya shillings at the financial statement date. The Fund is therefore not exposed to currency translations that may give rise to negative foreign exchange differences.

#### **CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs.)

Reference Number	Management Comment	Way Point	Status	Time Frame
1. Investment	<p>Note 16 to the financial statements reflects a figure of Kshs. 100,000 for shares invested in Capitalized Unit, whose recoverability remains doubtful. Although management has explained that no dividend had been received as at 30 June 2019 and the recoverability of the investment is doubtful, no provision is made in the financial statements of the Fund. Consequently, it has not been possible to ascertain the viability of the investment.</p>	THE CEO	Resolved	
2. Ronald Ngala Uthiri College	<p>(i) The College had been initially established as Kenya Uthiri College, Coast branch under Cabinet Memo Ref: CAB.35/4/A of 18 September 2007 at IEA, Vipingo site on 60 acres of land donated by IEA. Vipingo Planning Ltd. However, out of the total acreage only 40 acres has been fenced leaving the other 20 acres exposed to the risk of encroachment.</p> <p>(ii) The development of the College was transferred to Catering and Tourism Development Levy Trustee (now Tourism Fund) from Kenya Uthiri College and a process began to change and legalize the college name to Ronald Ngala Uthiri College without Cabinet approval. By a Gazette Notice No. 3478 of 25 March 2010, the then Tourism Minister established Ronald Ngala Uthiri Academy and which was now different from the envisaged name of the "College" and further appointed board members of the Academy through Gazette Notices of 6 August 2010 and 5 November 2010. However, these appointments were nullified in 2012 alongside those of other Tourism Agencies by the subsequent Minister for Tourism. In view of the change of name from Ronald Ngala Uthiri College to Ronald Ngala Uthiri Academy there are uncertainties as to the name the new title deed will be registered in.</p> <p>(iii) No feasibility study was done for the project to establish its viability. The fund's investment plan did not specify the estimated cost of the project nor in the multi-year procurement plan as envisaged in Section 26(3) of the Public Procurement and Disposal Act, 2005 and Section 12 of the Public Finance Management Act, 2012.</p> <p>(iv) No evidence has been available to prove that the procurement process for the consultancy started with expression of interest as envisaged by Section 78 of the Public Procurement and Disposal Act, 2005. Further there is no proof that the tender committee approved use of request for proposal method without going through the expression of interest.</p> <p>(v) The tender for consultancy services was awarded to Baseline Architects Limited and the award was based on the technical proposal submitted by the winning firm, who were to be involved for negotiation on the basis of scale of fees for professional services. It is not clear whether the procuring entity indeed negotiated as provided for by request for proposal document with the consultants taking into consideration that the negotiation of award was done on 4 April 2012 which was the same day the tender was awarded. The award hence did not also specify the scale of fees applicable for professional services and the tender document was silent on how the consultants were to be paid. Baseline Architects Ltd consortium included Geometricians Surveyors Ltd whose bid was not evaluated and was one of the contracted consultants. Consequently, it has not been possible to ascertain the fitness of the evaluation process.</p> <p>(vi) The award of the construction project contract was made to the tiled tower prequalified bidder Mr. Malji Dewry and Brothers at a contract cost of Kshs 4,988,766. It is not clear why the contract was not awarded to the lowest bidder (M/S China Jiangqi International K Ltd since we were given minimal difference of Kshs. 99,321,297) yet all the bidders had undergone evaluation and prequalification.</p> <p>(vii) Office partitioning works at Central Kenya regional office was awarded to Mr Pleinzer Limited at a cost of Kshs. 4,988,766 according to quotation number 0837 dated 24 October 2011. The work involved partitioning of the new office space and the existing (old) office space at the cost of Kshs. 3,560,953 and Kshs. 713,845 before VAT respectively. Although inspection and acceptance certificate No. 296 indicated that partitioning works in respect of the new office space were well done, the committee did not give any comments on the certificate relating to works on existing (old) office space. As a result, the Fund may have paid Kshs. 713,845 for work not done.</p>	THE CEO	On going	
	<p>A provision of a similar amount was made in the books of accounts in compliance with IPMSAS 41</p>	THE CEO	Resolved	
