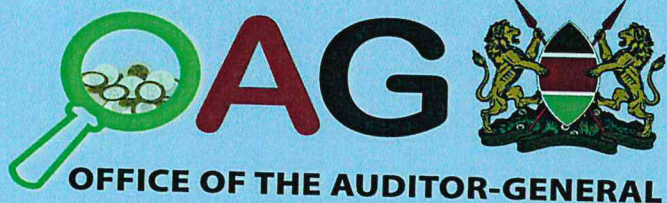


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**


**OF**

**THE AUDITOR-GENERAL**

**ON**

**TOURISM RESEARCH INSTITUTE**

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

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
<b>DATE:</b> 02 FEB 2022	
<b>DAY:</b> wed	
<b>TABLED BY:</b>	LOM
<b>CLERK-AT THE-TABLE:</b>	P. Karany





***Tourism Research Institute***

**Annual Report and Financial Statements for the Financial Year Ending June 30, 2019**



**International Public Sector Accounting Standards (IPSAS)**  
**Annual Financial Reporting Template for**  
**Regulatory and Other Non – Commercial Government Owned Entities**  
*(Semi - Autonomous Government Agencies and Public Funds Established by an Act of Parliament  
or a Legal Notice)*

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**REGULATORY AND OTHER NON-COMMERCIAL ENTITIES**

***TOURISM RESEARCH INSTITUTE***

**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)**

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## KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### (e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance and Establishment Committee	<b>Kenneth Kiprono – Chair</b> Zachary Mwangi Nahashon Mwongera Erustus Kanga Beth Ndungu David G. Gitonga – Ag. CEO
Technical and Strategy Committee	<b>Caesar Handa – Chairman</b> Zachary Mwangi Erustus Kanga Janet Mbete Zahra Moi David G. Gitonga – Ag. CEO
Audit and Risk Committee	<b>Zahra Moi – Chair</b> Beth Ndungu Janet Mbete Caesar Handa Nahashon Mwongera Kenneth Kiprono

### (f) Entity Headquarters

P.O. Box 42131-00100  
Utalii House- 7<sup>th</sup> floor  
Uhuru Highway  
Nairobi, KENYA

### (g) Entity Contacts

Telephone: (254) 020 3313010  
E-mail: [ceo@tri.go.ke](mailto:ceo@tri.go.ke)  
Website: [www.tri.go.ke](http://www.tri.go.ke)

### (h) Entity Bankers

1. Central Bank of Kenya Haile Selassie Avenue  
P.O. Box  
60000  
City Square 00200  
Nairobi, Kenya



## **KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

2. Kenya Commercial Bank  
Kipande House Branch  
P.O BOX 30012-00100  
Nairobi, Kenya

### **(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

### **(j) Principal Legal Adviser**

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

## THE BOARD OF DIRECTORS

Director's passport-size photo and name, and key profession/academic qualifications	Director's date of birth, key qualifications and work experience. Indicating whether the director is independent or an executive director and which committee of the Board the director chairs where applicable.
 <p>1. Mr. Richard K. Langat (Chairperson) Masters Degree</p>	<p>Born on 23<sup>rd</sup> October 1966, Richard K. Langat is a graduate of the University of Nairobi with Bachelor of Commerce degree in accounting and a Master of Business Administration degree in Strategic Management also from the University of Nairobi. He is a Certified Public Accountant and a member of ICPAK. A finance professional with budgeting, cost control, investment analysis and financial reporting as key competencies, he rose through the ranks at the NSSF over a period of more than 20 years to become the Managing Trustee. He has served in various boards including Britam Holdings (K) Ltd, National Bank of Kenya, East Africa Portland Cement and Consolidated Bank.</p>
 <p>2. Mr. Zachary Mwangi – KNBS Director General Masters Degree</p>	<p>Born on 18th January 1966, Zachary is a graduate of University of Nairobi with a Bachelor of Arts in and Makerere University with a Masters of Art in Economic Policy Management. He has over 25 years' experience in the public service with expertise in official statistics, strategic management, surveys and censuses implementation, public policy analysis, budgeting, and project management, among others. He has coordinated the preparation of various publications including, Annual Economic Survey reports, Annual Statistical Abstract reports, Quarterly GDP reports, Socio Economic Atlas, various survey reports among many others. He is the Director General of the Kenya National Bureau of Statistics.</p>





3. Mr. Nahashon Mwongera –  
Alt. KIPRA  
Masters Degree

Born on 6th November 1972, Mr. Mwongera is a holder of a Bachelor of Arts Economics and Mathematics from Egerton University, Masters of Arts from Botswana University and currently a PhD student in Kenyatta University. He is a Research and Development professional with over 12 years experience both in public and private sectors. He possesses hands on experience in public policy research and analysis; implementing market research methodologies for product and innovative ideas development; training of trainers; preparation of technical and financial proposals; developing strategic plans; results-based project monitoring and evaluation; and writing of technical reports. Mr. Mwongera is currently a Policy Analyst at the Kenya Institute for Public Policy Research and Analysis (KIPPRA) focussing on Tourism, Environment and Natural Resource Management, Macroeconomic and Financial sector analysis.





4. Mr. Joe R. Okudo - Principal Secretary,  
State Department for Tourism,  
Ministry of Tourism & Wildlife

Born on 19th May 1967, Mr. Joe R. Okudo, CBS has a Bachelor of Arts degree from the University of Nairobi and a Master's Degree in Business Administration from Copenhagen Business School/Inoorero University. He has held high level positions in both public and private sectors. He earlier worked with the Danish Embassy in Kenya (DANIDA) from 2002 – 2014, where he held several senior positions in the Private and Industry Sectors in addition to being responsible for DANIDA in the Business Advocacy Fund and the Climate Innovation Centre. He also sat in the Programme Investment Committee (PIC), the highest decision-making organ within the Trade Mark East Africa group. He is the Principal Secretary in charge of the State Department for Tourism at the Ministry of Tourism and Wildlife and was previously the Principal Secretary for Arts and Culture in the Ministry of Culture, Sports and the Arts

