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REPORT

OF

THE AUDITOR-GENERAL

ON

TOURISM RESEARCH INSTITUTE

FOR THE YEAR ENDED
30 JUNE, 2020





TOURISM RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

Tourism Research Institute
Annual Reports and Financial Statements
For the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The *Tourism Research Institute* was established by the Tourism Act 2011 (Section 51) whose objective and purpose shall be to undertake and co-ordinate tourism research and analysis.

(b) Principal Activities

The principal activity/mission of the *entity* is to undertake and Co-ordinate research and analysis for the Tourism Sector in Kenya.

(c) Key Management

The *Tourism Research Institute's* day-to-day management is under the following key organs:

- Board of Directors;
- Ag. CEO and
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Ag. Chief Executive Officer	David Githui Gitonga
2.	Head of Finance	Susan M. Mbugua
3.	Head of Procurement	Japheth Ndambuki
4.	Human Resource Management	Rhoda M Kiima
5.	Tourism Officer	Betty Wanjiku Maranga

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance and Establishment Committee	<ol style="list-style-type: none"> 1. Kenneth Kiprono – Chair 2. Zachary Mwangi 3. Nahashon Mwongera 4. Erustus Kanga 5. Beth Ndungu 6. David G. Gitonga – Ag. CEO
Technical and Strategy Committee	<ol style="list-style-type: none"> 1. Caesar Handa – Chairman 2. Zachary Mwangi 3. Erustus Kanga 4. Janet Mbete 5. Zahra Moi 6. David G. Gitonga – Ag. CEO
Audit and Risk Committee	<ol style="list-style-type: none"> 1. Zahra Moi – Chair 2. Beth Ndungu 3. Janet Mbete 4. Caesar Handa 5. Nahashon Mwongera 6. Kenneth Kiprono

(e) Entity Headquarters

P.O. Box 42131-00100
 Utalii House – 7th Floor
 Uhuru Highway
 Nairobi, KENYA

(f) Entity Contacts

Telephone: (+254) 020 2001084
 E-mail: ceo@tri.go.ke
 Website: www.tri.go.ke

(g) Entity Bankers

1. Kenya Commercial Bank
 Kipande House Branch
 P.O Box 30012-00100
 Nairobi, Kenya

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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THE BOARD OF DIRECTORS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience. Indicate 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. Lang'at Master's Degree</p>	<p>Born on 23rd 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. He is an independent director and the Chairman of the Board</p>
 <p>2. Hon. Safina Kwekwe Tsungu, CBS Master's Degree</p>	<p>Honourable Safina Kwekwe Tsungu, CBS, was appointed the Principal Secretary for Tourism in the Ministry of Tourism and Wildlife on 14th January, 2020, by His Excellency President Uhuru Kenyatta.</p> <p>Hon. Tsungu is charged with the following responsibilities: Formulation of national tourism policies, plans, strategies, guidelines and goals; Tourism Development and Promotion that is marketing Kenya to both local and International tourists, Tourism Financing, Support infrastructure development for sustainable growth of tourism, and Tourism Research and Monitoring to develop innovative tourism products. Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector. Notably, she served as the Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender (March 2018- January 2020). She worked as the County Executive Committee Member for Trade and Co-operative Development in Kwale County, worked with Action Aid International –Kenya for more than 8 years as a women's rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources for two and a half years. Hon. Tsungu pioneered the establishment of the EALA Women's Parliamentarian's Forum which she chaired for 5 years. She is a holder of a Master's degree in International Trade Policy and Trade Law from Lund University, Sweden, and a Bachelor of</p>




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	<p>Commerce degree from The University of Nairobi. She is an Alumni of Alliance Girls.</p>
 <p>3. Mr. Zachary Mwangi Master's 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>
 <p>4. Mr. Nahashon Mwangera Master's Degree</p>	<p>Born on 6th November 1972, Mr. Mwangera 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. Mwangera 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.</p>
 <p>5. Mr. Kenneth Kiprono Master's Degree</p>	<p>Born on 13th September 1964, Kenneth has an MBA (Management Information System) and B Comm 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 & Risk Manager, Country Manager, Internal Audit & Risk(KCB Sudan) before becoming the Lead IT & Audit consultant involved in researching, evaluating, designing and implementing training and consultancy services at Jacca Consulting & TE Ltd. He is an independent director and Chair of the Finance and Establishment Committee.</p>