	<p>In the period succeeding the cabinet memorandum of 2007, the ministry of tourism in conjunction with the ministry of public works developed the initial concept paper and design works for the college as per the concept paper the project will comprise the following:</p> <ol style="list-style-type: none"> <li>A training facility with an initial capacity of 600 students but with room for further expansion</li> <li>Training facilities including tuition blocks, administration block, student accommodation, staff quarters, nursery and primary school, health Centre, public library and recreational facility.</li> <li>A five star hotel complex that would serve as a training laboratory for the college.</li> <li>The design of the college as currently designed will be a total of 40 acres which has been fenced off. The balance of the 20 acres will be used to put up a five star hotels as envisaged in the concept paper under public private partnership.</li> <li>The construction of the hotel is yet to be commenced on the 20 acres piece of land touching the ocean. There are no funds allocated for the construction of the boundary wall.</li> </ol> <p>The transfer of title, I.R. No. 30/24/4 vyingon from Kenya Uthiri College has been going for the last three years. The lawyers Kaplan and Stratton representing vyingon properties hold title to Tourism fund these CTDLT works developed the initial concept paper and design works for the college. The concept paper developed detailed all the aspects relating to the study and implementation of the college. The fund only implemented the results of the study which were documented in the concept paper. Further, the cabinet memorandum signed in June 2011 requires that tourism fund set aside Ksh.400M annually in favour of the project and the national treasury set aside Ksh.1.230 annually. These proposals are presented and documented in the medium term expenditure framework (MTEF) and the General Economic and Commercial affairs sector (GECAS) sector paper.</p> <p>Trustees put in place measures to procure professionals to implement the project. In accordance with Public procurement and disposal act, 2005 and the regulations made thereunder, the Fund identified a consortium of consultants to oversee the design and overall supervision of the project. Wide advertisement carried out in the daily press. Trustees invited qualified firms to submit proposals for consideration. The respective consortia would be composed of architects, civil and structural engineers, services engineers and quantity surveyors. The successful consortium is led by the firms of Baseline Architects, as the lead consultant and Uffert consultants, as the quantity surveyors. The consortium is further composed of Armitech consultants as structural engineers, west coast engineers as electrical/mechanical engineers, Geometricians Ltd as surveyors and PPF consultants as environmental impact experts.</p> <p>It is important to note that the consultants were procured using standard tender documents provided by the Public Procurement oversight authority. The standard document provides at clause 2.1.3 as follows, in the assignment where the procuring entity intends to apply standard conditions of engagement and scales of fees for professional services, which scale of fees will have been approved by a relevant authority, a technical proposal only may be invited and submitted by the consultants. In such a case the highest ranked individuals consultation in the technical proposals shall be invited to negotiate contract on basis for contract negotiations and ultimately for a signed contract with the selected individual consultant.</p> <p>The contract entered into with consultants provides for minimum scale of fees as provided for in law and there was negotiation on the main four charges. The entire consortium was evaluated in accordance with the relevant laws e.g. Architects and quantity surveyors cap 325, engineers cap 330. The individual score sheets are available for evaluation.</p>	THE CEO	On going	
	<p>The tender for main works was awarded to Mr Malji Dewry and Brothers limited in accordance with the resolution of the Tourism fund tender committee held on 11th April 2013. The tender was awarded on the basis of technical and financial bids that had been submitted to six pre-qualified firms. The tender request of both financial and technical bids. An award would therefore be made to the most responsive bidder based on the technical and financial scores. After the site inspection had been followed, the firm of Malji and Dewry and Brothers limited were awarded the tender for main works. It is important to note that the contractor was procured using standard tender documents provided by the Public Procurement oversight Authority. Provisions of the 10% advance payments and also payment of interest charges on late payments are well stipulated in the standards tender document. Payments of the 10% is secured by a valid guarantee.</p> <p>As per the recommendations of our internal audit department on the issue, the same was forwarded to the Legal department for the necessary legal action. The legal department has taken up the matter with Pleinzer Ltd.</p>	THE CEO	Not Resolved	