 <p>5. Mr.Kenneth Kiprono Masters Degree</p>	<p>Born on 13th September 1964, Kenneth has an MBA (Management Information System) and BComm Finance from the University of Nairobi He is also a Certified Information Systems Auditor (CISA) and has vast IT and audit experience in the banking industry. He has vast IT and audit experience in the banking industry having worked in several capacities at Kenya Commercial Bank including ICT Security Manager, ICT Audit &amp; Risk Manager, Country Manager, Internal Audit &amp; Risk(KCB Sudan) before becoming the Lead IT &amp; Audit consultant involved in researching, evaluating, designing and implementing training and consultancy services at Jacca Consulting &amp; TE Ltd.</p>
 <p>6. Ms Zahra Bahlewa Moi Masters Degree</p>	<p>Born on 19th June 1969, Zahra holds a Masters of Business Administration and BSc. In International Business Administration from United State International University-Africa. She has attended an executive course on innovation from the IMD Business School – Switzerland. Zahra holds several Directorships covering various sectors where her key mandate is managing the most important assets of the organizations in a professional manner with an intention to maximize productivity and efficiency. She is a director of firms in various sectors including being Managing Director Chesiki Farm limited and director of Migotyo Plantation Ltd, Sicham Aviation Ltd, Sweeny Estate Ltd, The Lord Errol Restaurant and Hotel Torit</p>
 <p>7. Mr. Caesar Handa Masters Degree</p>	<p>Born on 17th October 1964, Caesar Handa is a highly trained and experienced communications professional. He has a Bachelors in Anthropology and a Masters in Communications. He has led several communications and research consultancies with 20 years' experience spanning several countries in Africa and beyond in research and communication, project management, report writing and in market and social research. He has specialization in the development and implementation of communication strategies and has worked in government, corporate, civil society and academic institutions projects. Mr. Handa is a director with Strategic, a leading research and communications firm in the region. He also has a passion in sports development, environmental management and working with communities in</p>



	development programs. He is a strong member of several school and church boards.
 <p>8. Ms Janet Mbete Bachelors Degree</p>	<p>Born on 11th October 1962, Janet Ndago Ekumbo Mbete holds a Bsc. in Public Relations and Communication from Moi University. She did a course in Good Governance with different counties in the USA, namely Maryland, Virginia, Washington and Winshita County in Kansas. While in America she volunteered her free time working for women Safe houses and feeding centers for the poor. She has served as a Board member for several schools and as the coordinator, Kwale County for National Council of Women of Kenya. Janet has also served as a Nominated Councillor, Mombasa County and is actively involved in women empowerment in politics and women groups.</p>
 <p>9. Beth Ndung'u Masters Degree</p>	<p>Born on 5th November 1966, Beth Njeri Ndungu holds an MBA in Strategic Management from Kenyatta University and a BA in Economics &amp; Business Studies from Kenyatta University. She works at the National Treasury, Kenya in the Financial and Sectoral Affairs Department. She previously worked in the UN Agencies and Americas UK &amp; IFAD Divisions of the Resource Mobilization Department. She previously also worked as a Competition Analyst in the Competition Authority of Kenya and as a Monopolies officer in the Ministry of Finance, Kenya She has Certificates in International Trade and Development, Project Planning and Implementation, Economic Policy Analysis, Best Practices in Financial Processes and Controls, Results Based Management among others.</p>





 <p>10. Dr. Erustus Kanga PhD</p>	<p>Born on 23rd December 1969, Dr. Kanga has a PhD in Natural Resource Management from the University of Groningen, Netherlands; a Master of Science degree in Biology of Conservation from the University of Nairobi; and a Bachelor of Science degree in Wildlife Management from Moi University, Kenya. He has worked with Kenya Wildlife Service (KWS) as the Senior Assistant Director responsible for Biodiversity Research and Monitoring across the Protected Areas, and has over 15 years' experience in biodiversity conservation, climate change vulnerability assessment and mapping, bio-enterprises, and community livelihood support. He has authored over 20 publications and is proficient in Conservation of Biodiversity. Dr. Kanga is the Acting Director for Partnerships and Wildlife Co-existence in the Directorate of Wildlife Management at the Ministry of Tourism &amp; Wildlife.</p>
 <p>11. David Gitonga Ag. CEO Masters Degree</p>	<p>Born in Nakuru County on 7<sup>th</sup> June 1972, holds a Master's degree in Tourism Management. He has 20 years' experience in the tourism Public Sector mainly in tourism policy and product development. He is the Ag. CEO</p>



## I KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### (k) Key Management

Manager's passport-size photo and name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
 1. David Gitonga Ag. CEO	Born in Nakuru County on 7 <sup>th</sup> June 1972, holds a Master's degree in Tourism Management. He has 20 years' experience in the tourism Public Sector mainly in tourism policy and product development. He is the Ag. CEO
 2. Mr John Olela Chief Economist	Born in Homabay County on 26 <sup>th</sup> November 1972 hold Master's degree in Economics 21 years' experience in the Public Service, -area of responsibility Planning
 3. Ms. Susan M Mbugua Finance /Account	Born in Kiambu County in September 1966 holder of CPA (K),SMC at KSG and a certificate in Advance Financial Management in Swaziland 28 years' experience in Finance in the Public Service .area of responsibility Finance and Accounts

 <p>4. Ms. Betty W. Maranga Tourism Officer</p>	<p>Born in Nyeri County in 13 August 1983 holder of Bachelor of Arts in Sociology and Communication 9 years' experience in the Public Service. area of responsibility Tourism</p>
 <p>5. Ms. Lilian Moraa Legal Officer</p>	<p>Born in Nakuru County on 17<sup>th</sup> April 1977 holder of LLB degree, Diploma in Law current pursuing master's degree in LLM 9 years' experience are of responsibility Legal</p>
 <p>6. Mr. Japheth Ndambuki Procurement Officer</p>	<p>Born in Machakos County on 15<sup>th</sup> December 1960 holder of Higher Diploma in Procurement 30-year experience are of responsibility Procurement</p>
 <p>7. Ms. Rhoda Kiima Human Resource</p>	<p>Born in Kitui County on 15<sup>th</sup> December 1960 holder of Higher Diploma in Human Resource Management and 30 years' experience. Area of responsibility Human Resource</p>



## **CHAIRMAN'S STATEMENT**

Tourism Research Institute was established by the Tourism Act 2011 to undertake and coordinate tourism research and analysis. This entails collecting and analysing information for the tourism sector, assessing strategies and techniques for tourism product development and marketing. The first Board of Directors of the Institute was appointed and subsequently gazetted in October, 2015 to October 2016. But the Institute started its operation in January 2018.