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 <p>6. Ms. Zahra Bahlewa Moi Master's 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 Migoty Plantation Ltd, Sicham Aviation Ltd, Sweeny Estate Ltd, The Lord Errol Restaurant and Hotel Torit. She is an independent director and Chair of Audit and Risk Committee.</p>
 <p>7. Mr. Caesar Handa Master's 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 development programs. He is a strong member of several school and church boards. He is an independent director and Chair of Technical and Strategy Committee.</p>
 <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. She is an independent director.</p>

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 <p>9. Beth Ndungu Master's 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 & 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 & 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 & Wildlife.</p>
 <p>11. David Gitonga, Ag. CEO Master's Degree</p>	<p>Born in Nakuru County on 7th 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 of Tourism Research Institute and the Secretary to the Board.</p>

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MANAGEMENT TEAM

Insert each key manager's passport-size photo and name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
 <p>1. David Gitonga, Ag. CEO</p>	<p>Has 22 years' experience in Tourism Management in the Public Sector, National Co-ordinator in the development of National Tourism Blueprint 2030 involved in setting up of Tourism Regulatory Authority he is the Ag Chief Executive Officer .</p>
 <p>2. Ms. Susan M Mbugua Accountant</p>	<p>Has 30 years' experience in Public Service. A member of Institute of Certified Public Accountant of Kenya (ICPAK Area of responsibility Finance.)</p>
 <p>3. Ms. Betty M. Maranga Tourism Officer</p>	<p>Has 12 years' experience in the Public Service. area of responsibility Tourism</p>
 <p>4. Mr. Japheth Ndambuki</p>	<p>Has 32-year experience in the public service area of responsibility Procurement</p>

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Procurement Officer	
5.  Ms. Rhoda Kiima Human Resource Officer	Has 32-year experience in the public service area of responsibility Human resource management.

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CHAIRMAN'S STATEMENT

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.

KEY HIGHLIGHTS OF THE YEAR

The Institute made progress in rolling out activities of its core mandate as per the Strategic Plan finalised during the previous financial year. Major highlights are discussed here below.

Tourism Sector Performance Reporting

During the year under review, sector performance reporting was enhanced to ensure performance reports on a quarterly, half yearly and annual basis. The performance reports provide information including international tourism arrivals, tourism receipts and domestic bed-nights. The reports further highlight other major developments in the sector as well as review the emerging trends in tourism nationally and internationally and their future implications.

The Kenya Tourism Satellite Account Project

To address the major challenge the sector has been facing of inadequacy of data and information, the Institute has been putting in place mechanisms to ensure provision of timely, accurate and reliable data. To this end, various initiatives were undertaken in the year under review key being the Tourism Satellite Account (TSA) project. TSA is an instrument developed by the United Nations (UN) to measure the size of economic sectors not defined as industries in typical national accounts. The Kenya TSA project is being implemented in accordance with the UNWTO TSA Recommended Methodological Framework.

The TSA project is being delivered through an inter-agency committee and with support from United Nations Economic Commission for Africa (UNECA). The 10 tables have been completed and the draft report prepared awaiting stakeholders review and validation.

CHAIRMAN'S STATEMENT (Continued)

Research Works

The Institute conducted research works to answer to the identified needs of the sector with two major research projects undertaken. These are:

1. Comparative Study of Kenya's Tourism Performance Vis a Vis Global Tourism Trends

The 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 reviewed 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 provided 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.

2. Tourist Satisfaction Survey (Exit Survey)

Tourist satisfaction surveys focus on visitors' expectations and satisfaction with, particular components (or all) of the range of products, services, activities, places and infrastructure that contribute to their visitor experience. Visitor satisfaction is key to successful tourism enterprises and competitive tourism destinations overall. Satisfaction derives from visitors' pre-visit expectations and their actual experiences on the visit. The Institute undertook an exit survey in the year and the report is proving useful in guiding on areas of improvement by all players in the sector.