As previously reported, office partitioning works at Council House resumed after completion of the first phase. The cost of the new office space and the existing (old) office space at a cost of \$1.366,989,523 and \$1.506,989,523 respectively exclusive of VAT. Although inspection and acceptance certificate No.298 indicates that partitioning works in respect of the new office space were well done, the quantities did not give any assurance on the certificate relating to works on existing (old) office space. As a result, the fund may have paid \$1.366,989,523 for work not done.	As per the recommendations of our internal audit department on the issue, the same was forwarded to the legal department for the necessary legal action. The legal department has taken up the matter with Power Ltd.	The Chief Executive Officer	Ongoing
<b>KEY AUDIT MATTERS</b>			
<b>Other Matters</b>			
Non-Compliance with PFI ACT 2012			
Section 84 of the Public Finance Management Act, 2012 requires the Accounting Officer administering a financial institution to ensure that the institution's financial statements are audited by an auditor appointed by the institution. The institution is required to prepare and submit these to the entity prepared audit annual accounts for RNUC Project.	There has been initial recommendations as to the approach to be taken concerning recognition of RNUC expenditures. On the one hand, there has been a recommendation that the entity should (recognize the expenditures as an asset in her books, while on the other hand, that it should prepare financial statements of RNUC Project as a separate entity. This is why, in the FY 2018/2019, the entity prepared audit annual accounts for RNUC Project.	The Chief Executive Officer	Ongoing

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the State Corporation /SACDA Funded by development partners

Project Title	Project No	Donor	Period / Duration	Donor Commitment	Separate donor reporting required as per donor requirement (Yes/No)	Completed in the financial statement (Yes/No)
N/A	N/A	N/A	N/A	N/A	NO	NO

**Status of project completion**

Amount of projects completion at the end of each quarter, i.e. final cost incurred since in which the project is over

Quarter	Project	Total project cost	Total expended up to date	Completion on % to date	Disbursed	Actual funds	Source of funds
1	Township Fund Head Office Block (Valley Road)	1,506,989,523	1,511,042,132	100%	50,000,000	45,271,496	Township Levy
2	Township Fund Head Office Block (Valley Road)	1,506,989,523	1,532,281,718	101%	50,000,000	12,291,586	Township Levy
3	Township Fund Head Office Block (Valley Road)	1,506,989,523	1,552,354,274	103%	50,000,000	29,072,653	Township Levy
4	Township Fund Head Office Block (Valley Road)	1,506,989,523	1,563,448,009	104%	50,000,000	11,093,635	Township Levy

Note: 1. Total expended to date is on cumulative basis for each quarter since inception

2. The Annual Budgeted amount for the FY 2018/2019 was Kshs 50,000,000.

**Tourism Fund**

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**For the year ended June 30, 2019**

**APPENDIX III : INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>	<b>TOURISM FUND</b>		
	<b>Break down of Transfers from the State Department of Tourism</b>			
	<b>FY 17/18</b>			
b	Development Grants	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		21.03.19	200,000,000.00	2018/2019
		<b>Total</b>	<b>200,000,000.00</b>	

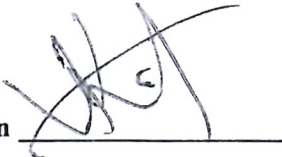
*(Note: Only extracted segment of the template relevant to Tourism Fund Reporting requirement)*

The above amounts have been communicated to and reconciled with the parent Ministry

**Ag. Director Corporate Services**

**Tourism Fund**

Sign \_\_\_\_\_



**Tourism Fund**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

**APPENDIX IV : RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.**

Name of the MDA / Donor Transferring the funds	Date Received	Nature : Recurrent / Development / Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others- must be specific	Total Transfers during the Year
	as per bank statement								
Ministry of Tourism	21.03.19	Recurrent	200,000,000	200,000,000					200,000,000
<b>Total</b>			<b>200,000,000</b>	<b>200,000,000</b>					<b>200,000,000</b>