Since TRI has not been categorised by SCAC, it has been a challenge to fully operationalise and brand. Lack of staff also inhibits TRI from fully exercising its mandate and being felt across the country. The Institute is looking forward to the necessary Government approvals to be able to recruit and retain suitable staff starting with the 2019/20 financial year. The tourism sector targets to increase tourism arrivals from 2.025 million in 2018 to 2.5 million in 2022 and also increase tourism earnings from Kshs. 157.0 billion in 2018 to Kshs. 175 billion in 2022. To realize the targets, tourism research will play pivotal role in informing policy choices and devising strategies that will ensure the sector gets more competitive. We believe that through sound research and having well informed new strategies, the sector will also contribute towards achievement of the Jubilee Government manifesto and as an enabler to the strategic interventions (Big four) through the demand created along the tourism value chain. This will be achieved through supply of locally produced inputs to tourism entities sourced from the agriculture, manufacturing and agro-processing sector. Tourism will also provide the much needed foreign exchange earnings required for importation of inputs and equipment's. In addition, tourism acts as a catalyst for investment and growth in other sectors through the multiplier effect.



***Mr. Richard K. Lang'at, Board Chairperson***

## REPORT OF THE CHIEF EXECUTIVE OFFICER

The Tourism Research Institute (TRI) is a State Corporation established under section 51 of the Tourism Act 2011 with the mandate to undertake and co-ordinate tourism research and analysis. The institute was established to ensure that the research knowledge and data gaps that have always existed in Kenya's tourism sector are adequately addressed. TRI will thus be the platform for *cohesive, credible and coordinated* tourism statistics and research spanning market, product and social research in line with the needs of the sector.

The first Chairperson to the Board was appointed on the 18<sup>th</sup> of March 2016 by His Excellency the President (Gazette Notice 1738) where she served diligently until her resignation on 28<sup>th</sup> September 2016. She was replaced by a new appointment on the 28<sup>th</sup> October 2016 effective 21<sup>st</sup> October 2016 under Gazette Notice 8728 dated 28<sup>th</sup> October 2016.

TRI was not included in the budget cycle of 2015/16 or 2016/17. In 2017/18 it was allocated kshs. 46.6 million for recurrent and kshs. 80 million development. However, only kshs. 10 million was eventually disbursed for development. In the 2018/2019 financial year, it was allocated kshs. 38 million for recurrent expenditure. There was no allocation for development expenditure.

### Milestones in the year

1. The Institute finalised and started implementing its first Strategic Plan 2018-2023 and this provides direction and focus. The plan is laying a firm foundation for tourism research which has been identified as the missing link in the tourism sector. The plan focuses on three critical pillars namely undertaking and facilitating tourism research, coordinating tourism research and disseminating tourism research.
2. The Institute also finalised the organizational structure and established the staffing levels. It is awaiting categorisation to implement the structure and currently works with skeleton staff deployed from the State Department of Tourism.
3. The following research projects were undertaken in the year:
  - Comparative Study of Kenya's Tourism Performance Vis a Vis Global Tourism Trends- finalized.
  - In Depth Assessment of Kenyan Coastal Beach Tourism Product-finalized.
  - Tourists Satisfaction and Expenditure Survey, Exit Survey- finalization carried into 2019/20 financial year.
4. TRI took charge of reporting on the performance of Kenya's tourism sector. It released the 2018 performance report at State House Mombasa on 7<sup>th</sup> January 2019 in the presence of His Excellency the President Uhuru Kenyatta where the nation celebrated having achieved more than 2million international tourists for the first time. The Institute has continued to compile and disseminate monthly, quarterly and half year performance reports.
5. The Institute attended the World Travel and Tourism Council (WTTC) 2019 Global Summit in Seville, Spain from 2<sup>nd</sup> to 4<sup>th</sup> April 2019. The summit was centred on the theme of

## **REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)**

"Changemakers", drawing on the knowledge and experience of participants to promote entrepreneurship, creativity, innovation, diversity, and inclusion. It is one of the tourism sector's most significant events where senior public and private sector delegates gather in an open forum to discuss and debate key themes affecting the sector. These included heads of state, government ministers, global tourism companies' executives, and a broad spectrum of high-profile individuals from associated industries. This year's program featured industry leading speakers and a conversation with Barack Obama, the 44<sup>th</sup> President of the United States of America.

### **Challenges**

1. Budget cuts – the budget for the year under review was lower than the previous year hence limiting the performance of the Institute.
2. The Institute relies on staff who are neither deployed nor seconded to TRI. They still have responsibilities at their main workstations in the parent ministry therefore TRI work is at times not prioritised and they are available subject to the workload in their main station.
3. The Institute is yet to be categorized by SCAC for it to fully establish and recruit staff. Due to this, even the designated staff from the ministry have not started earning any acting or top up allowances.



## CORPORATE GOVERNANCE STATEMENT

### Board Size and Composition

The table below gives the membership of the Board during the financial year 2018/2019.

No	NAME	CLASSIFICATION	DATE OF APPOINTMENT	EXPIRY DATE
1.	Mr. Richard K. Lang'at	Chairperson	21/10/2019	20/10/2022
2.	Mr. Joe Okudo	Principal Secretary, State Department of Tourism		
3.	Dr. Erustus Kanga	Alternate to Principal Secretary, State Department of Tourism		
4.	Ms Janet Mbete	Independent Director	07/02/2019	06/02/2022
5.	Mr. Caesar Handa	Independent Director	07/02/2019	06/02/2022
6.	Mrs. Zahra Bahlewa Moi	Independent Director	01/06/2019	30/05/2022
7.	Mr. Kenneth Kiprono	Independent Director	2/10/2015	1/10/2018
8.	Mr. Zachary Mwangi	Director General, Kenya National Bureau of Statistics		
9.	Ms. Beth N. Ndungu	Representing the Principal Secretary, The National Treasury		
10.	Mr. Nahashon Mwongera	Representing the Executive Director, KIPPRA		
11.	Mr. David G. Gitonga	Acting Chief Executive Officer		

As per the Tourism Act 2011 and the State Corporations Act, the Board Chairperson is appointed by His Excellency the President of the Republic of Kenya, independent Directors are appointed by the Cabinet Secretary responsible for Tourism while the others represent the respective ministries and agencies.