CHALLENGES FACED

The Board has endeavoured to always provide strategic leadership and management continues to employ tremendous efforts in its work. However, the Institute faces some challenges that undermine its performance. The key challenge is **Non-categorization**. TRI has not been categorized by the State Corporations Advisory Committee (SCAC). Categorization is the first step in getting a State Corporation to operationalize and the current state of affairs leads to the following problems:

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CHAIRMAN'S STATEMENT (Continued)

- TRI cannot recruit staff both at professional/technical and support cadres.
- The few staff designated to support from the parent ministry are overworked and they are not freed of responsibilities at their primary posts at the Ministry.
- Lack of relevant skills undermines engagement with potential partners in research.
- Some designated staff whose schemes are governed by other ministries have been transferred with no reference to TRI.

WAY FORWARD

As the country puts in efforts to restart tourism business in the wake of Covid-19, the critical role of tourism research has been recognised even more. There is therefore need to strengthen TRI to ensure it delivers on the mandate. In the new era, organisations are expected to be very innovative and to adopt to emerging technologies and indeed innovate so as to remain competitive and relevant in their mandates. TRI endeavours to take a leading role in this. The challenge of non-categorisation needs to be unlocked and the growth of TRI as a leading research body for tourism globally will be unlimited.



Mr. Richard K. Langat
Board Chairperson

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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 is thus 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. In 2019/20, TRI was allocated kshs.127,100,000 for recurrent expenditure. There was no allocation for development expenditure.

KEY PERFORMANCE HIGHLIGHTS

The Institute made quite some success in rolling out activities of its core mandate having finalised the Strategic Plan in the previous financial year. Key areas of achievement are highlighted here below.

Tourism Sector Performance Reporting

In the year 2018/19, the Institute had just started reporting on the performance of the tourism sector. During the year under review, this was enhanced to ensure performance reporting on a quarterly, half yearly and annual basis. The performance reports provide information including international tourism arrivals, tourism receipts and domestic bed-nights. The reports further highlight other major developments in the sector as well as review the emerging trends in tourism nationally and internationally and their future implications. It also analyses challenges the sector faces that need to be mitigated.

The Kenya Tourism Satellite Account Project

In an effort to address the major challenge the sector has been facing of inadequacy of data and information, the Institute has been putting in place mechanisms to ensure provision of timely, accurate and reliable data. This should serve the needs of policy makers in government, county governments, other relevant government agencies, private sector businesses, community interests and all other players in the sector. To this end, various initiatives were undertaken in the year under review key being the Tourism Satellite Account (TSA) project. TSA is an instrument developed by the United Nations (UN) to measure the size of economic sectors not defined as industries in typical national accounts e.g. tourism and environmental satellite accounts.

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REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

The tourism industry is an amalgamation of various industries and activities which include transport, accommodation, food and beverages, recreation and entertainment among others. The Kenya TSA project is being implemented in accordance with the UNWTO TSA Recommended Methodological Framework (RMF 2008) which involves the compilation of ten tables showing the inter-relationships among the economic variables in the TSA system. The tables are designed to show the interaction of the TSA variables and their link with those of the national accounts.

TSA requires the involvement of key players within the public and the private sectors. In 2019/20 financial year the Institute convened an inter-agency committee to develop Kenya TSA in conjunction with United Nations Economic Commission for Africa (UNECA) with the following specific objectives;

- to estimate tourism demand
- to estimate tourism supply
- to assess the value added by tourism activities in the economy
- to establish the level of employment generated by tourism activities
- to measure gross fixed capital formation in the sector, and
- to measure collective consumption on tourism by the local, regional and national government

The committee started its work by conducting a situational analysis to establish the usefulness of the information earlier collected and to review the status of the overall reporting of national accounts. It then gathered and consolidated the data from the various sources and run it through the TSA tables which leads to a full TSA construction and presentation of the final report as well as acquisition of the necessary software's to sustain the Account. The 10 tables have been completed and the draft report prepared awaiting stakeholders review and validation. To support the TSA and to serve the demand for different formats of data analysis and presentation for the sector, the Institute has been in the process of identifying and acquiring internationally tested tools for tourism data analysis. As part of this process, the Institute has acquired one of the key statistical tools, the Implan software.

REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Research Works

The Institute embarked on rolling out research works to answer to the identified needs of the sector. Two major research projects were successfully undertaken:

1. Comparative Study of Kenya's Tourism Performance Vis a Vis Global Tourism Trends

The 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 reviewed 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 provided 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.

2. Tourist Satisfaction Survey (Exit Survey)

Tourist satisfaction surveys focus on visitors' expectations and satisfaction with, particular components (or all) of the range of products, services, activities, places and infrastructure that contribute to their visitor experience. Visitor satisfaction is key to successful tourism enterprises and competitive tourism destinations overall. Satisfaction derives from visitors' pre-visit expectations and their actual experiences on the visit. From a marketing perspective, visitors' actual experiences need to exceed their expectations so that they visit again or longer and/or convince others to do the same (word of mouth is still the most important marketing mechanism). From a broader management perspective, evidence of a satisfying experience for the visitor is a key indicator of tourism business performance.

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REPORT OF THE CHIEF EXECUTIVE OFFICER (continued)

The Institute undertook an exit survey in the year that focused on the following;

- Demographic characteristics of the tourists
- Pre-visit perceptions and expectations
- Actual experience on the ground
- Post visit perceptions/ratings
- Tourists satisfaction levels/perceptions
- Estimated tourists' expenditure
- Recommendations to address the problems/challenges highlighted.

The report is useful in guiding on areas of improvement by all players in the sector.

Other ad hoc research works were undertaken and reports presented mainly targeted at informing policy through the Ministry of Tourism and Wildlife.

CHALLENGES FACED

Despite the tremendous efforts to undertake the research and analysis in the tourism sector, the Institute faces a myriad of challenges that undermines delivery on its mandate. The key and overarching challenge is Non-categorization.

TRI has not been categorized by the State Corporations Advisory Committee. Categorization is actually the first step in getting a State Corporation to operationalize and the current state of affairs therefore presents the following persistent problems:

- TRI cannot recruit staff both at professional/technical and support cadres. This occasions a lack of necessary expertise and undermines performance against great expectations by the sector and the public.
- TRI continues to rely on a few staff designated to support from the parent ministry and they are overworked. The situation is worsened by the fact that they are not paid any allowances for the extra work load and responsibilities and it is hence not easy to motivate them.

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REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

- Most of the designated staff are not freed of responsibilities at their primary posts, and are unavailable fully for TRI work.
- Lack of a properly established organizational structure with relevant skills deployed undermines engagement with potential partners in research that is mutually beneficial.
- Most designated staff whose schemes are governed by other ministries get transferred without reference to TRI.

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REVIEW OF TOURISM RESEARCH INSTITUTE ANNUAL REPORT AND FINANCIAL STATEMENTS PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Tourism Research institute has *three* strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Undertake Research
- Pillar 2: Tourism Data Management
- Pillar 3: Disseminate Research Findings

Tourism Research institute develops its annual work plans based on the above *three* pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Tourism Research institute* achieved its performance targets set for the FY 2019/2020 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Undertake Research	Research Projects rolled out	-Number of research topics identified . -Number of projects undertaken and report in plac	-Craft 2 research topics -Develop undertake 2 tourism research projects	2 topics crafted 1. Tourism exit survey 2. Dissemination and research gap analysis engagement forums 1 project undertaken-exit survey
Pillar 2: Tourism Data Management	Tourism Satellite Account(TSA) developed	Number of tables completed	Develop 10 TSA tables	TSA 10 tables developed, draft report in place
Pillar 3: Disseminate Research Findings	Tourism findings disseminated	-number of the workshops held and reports published	-organize 2 stakeholders' dissemination workshops and publish research findings	-1 workshop held and 1 report published

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		-annual and quarterly reports in place	-develop annually and quarterly Tourism performance reports	Annually and quarterly tourism performance reports developed
	National Tourism Digital platform developed		Develop a system design	

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CORPORATE GOVERNANCE STATEMENT

Board Meetings

During the year under review, the Board held four (4) regular full board meetings and two (2) special meetings.