### Roles and Functions of the Board

The Board of the Institute has the following roles as outlined by Mwongozo:

- Determine the organisation's mission, vision, purpose and core values
- Set and oversee the overall strategy and approve significant policies
- Ensure the strategy is aligned with the purpose of the organisation and the legitimate interests and expectations of the stakeholders
- Ensure the strategy is aligned to the long-term goals of the organisation on sustainability so as not to compromise the ability of future generations to meet their needs
- Approve the organisational structure
- Approve the annual budget of the organisation
- Monitor the organisations' performance and ensure sustainability
- Enhance the corporate image of the organisation
- Ensure availability of resources for the achievement of the organisation's objectives
- Hire the CEO on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management
- Ensure effective communication with stakeholders.

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

### **Committees of the Board**

To comply with Chapter One of the Mwongozo, the Board constituted three (3) Committees each with its own ToRs. The Committees facilitate efficient decision making of the Board in the discharge of its statutory duties and responsibilities.

All Directors exercise the requisite duty and care in the best interest of the Institute. The Committees of the Institute transacted as follows during the year:

<b>Name of the Committee</b>	<b>Members</b>
Finance and Establishment Committee	<b>Kenneth Kiprono – Chair</b> Zachary Mwangi Nahashon Mwongera Erustus Kanga Beth Ndungu David G. Gitonga – Ag. CEO
Technical and Strategy Committee	<b>Caesar Handa – Chairman</b> Zachary Mwangi Erustus Kanga Janet Mbete Zahra Moi David G. Gitonga – Ag. CEO
Audit and Risk Committee	<b>Zahra Moi – Chair</b> Beth Ndungu Janet Mbete Caesar Handa Nahashon Mwongera Kenneth Kiprono

### **Board meetings**

During the year under review, the Board held three (3) regular full board meetings and two (2) special meetings.



# **CORPORATE GOVERNANCE STATEMENT (Continued)**

## **Main Board and Committee Meetings Attendance During the Year**

No	Board Member	Classification	Designation	Finance and Establishment Committee (BFEC): Total No. of meetings 4 (3 scheduled, 1 special)	Technical and Strategy Committee (BTSC): Total No. of meetings 2 (2 scheduled, 0 special)	Audit and Risk Committee (BARC): Total No. of meetings 1 (1 scheduled, 0 special)	Main Board Meetings: Total 5 (3 scheduled, 2 special)
1.	Mr. Richard K. Lang'at	Independent	Board Chairperson				0/5
2.	Jennifer Barassa	Independent	Board Chairperson				5/5
3.	Dr. Erustus Kanga	Alt Principal Secretary, Ministry of Tourism		2/4	2/2		3/5
4.	Janet Mbete	Independent		2/4	1/2	0/1	3/5
5.	Caesar Handa	Independent	Chairperson BTSC	2/4	2/2	1/1	3/5
6.	Kenneth Kiprono	Independent	Chairperson BFEC	4/4	1/2	0/1	4/5
7.	Zahra Bahlewa Moi	Independent	Chairperson BARC	3/4	2/2	1/1	5/5
8.	Zachary Mwangi	Director General, KNBS		0/4	1/2	0/1	1/5
9.	Beth Ndung'u	Representing Principal Secretary, The National Treasury		3/4	1/2	1/1	4/5
10.	Nahashon Mwongera	Representing Executive Director, KIPPRA		2/4	1/2	1/1	4/5
11.	David Gichuhi	Inspectorate of State Corporations		2/4	1/2	0/1	4/5
12.	David Gitonga	Ag. CEO		4/4	2/2		5/5

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the year, the Institute finalised its 1<sup>st</sup> Strategic Plan 2018- 2023 which focuses on 3 critical pillars of undertaking tourism research, coordinating tourism research and disseminating research findings alongside development of institutional capacity to facilitate the pillars. The plan will spur research in the tourism sector a framework for stakeholders' engagement and collaboration will be put in place as we strive to achieve the bigger objective of growing the tourism sector for posterity. The plan will offer structured leadership to researchers in the tourism sector with the aim of availing a pool of research findings that can help design policies and strategies for achieving the targets set for the tourism sector. The plan will also be the basis for the institutional medium-term expenditure framework (MTEF) budget proposals to the government as well as research proposals for other sources of financing. The monitoring and evaluation framework will be used as a tool for ensuring the right levels of inputs are availed and systems are in place to deliver timely outputs in the planned strategies so that the desired outputs and outcomes are realized.

The institute also developed Human Resource Manual and Policies and has an organizational structure in place. It is awaiting categorization for full implementation of the structure.

The Institute also started to effectively deliver on its core mandate of research and data analysis for the sector.

The institute has complied with the following statutory requirements

1. Access to Government Procurement Opportunities- the institute reserves 30% of contracts to Youth, women and persons with disabilities.
2. The Institute is compliant with Executive order No. 2 of 2018 on procurement of public goods, works and services by public entities.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### SECTION A

#### The entity's operational and financial performance

The Entity has received Kes. 37,240,000 by June 30, 2019, and spent Kes. 52,690,802 resulting to a deficit of Kes. 15,450,802. The deficit was off-settled by Bank balance which was carried forward from prior year amounting to Kes. 15,597,376.

#### Operational performance;

In order to achieve the core functions of the entity, it commissioned three research studies:

1. Comparative Study of Kenya's Tourism Performance and Trends Vis a Vis Global Trends contracted to *Ark Link Business Associates*
2. An In-depth Assessment of the Kenyan Coastal Beach Tourism Product contracted to *Own Associates Consultancy*
3. Tourism Exit Survey contracted to *Rica Communications*

The first study's main objective was to determine the performance of Kenya's tourism vis a vis competing global destinations and global tourism trends. It identified and qualified Kenya's main competitors and review their tourism practices and performance, assessed current tourism trends and tourism consumer preferences and tastes globally and identified attributes of destination Kenya that need to be addressed to ensure competitiveness. It provides prioritized recommendations and a practical action plan that the TRI is using to advise the Ministry of Tourism and other key stakeholders to undertake so as to revamp Kenya's competitive position taking into consideration feasibility, magnitude of the proposals and resource implications.

The second study involved a definitive assessment of the status of coastal beach tourism. It looked at the historical development of Kenya's beach tourism, structure of ownership and management of Kenya's beach product. It further delved into the main challenges the product and region face, its competitive strengths as well as weaknesses in comparison to competing destinations. It identified bottlenecks and provided practical strategies for addressing the declining performance of tourism in the Coastal region. It thus offers recommendations to address the challenges the product faces with a clear roadmap towards fixing and refreshing the beach product so that TRI can advise the Ministry of Tourism and other key stakeholders on practical actions to undertake, taking into consideration feasibility, magnitude of the proposals and resource implications.