Numbers of Board Meetings Held and Attendance to those meeting by the members During the Year

No	Board Member	Classification	Designation	Finance and Establishment Committee (BFEC): Total No. of meetings 5 (4 scheduled, 1 special)	Technical and Strategy Committee (BTSC): Total No. of meetings 6 (4 scheduled, 2 special)	Audit and Risk Committee (BARC): Total No. of meetings 4 (4 scheduled, 0 special)	Main Board Meetings: Total 6 (4 scheduled, 2 special)
	Mr. Richard K. Langat	Independent	Board Chairperson				5/6
	Jennifer Barassa	Independent	Board Chairperson				1/6
	Dr. Erustus Kanga	Alt Principal Secretary, Ministry of Tourism		4/5	5/6		4/6
	Janet Mbete	Independent		0/5	6/6	4/4	6/6
	Caesar Handa	Independent	Chairperson BTSC	0/5	6/6	4/4	4/5
	Kenneth Kiprono	Independent	Chairperson BFEC	5/5	0/6	4/4	6/6
	Zahra Bahlewa Moi	Independent	Chairperson BARC	4/5	5/6	4/4	5/6
	Zachary Mwangi	Director General, KNBS		0/5	1/6	0/4	1/5
	Beth Ndung'u	Representing Principal Secretary, The National Treasury		5/5	6/6	4/4	6/6

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Nahashon Mwongera	Representing Executive Director, KIPPRA		3/5	0/6	4/4	6/6
David Gichuhi	Inspectorate of State Corporations		5/5	6/6	4/4	6/6
David Gitonga	Ag. CEO		5/5	6/6	0/4	6/6

SUCCESSION PLAN

The independent Directors were appointed in a staggered manner hence the policy on phased transition is addressed.

BOARD CHARTER

The board is yet to develop the charter but plans are underway.

APPOINTMENT AND REMOVAL OF DIRECTORS.

The board has a fair mix of skills and competencies.

ROLES AND FUNCTION OF THE BOARD

Roles and Functions of the Board

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

- a) Determine the organisation's mission, vision, purpose and core values
- b) Set and oversee the overall strategy and approve significant policies
- c) Ensure the strategy is aligned with the purpose of the organisation and the legitimate interests and expectations of the stakeholders
- d) 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
- e) Approve the organisational structure
- f) Approve the annual budget of the organisation
- g) Monitor the organisations' performance and ensure sustainability
- h) Enhance the corporate image of the organisation
- i) Ensure availability of resources for the achievement of the organisation's objectives

CORPORATE GOVERNANCE STATEMENT (Continued)

- j) 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.

INDUCTION AND TRAINING OF THE BOARD

Tourism Research Institute recognizes the governance leap made by the Government of Kenya through the development and issuance of MWONGOZO; The Code of Governance for State Corporations. In this regard, once new board members are appointed, the Institute provides them with information on the operations of TRI. They are also taken through Mwongozo training on management of State Corporations as well as Corporate Governance training.

BOARD AND MEMBER PERFORMANCE

The board conducts the annual board and individual members' evaluation to monitor and review performance. This is independently supervised by SCAC.

CONFLICT OF INTEREST

During every meeting of the board, members sign a declaration of conflict of interest. Where a member has conflicting interest, they are excluded from the deliberations of the said agenda.

BOARD REMUNERATION

The policy on remuneration of the board members is in place as provided for by relevant government regulations and guidelines. Allowances are paid when they fall due.

ETHICS AND CONDUCT

Board members received training on ethics and conduct during the induction training. There are no ethical and misconduct issues to declare.

GOVERNANCE AUDIT

The Board has established a Board Audit and Risk Committee in compliance with Mwongozo and government audit laws and regulation

The entity's operational and financial performance

The Entity had budgeted to receive Kes.127,100,000 during Financial Year 2019/2020 but received ksh116,508,334 out of which Kes.74,668,052 was expended. Ksh10,591,666 which related to Financial Year 2019/2020 was received in Financial Year 2020/2021.

Due to the COVID 19 Pandemic the entity was unable to undertake all the planned budgeted activities for the year and pushed them forward to the next financial year.

KEY PROJECTS

1. TOURISM PERFORMANCE REPORTS

The Institute is mandated to develop quarterly and annual tourism performance reports.

In the year under review, the Institute developed 4 quarterly reports and 1 annual report for 2019 tourism performance.

These reports cover international tourism arrivals, tourism receipts and domestic bed-nights. The reports also look at challenges the sector faces and give highlights on future trends to look out for.

2. KENYA TOURISM SATELLITE ACCOUNT

A Satellite Account is an instrument developed by the United Nations (UN) to measure the size of economic sectors not defined as industries in typical national accounts e.g. Tourism and Environmental satellite accounts. The tourism industry is an amalgamation of various industries and activities which include transport, accommodation, food and beverages, recreation and entertainment among others. The Kenya TSA project is being implemented in accordance with the UNWTO TSA Recommended Methodological Framework (RMF 2008) which involves the compilation of ten tables showing the inter-relationships among the economic variables in the TSA system. The tables are designed to show the interaction of the TSA variables and their link with those of the national accounts.

TSA requires the involvement of key players within the public and the private sectors. In 2019/20 financial year the Institute convened an inter-agency committee to develop Kenya TSA in conjunction with United Nations Economic Commission for Africa (UNECA) with the following specific objectives;

- to estimate tourism demand
- to estimate tourism supply
- to assess the value added by tourism activities in the economy
- to establish the level of employment generated by tourism activities
- to measure gross fixed capital formation in the sector, and
- to measure collective consumption on tourism by the local, regional and national governments

The committee started its work by conducting a situational analysis to establish the usefulness of the information earlier collected and to review the status of the overall reporting of national accounts. It then gathered and consolidated the data from the various sources and run it through the TSA tables which leads to a full TSA construction and presentation of the final report as well as acquisition of the necessary softwares to sustain the Account. The 10 tables have been completed and the draft report

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prepared awaiting stakeholders review and validation. One of the key statistical tools to sustain it, the Implant software has been acquired.

3. TOURISTS EXIT SURVEY

Tourist satisfaction surveys focus on visitors' expectations and satisfaction with, particular components (or all) of the range of products, services, activities, places and infrastructure that contribute to their visitor experience. Visitor satisfaction is key to successful tourism enterprises and to tourism overall. Satisfaction derives from visitors' pre-visit expectations and their actual experiences on the visit. From a marketing perspective, visitors' actual experiences need to exceed their expectations so that they visit again or longer and/or convince others to do the same (word of mouth is still the most important marketing mechanism). From a broader management perspective, evidence of a satisfying experience for the visitor is a key indicator of tourism business performance. The Institute undertook an exit survey in August/September 2019, the survey focused on the following;

- Demographic characteristics of the tourists
- Pre-visit perceptions and expectations
- Actual experience on the ground
- Post visit perceptions/ratings
- Tourists satisfaction levels/perceptions
- Estimated tourists' expenditure
- Recommendations to address the problems/challenges highlighted.

The report was finalized in December 2019 and a report is in place.

4. DEVELOPMENT OF A TOURISM ONLINE PLATFORM

Tourism sector is a contributor both directly and indirectly to other sectors of the economy, and as such has a wider reach of stakeholders who produce both tourism and non-tourism related data. There is a need to mitigate the gaps that exist in the data management of tourism sector and that the sector needs a system that enables it to give enough realistic inputs to support complex tourism and non-tourism related decision developing an online platform system will be able to solve this issue.

There also need to provide meaningful information and analysis timeously to stakeholders in the sector and calls for the provision of efficient knowledge in database management.

Tourism Online platform is to be driven by modern technologies and will be able to handle business processes innovations, access to data for decision making which will be more timely with enhanced integrated systems. The Platform and its associated databases will be the central repository of all data touching on the tourism sector as envisioned in the Tourism Act 2011. The Institute has started the process of developing Kenya Tourism Online platform. It conducted a stakeholder analysis for the same and developed the ToRs through an inter-agency committee. It is now in the process of conducting the feasibility study and design of the system architecture.

5. DISSEMINATION AND RESEARCH GAPS ANALYSIS FORUMS

Tourism Research Institute is mandated to undertake, coordinate and disseminate tourism findings. In view of this, the Institute developed a concept note and TORs to undertake the research gaps analysis project through consultative forums. The main purpose of the forums was to bring out challenges the sector faces and its research needs. By undertaking the forums, tourism research priorities would be

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identified to inform current and future policies so as to enhance the tourism sector in Kenya. This will guide the Institute's future research areas which will be industry driven.