The third study involves capturing tourists' feedback on their experiences in Destination Kenya as they leave the country to determine their satisfaction with the destination. It assesses visitor's expectation and satisfaction with particular components of the range of products, service, activities places and infrastructure that contribute to their visitor experience. The survey was conducted at entry/exit points.

The total budget for the three studies was Kes. 12.5 million. The first two studies were finalised in the year under review while the final report for the third study is expected in the 1<sup>st</sup> Quarter of 2019/20.

#### Challenges

Despite the positive move to undertake the research and analysis in the tourism sector, the Entity does not have sufficient human resource capacity for monitoring and managing the research works to ensure top quality results. This is due to the understaffing resulting to overworked staff.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### SECTION B

#### Entity's compliance with statutory requirements

The Entity is not facing any compliance issues on the statutory requirements

### SECTION C

#### Key projects and investment decisions the entity is planning/implementing

The Entity has invested in research and data collection and management networks in order to establish the status of Kenya's tourism and also to report on the performance of the sector promptly. It is now able to report on the performance including data on foreign tourist arrivals, domestic tourists bed nights as well as the earnings by the country from the sector. This helps the government plan for tourism development including budgeting and also inform potential tourism investors and guide marketing efforts.

### SECTION D

#### Major risks facing the entity

##### Operational risk

- The Entity lacks sufficient human resource capacity to execute key functions and responsibilities. This is affecting its performance and implementation of its objectives.
- The Entity has remained uncategorized hence making it hard for it to recruit and confirm the existing staff members.

##### Credit risk

There has always been a budget cut and delay in receiving funds from the National Treasury thus curtailing the operations of the Entity. We have been pursuing the National Treasury through the ministry for timely release of the funds, for smooth flow of the operations.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### SECTION E

#### **Material arrears in statutory/financial obligations**

There are no material arrears nor material obligations facing the entity.

### SECTION F

#### **The entity's financial probity and serious governance issues**

There is no serious governance issue apart from the appointment of the board members which should be done on staggered dates to avoid creating a vacuum in operations of the entity.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Tourism Research Institute took part in Corporate Social Responsibility (CSR) policy in tree planting at Loitoktok in Kajiado and Kapuni Hills in Narok County on 6<sup>th</sup> December, 2018. This activity in any area is very important exercise both at the National and County Governments levels as we deal with the environment and the natural habitats of plants and animals. The need to plant trees is in line with the Presidential directive that was issued in May 2018 emphasizing the need to plant as many trees as possible to restore the forest cover of at least 10% by 2020.

Towards this end, His Excellency Hon. Uhuru Kenyatta, President of the Republic of Kenya and Commander in Chief of the Defense Forces presided over the National Tree planting day and launched the government's 1.8 billion tree planting campaign in May 2018, as earlier mentioned. The President highlighted that forests and environment were in close relation to climatic patterns, mentioning that the changing weather being witnessed in the country had been as a result of neglect of the environment, and it was upon all Kenyans irrespective of status, to heed the call and plant trees countrywide.

Trees provide many benefits to communities such as improved air quality, wildlife habitat and reduced energy consumption in extreme weather patterns. Kenya's tourism sector is greatly dependent on the sustenance of the natural environment. Therefore, Tourism Research Institute is always keen to support programs and initiatives that promote ecotourism and sustainable tourism.

Tourism Research Institute staffs took part in creating awareness educating the community on importance of conserving and managing the available resource and the environment.



## 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 the Tourism Research Institute.

### Principal activities

The principal activities of the entity are to undertake and co-ordinate research and analysis for the tourism sector in Kenya.

### Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 24

### Directors

The members of the Board of Directors who served during the year are shown on page XIV. During the year 2018/ 2019 the following directors retired and were appointed with the effective dates shown.

#### RETIRED

No	NAME	CLASSIFICATION	DATE OF APPOINTMENT	EXPIRY DATE
1.	Prof. Masibo Lumala	Independent Director	02/12/2015	01/12/2018
2.	Dr. Rahab Nyagah	Independent Director	02/10/2015	01/10/2018
3.	Ms. Zahra B. Moi	Independent Director	31/05/2016	30/05/2019
4.	Mr. Bernard Kemboi	Independent Director	02/10/2015	01/10/2018
5.	Mr. Kenneth Kiprono	Independent Director	02/10/2015	01/10/2018

#### APPOINTED

No	NAME	CLASSIFICATION	DATE OF APPOINTMENT	EXPIRY DATE
1.	Mr. Kenneth Kiprono	Independent Director	08/02/2019	07/02/2022
2.	Mr. Caesar Handa	Independent Director	08/02/2019	07/02/2022
3.	Zahra Moi	Independent Director	01/06/2019	31/05/2022
4.	Janet Mbete	Independent Director	08/02/2019	07/02/2022
5.	Ms. Beth Ndungu	Representing National Treasury		
6.	Dr. Erustus Kanga	Alternate to PS, State Department of Tourism		

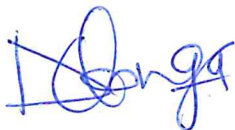
### **Dividends/Surplus remission**

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 the end of each financial year. The entity did not submit any surplus since it is yet to be categorised by the National Treasury.

### **Auditors**

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

By Order of the Board



Ag. Chief Executive Officer  
Nairobi

Date: 04.05.2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)) require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under* ). The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2017, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

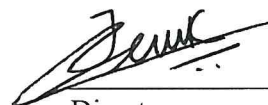
The *entity's* financial statements were approved by the Board on 04.05. 2020 and signed on its behalf by:



Director  
Nahashon Mubidi  
Mwongera



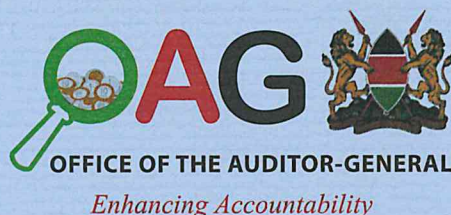
Director  
CAESAR HAMBHA



Director  
Dr. Emshu KAWA



# REPUBLIC OF KENYA



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E-mail: [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)  
Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)

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

## REPORT OF THE AUDITOR-GENERAL ON TOURISM RESEARCH INSTITUTE 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 Research Institute set out on pages 1 to 25, 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 Tourism Research Institute as at 30 June, 2019 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No 28 of 2011.