The objectives of the study were:

1. Disseminate research findings.
2. Understand challenges the sector faces in various regions
3. Identify, document and prioritize research needs
4. Develop a national tourism research agenda

The forums were scheduled to take place in April/May 2020. However due to the outbreak of Covid-19, the forums were postponed. The work will be finalized in 2020/2021 financial year.

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.

Entity's compliance with statutory requirements

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.

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.

Material arrears in statutory/financial obligations

There are no material arrears nor material obligations facing the entity

The entity's financial probity and serious governance issues

There is no serious governance issue to declare.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

TRI exists to transform lives. This is our purpose the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Environment performance

TRI is in the process of developing an environmental policy that will guide the Institute in maintaining a sustainable environment at the work place .The policy will entail economical use of photocopying papers to avoid wastage and use of un disposable water bottles. We set and met our target of planting and maintaining tree seedlings at Kajjado and Kapune Hills which is in line with Presidential directive emphasizing restore of at least 10%of forest cover by 2030.

2. Employee welfare

In our strategy plan, one of our aims is to come up with policies that guide our operations, We are in the process of developing the policies that will guiding the hiring process and maintain staff, the appraisal of performance career progression path and reward systems. We are in the process of complying with the Occupational Safety and Health Act of 2007

3. Market place practices-

Being a public entity, there is the perception that there is a lot of resources to be utilised. The reality is far from that and the resources we have are carefully managed to have the most impact. To this end we carry out the following exercises to get the best partners for continued provision of goods and services.

a) Supplier prequalification

We are guided by the PPOA 2015 and the PPRA guidelines on how to identify suppliers. This is an open and public process that invites all interested parties and has protections built within the process to carve out opportunities for youth, women and people with disabilities.

b) With our prequalified suppliers, we endeavour to meet our obligations on time so that we may be able to sustain relations for future partnerships.

c) Our resources limit us from advertising far and wide and we use the local administration notice boards, social media and our website to market opportunities in the institution

d) To enhance our presence and be able to demand from our suppliers the best products, we settle our bills on time hence reporting no pending bills that enhanced our relationship with our creditors.

4. Community Engagements-

In our community we work a lot with members of the public. This is essential as our mandate come from far and wide and interact a lot with the community outside. The following arrangements stand out as our efforts in working with the community.

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We have partnerships with local entrepreneurs Kenya Tourism Federation which is apex body of the tourism sector to deliberate on current issues and exchange views, networking and share experience. We also participated in this by sponsoring some events .

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 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, 2020 are set out on page 1 to 25

Directors

The members of the Board of Directors who served during the year are shown on page XIV. During the year 2019/ 2020 the following directors retired and were appointed with the effective dates shown.

RETIRED

No	NAME	CLASSIFICATION	DATE OF APPOINTMENT	EXPIRY DATE
1.	Jennifer Barassa	Chairperson -Board	21/10/2016	20/10/2019

APPOINTED

No	NAME	CLASSIFICATION-	DATE OF APPOINTMENT	EXPIRY DATE
1.	Richard K Langat	Chairman-Board	21./10/2019	20/10/2022


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:

9/6/2021

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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *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, 2020, and of the *entity's* financial position as at that date. The Directors further confirms 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 _____ 2020 and signed on its behalf by:



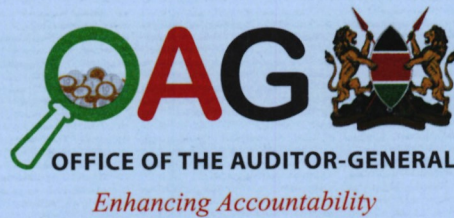
Chairperson of the Board



Accounting officer/MD/CEO

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TOURISM RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tourism Research Institute set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2020, and the 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 matter 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, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act, No.28 of 2011.

Basis for Qualified Opinion

Cash Flow Statements

The statement of cash flows reflects other payments totalling Kshs.2,861,700 whose details are not specified. Further, the payments are not reflected in the statement of financial performance.