#### Basis for Qualified Opinion

##### Unconfirmed Receipts from State Department of Tourism

The statement of financial performance reflects transfers from MDAs (Ministries Departments and Agencies) totalling Kshs.37,240,000 being revenue receipts from the State Department for Tourism for the year under review. However, the Department's books of account reflected transfers to the Institute totalling Kshs.27,740,000 in the year under review. The difference amounting to Kshs.9,500,000 between the balances reflected in the two entities was not reconciled.

As a result of the discrepancy, the accuracy and completeness of the transfers from MDAs totalling Kshs.37,240,000 reflected in the statement of financial performance could not be confirmed.



The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Tourism Research Institute 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. I have determined that there are no key audit matters to communicate in my report.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted and actual National Government grants totalling Kshs.38,000,000 and Kshs.37,240,000 respectively resulting in a revenue shortfall of Kshs.760,000 or 2% (two percent) of the budget.

The statement further reflects budgeted and actual expenditure balances totalling Kshs.38,000,000 and Kshs.52,690,000 respectively resulting in net over-expenditure of Kshs.14,690,802 or 39% of the budget.

Analysis of expenditure records indicated that the Institute overspent on compensation of employees, repairs and maintenance, general expenses, and finance costs, all totalling Kshs.14,434,694 and underspent on board expenses by Kshs.1,448,055.

#### **2.0 Prior Year Issues**

The audit report for the previous year highlighted staffing issues and an unreconciled receipts balance. Management's report on progress made in resolving the issues at Appendix 1 of the financial statements indicates that the staffing matters had not been resolved as at 30 June, 2019.

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

#### **Conclusion**

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

## **Basis for Conclusion**

### **1.0 Failure to Recruit Staff**

As similarly reported in the previous year, the Institute had as at 30 June, 2019 not recruited staff critical to fulfilment of its mandate. Most notably, the Technical and Corporate Services Departments had not hired any staff in spite of their proposed establishments totalling (18) staff members.

The majority of staff in the Institute were deployed from the Ministry of Tourism but had retained their respective duties and responsibilities in the Ministry and were, as a result, not wholly available to the Institute.

### **2.0 Failure to Appoint Substantial Chief Executive Officer**

As previously reported, the Chief Executive Officer was appointed on acting capacity in January, 2018 and had served for more than the six - month period prescribed in Public Service regulations.

Delay in appointing a substantial head of the Institute may hamper effective decision-making and leadership at the Institute.

### **3.0 Incomplete Appointment of Board Members**

Review of records on the Board of Directors indicated that only four (4) out of the six Board members provided for in Section 54.1(h) of the Tourism Act, 2011 were appointed to the Board by the Cabinet Secretary.

In addition, contrary to Section 54.1(i) and (ii) of the Act, the appointees did not include persons from registered national tourism and higher learning institutions.

As it is, the Board may be constrained in fulfilling its role of providing effective, leadership and oversight.

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 Directors**

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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability 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 terminate the Institute, 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 Directors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the Institute 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 the audit of compliance, I consider internal control in order to give an assurance on 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 the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the 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 Institute'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 Institute to cease to continue 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 Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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**

**14 January, 2022**



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

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

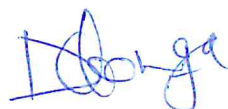
	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from MDAs	6a	37,240,000	56,600,000
Unspent Grant 2017-2018	6b	15,597,376	0
<b>Total revenue</b>		<b>52,837,376</b>	<b>56,600,000</b>
<b>Expenses</b>			
Employee costs	7	13,897,676	6,644,782
Board Expenses	8	9,345,946	15,121,321
Depreciation & Amortization	9	2,136,162	2,431,286
Repairs and maintenance	10	546,400	1,282,670
Finance costs	11	31,408	18,825
General expenses	12	26,733,210	10,767,834
<b>Total expenses</b>		<b>52,690,802</b>	<b>36,266,718</b>
<b>Surplus before tax</b>		<b>146,574</b>	<b>20,333,282</b>
Taxation			-
<b>Surplus/(deficit) for the period/year</b>		<b>146,574</b>	<b>20,333,282</b>
Remission to National Treasury		-	-
<b>Net Surplus for the year</b>		<b>146,574</b>	<b>20,333,282</b>

The notes set out on pages 6 to 25 form an integral part of these Financial Statements

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

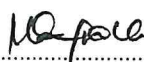
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	1,320,807	15,597,376
Receivables from non-exchange transactions	14	-	11,650,000
Unspent grant	6b	15,597,376	-
<b>Non-current assets</b>			
Property, plant and equipment	15	4,761,040	5,456,867
Intangible Asset	16	999,334	1,998,667
<b>Total assets</b>		<b>22,678,557</b>	<b>34,702,910</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	2,198,699	14,369,628
<b>Total liabilities</b>		<b>2,198,699</b>	<b>14,369,628</b>
<b>Net assets</b>		<b>20,479,857</b>	<b>20,333,282</b>
<b>Capital and Reserves</b>			
Accumulated surplus		- 10,479,857	10,333,282
Capital Fund		10,000,000	10,000,000
<b>Total net assets and liabilities</b>		<b>20,479,857</b>	<b>20,333,282</b>



Ag. C.E.O  
Name: David G. Gitonga

Date: 05.05.2020



Head of Finance  
Name: CPA Susan Mbugua

ICPAK No: 14685  
Date: 05.05.2020



Chairman of the Board  
Name: Mr. Richard K. Lang'at

Date: 04.05.2020

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

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

	<b>Accumulated Reserves</b>	<b>Capital Grant</b>	<b>Total</b>
<b>At July 1, 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total comprehensive income	20,333,282		20,333,282
Transfer of Capital fund from Accumulated Reserves	-10,000,000	10,000,000	0
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-
<b>At June 30, 2018</b>	<b>10,333,282</b>	<b>10,000,000</b>	<b>20,333,282</b>
<b>At July 1, 2018</b>	<b>10,333,282</b>	<b>10,000,000</b>	<b>20,333,282</b>
Receipts during the year	-	-	-
Total comprehensive income	146,574		146,574
<b>At June 30, 2019</b>	<b>10,479,857</b>	<b>10,000,000</b>	<b>20,479,857</b>



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2018-2019</b>	<b>2017-2018</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	<b>6a</b>	37,240,000	56,600,000
<b>Total Receipts</b>		<b>37,240,000</b>	<b>56,600,000</b>
<b>Payments</b>			
Compensation of employees	<b>7</b>	13,897,676	6,644,782
Goods and services	<b>8,10,12</b>	36,625,555	27,171,825
Finance cost	<b>11</b>	31,408	18,825
<b>Total Payments</b>		<b>50,554,639</b>	<b>33,835,432</b>
<b>Cash flows from operating activities</b>		<b>-13,314,639</b>	<b>-</b>
<b>Changes in working Capital</b>			
(Increase)/ decrease in receivables	<b>14</b>	11,650,000	-11,650,000
Increase / (decrease) in payables	<b>17</b>	-12,170,929	14,369,628
<b>Net Changes in working capital:</b>		<b>-520,929</b>	<b>2,719,628</b>
<b>Net cash flows from operating activities</b>		<b>-13,835,568</b>	<b>25,484,196</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment	<b>15</b>	-441,000	-6,888,820
Purchase of Intangible assets	<b>16</b>		-2,998,000
<b>Net cash flows used in investing activities</b>		<b>-441,000</b>	<b>-9,886,820</b>
<b>Cash flows from financing activities</b>			
Increase in deposits			
Increase in deposits			
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-14,276,568</b>	<b>15,597,376</b>
Cash and cash equivalents at 1 JULY		<b>15,597,376</b>	<b>-</b>
<b>Cash and cash equivalents at 30 JUNE</b>	<b>13</b>	<b>1,320,808</b>	<b>15,597,376</b>

*Tourism Research Institute*

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 JUNE 2019

	Original Budget	Adjustments	Final Budget	Actual on comparable Basis	Performance Difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	KShs	KShs	KShs	KShs	KShs
<b>Revenue</b>					
<b>Unspent Grant 2017/2018</b>	15,597,376.00		15,597,376.00	15,597,376.00	-
Government grants and subsidies	38,000,000.00	-	38,000,000.00	37,240,000.00	760,000
Development grants	-	-	-	-	
<b>Total income</b>	<b>53,597,376.00</b>		<b>53,597,376.00</b>	<b>52,837,376.00</b>	<b>760,000.00</b>
<b>Expenses</b>					
Compensation of employees	6,000,000.00	-	6,000,000.00	13,897,676	-7,897,676
Board Expenses	10,794,000.00	-	10,794,000.00	9,345,946	1,448,055
Repairs and Maintenance	200,000.00	-	200,000.00	546,400	-346,400
General Expenses	20,574,000.00	-	20,574,000.00	26,733,210	-6,159,210
Assets-Depreciation	432,000.00		432,000.00	2,136,162	-1,704,162
Finance cost	-	-	-	31,408	-31,408
<b>Total expenditure</b>	<b>38,000,000.00</b>	-	<b>38,000,000.00</b>	<b>52,690,802</b>	<b>-14,690,802</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146,574</b>	<b>-146,574</b>

**Explanation on variances**

1. Government grants – subjected to 2% budget cut
2. Compensation of employees – supervision of survey (core-mandate) and recruitment of intern/induction
3. Board Members– decrease arrears were paid the prior year
4. Repairs and maintenance – with increase of staff expenses increased
5. General Expenses– core functions were achieved in the 2<sup>nd</sup> year of operation with three research studies commissioned
6. Asset-Depreciation – accumulated depreciation
7. Finance cost – budgeted/included in the General expense
8. Surplus for the period – utilised on goods/services previously supplied

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Tourism Research Institute entity is established by the Tourism Act 2011 (Section 51) whose objective and purpose shall be to undertake and co-ordinate tourism research and analysis. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to undertake and co-ordinate research and analysis for the Tourism Sector in Kenya

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. ( <i>State the impact of the standard to the entity if relevant</i> )



### **3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

#### **ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance.</li> </ul> <p>The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>(State the impact of the standard to the entity if relevant)</i></p>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>Standard</b>	<b>Effective date and impact:</b>
	<i>(State the impact of the standard to the entity if relevant)</i>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly on 8<sup>th</sup>, June, 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of nil on the 2018-2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **c) Taxes (Continued)**

###### ***Withholding Tax***

The Entity was appointed as an agent of tax by Kenya Revenue Authority on 13<sup>th</sup> July 2018, Agent No. P051676745TP000

##### **Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is charged on the reducing balance over the life time of the asset. Full depreciation is charged during the year of purchase and NIL during the year of disposal

Computers and Accessories	30%
Motor Vehicles	25%
Office Equipments	12.5%
Furniture & Fittings	12.5%

##### **e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

The Entity Amortizes the intangible assets at the rate of 30% on straight-line basis on proportionate basis from time of purchase.

##### ***Contingent liabilities***

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **Contingent assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### **i) Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### **j) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

#### **k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **l) Comparative figures**

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

#### **m) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

*(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 a) TRANSFERS FROM OTHER GOVERNMENTS**

Description	2018-2019	2017-2018
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	37,240,000	46,600,000
Development grant	-	10,000,000
<b>Total government grants and subsidies</b>	<b>37,240,000</b>	<b>56,600,000</b>

**TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
Ministry/State Department of Tourism	37,240,000	0	0	37,240,000	37,240,000
<b>Total</b>	<b>37,240,000</b>	<b>0</b>	<b>0</b>	<b>37,240,000</b>	<b>37,240,000</b>

**6 b). UNSPENT GRANT KSHS. 15,597,376**

Kshs. 15,597,376 is unspent grant received in 2017/2018 as per the Certificate Balance.

**7. EMPLOYEE COSTS**

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	219,652	2,205,125
Travel, motor car, accommodation, subsistence and other allowances	9,641,088	3,075,107
Staff training and development	4,036,936	1,364,550
<b>Total Employee costs</b>	<b>13,897,676</b>	<b>6,644,782</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. REMUNERATION OF DIRECTORS**

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	861,300	1,626,031
Directors emoluments	3,474,340	6,549,951
Other allowances	5,010,306	6,945,339
<b>Total director emoluments</b>	<b>9,345,946</b>	<b>15,121,321</b>

**9. DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	1,136,828	1,431,953
Intangible assets	999,333	999,333
<b>Total depreciation and amortization</b>	<b>2,136,162</b>	<b>2,431,286</b>

**10. REPAIRS AND MAINTENANCE**

Description	2018-2019	2017-2018
	KShs	KShs
Building	-	912,170
Computers and accessories	546,400	370,500
<b>Total repairs and maintenance</b>	<b>546,400</b>	<b>1,282,670</b>

**11. FINANCE COSTS**

Description	2018-2019	2017-2018
	KShs	KShs
Bank charges	31,408	18,825
<b>Total finance costs</b>	<b>31,408</b>	<b>18,825</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. PROPERTY, PLANT AND EQUIPMENT**

<b>FY 2018/2019</b>	<b>Computers and Accessories</b>	<b>Office Equipment</b>	<b>Furniture and fittings</b>	<b>Total</b>
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
At 1 July 2018	3,262,000	3,241,720	385,100	6,888,820
Additions	-	441,000	-	441,000
<b>At 30<sup>th</sup> June 2019</b>	<b>3,262,000</b>	<b>3,682,720</b>	<b>385,100</b>	<b>7,329,820</b>
<b>Depreciation and impairment</b>				
At 1 July 2018	978,600	405,215	48,138	1,431,953
Depreciation	685,020	409,688	42,120	1,136,828
<b>At 30<sup>th</sup> June 2019</b>	<b>1,663,620</b>	<b>814,903</b>	<b>90,258</b>	<b>2,568,781</b>
<b>Net book values</b>				
At 30 <sup>th</sup> June 2019	1,598,380	2,867,817	294,842	4,761,039
At 30 <sup>th</sup> June 2018	2,283,400	2,836,505	336,962	5,456,867

**FY2017/2018**

	<b>Computers and Accessories</b>	<b>Office Equipment</b>	<b>Furniture and fittings</b>	<b>Total</b>
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
At 1 July 2017	-	-	-	-
Additions	3,262,000	3,241,720	385,100	6,888,820
<b>At 30<sup>th</sup> June 2018</b>	<b>3,262,000</b>	<b>3,241,720</b>	<b>385,100</b>	<b>6,888,820</b>
<b>Depreciation and impairment</b>				
At 1 July 2017	-	-	-	-
Depreciation	978,600	405,215	48,138	1,431,953
<b>At 30<sup>th</sup> June 2018</b>	<b>978,600</b>	<b>405,215</b>	<b>48,138</b>	<b>1,431,953</b>
<b>Net book values</b>				
At 30 <sup>th</sup> June 2018	2,283,400	2,836,505	336,962	5,456,867
At 30 <sup>th</sup> June 2017	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16. INTANGIBLE ASSETS-SOFTWARE**

<b>Description</b>	<b>2018-2019 KShs</b>	<b>2017-2018 KShs</b>
<b>Cost</b>		
At beginning of the year	2,998,000	-
Additions	-	2,998,000
At end of the year	<b>2,998,000</b>	<b>2,998,000</b>
<b>Amortization and impairment</b>		
At beginning of the year	999,333	-
Amortization	999,333	999,333
At end of the year	<b>1,998,666</b>	<b>999,333</b>
<b>NBV</b>	<b>999,334</b>	<b>1,998,667</b>

**17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2018-2019 KShs</b>	<b>2017-2018 KShs</b>
Trade payables	2,024,594	11,296,760
Withholding VAT	24,106	130,836
Other payables	149,999	2,942,032
<b>Total trade and other payables</b>	<b>2,198,699</b>	<b>14,369,628</b>

*(Included in trade payables is an amount of Kes.1,500,433 payable to RICA communications Ltd, consultant engaged on market survey and research. Consultant has not delivered the final report which is overdue based on the contractual agreement. The matter is being handled by our legal department to ensure we get the report soonest).*

**18. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.



**Credit risk (Continued)**

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from Ministry of Tourism.

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(ii) Liquidity risk management (Continued)**

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2018</b>				
Trade payables	0	0	2,024,594	2,024,594
Other Payables	150,000	0	0	150,000
Taxation	0	0	24,106	24,106
<b>Total</b>	<b>150,000</b>	<b>0</b>	<b>2,048,700</b>	<b>2,198,700</b>

**19. RELATED PARTY BALANCES**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Govt	37,240,000	56,600,000
<b>Total</b>	<b>37,240,000</b>	<b>56,600,000</b>
<b>b) Key management compensation</b>		
Directors' emoluments	4,335,640	8,175,982
Compensation to the CEO	0	2,942,033
Compensation to key management	-	-
<b>Total</b>	<b>4,335,640</b>	<b>11,118,015</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

*The entity did not have any contingent liability during the FY 2018/2019.*

**21. DIVIDENDS/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 the end of each financial year. The Entity is yet to be categorized hence no remittance to the Consolidated Fund.

**22. EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**23. ULTIMATE AND HOLDING ENTITY**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Tourism. Its ultimate parent is the Government of Kenya.

**24. Currency**

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

## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Shortage of Staff	Awaiting Ministry to second the staff fully as well as deploy new staff.	<ul style="list-style-type: none"> <li>David G. Gitonga- Acting CEO</li> <li>Mr. Joe Okudo- Principal Secretary, Tourism</li> <li>Hon. Najib Balala-Cabinet Secretary, Tourism</li> </ul>	Partially resolved	
1.2	Acting Staff	Current CEO has been acting for over 6 months without being confirmed contrary to Human resource best practice	<ul style="list-style-type: none"> <li>Hon. Najib Balala-Cabinet Secretary, Tourism</li> <li>TRI Board</li> </ul>	Not resolved	

### Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Ag. C.E.O

Date: 04.05.2020

Chairman of the Board

Date: 04.05.2020



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

**Projects**

The Entity did not undertake any project during the financial year under review.

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

**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>			
	<b>Break down of Transfers from the State Department of Tourism</b>			
	<b>FY 2018/2019</b>			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
				<u>FY 2017/2018</u>
		03/07/2018	11,650,000	FY 2018/2019
		28 <sup>th</sup> ,10,2018	9,500,000	
		28 <sup>th</sup> ,12,2019	9,247,000	FY 2018/2019
		03 <sup>rd</sup> ,03,2019	9,246,334	FY 2018/2019
		21 <sup>st</sup> ,04,2109	9,246,666	FY 2018/2019
		<b>Total</b>	<b>48,890,000</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	-
		-	-	-
		-	-	-
		<b>Total</b>	<b>Nil</b>	-

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

Finance Manager  
Tourism Research Institute

Head of Accounting Unit  
Ministry of Tourism

Sign ...  .....

Sign ...  .....



1950-1951