Consequently, the occurrence, accuracy and validity of the statement of cash flows could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the 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 for the year ended 30 June 2020 reflects budgeted and total revenues totalling Kshs.127,100,000 and Kshs117,899,140 respectively resulting in a revenue surplus of Kshs.10,200,860 which however has not been reflected in the statement. The statement further reflects budgeted and actual expenditures totalling Kshs.127,100,000 and Kshs.90,482,052 resulting in under-expenditure of Kshs.36,617,948 which Management attributed to low levels of operational activity due the Covid-19 pandemic.

2.0 Failure to Recruit Key Staff

As previously reported, the Institute is yet to recruit staff in several key positions that are important to attainment of its mandate. These include the technical and corporate services departments which had no staff as at 30 June 2020 despite their provisioned establishments totalling eighteen (18) employees. Most of the staff working at the Institute were employees of the Ministry of Tourism and Wildlife who were still expected to undertake their duties at the Ministry.

Further, as previously reported, the Chief Executive Officer had acted in the position since 25 January, 2018. As a result, leadership at the Institute had not been substantively established.

3.0 Prior Year Issues

The report for the previous year highlighted irregular appointment of staff in acting capacity for long periods and failure to recruit sufficient staff required to execute the mandate of the Institute. Management in the report on progress made in resolving the issues has indicated that the matters had not been resolved as at 30 June 2020.

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, I confirm that, nothing 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

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Incomplete Appointment of Board Members

As similarly reported in the previous year, only four (4) out of the six (6) Board members prescribed in Section 54.1(h) of the Tourism Act were appointed by the Cabinet Secretary. Two (2) posts were not filled.

In addition, contrary to Section 54.1(i) and (ii) of the Tourism Act, 2011, none among the appointees was drawn from registered national tourism and higher learning institutions. Therefore, the appointments did not fulfill the requirements of the law and some tourism sector stakeholders may not have adequate representation in the Board.

2.0 Inadequacies in Use of Management of Information Communication Technology

Audit review of the Institute's use information communication technology (ICT) indicated the following inadequacies:

- (i) There was no approved disaster recovery plan and therefore the operations of the Institute were likely to be severely disrupted on occurrence of unfavorable events.
- (ii) An ICT Strategic Committee to provide guidance on investment and use of the technology had not been established.
- (iii) There was no record of the Institute's training program on use of ICT.

In view of these inadequacies the Institute's use of ICT may not be effective.

3.0 Failure to Implement E-Procurement

The Institute had not adopted use of the Integrated Financial Information System (IFMIS) prescribed for use by all public entities by The National Treasury's Circular No. 19/15 dated 18 August, 2015. It had also not installed the electronic e-procurement system directed in Executive Order No.6 of 2016.

As a result, the Institute was non-compliant with the Executive Order and its procurement system was not properly established for efficient and economic use of its procurement budgets.

The audit was conducted in accordance with ISSAI 2315 and 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 those Charged with Governance

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 services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and 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

11 February, 2022

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	RESTATED		
		2019-2020	2018-2019	2018-2019
		Kshs	Kshs	Kshs
Revenue from non-exchange transactions				
Transfers from governments	6	127,100,000	37,240,000	37,240,000
Unspent Grant 2017/2018	6b		-	15,597,376
		127,100,000	37,240,000	52,837,376
Expenses				
Use of goods and services	7	47,269,262	34,140,535	26,733,210
Employee costs	8	8,467,298	5,214,719	13,897,676
Remuneration of directors	9	11,238,492	9,553,569	9,345,946
Depreciation and amortization expense	10	6,098,819	2,400,892	2,136,161
Repairs and maintenance	11	1,830,140	576,204	546,400
Finance costs	12	90,983	31,778	31,408
Total expenses		74,994,993	51,917,698	52,690,801
Surplus/(deficit) for the period/year		52,105,007	(14,677,698)	146,575
Remission to National Treasury		-	-	-
Net Surplus for the year		52,105,007	(14,677,698)	146,575

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

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

RESTATED

	Notes	2019-2020	2018-2019	2018-2019
		Kshs	Kshs	Kshs
Assets				
Current assets				
Cash and cash equivalents	13	33,117,021	1,390,807	1,320,807
Receivables from non-exchange transactions	14	10,995,939	560	-
Unspent grant		-	-	15,597,376
		44,112,960	1,391,367	16,918,183
Non-current assets				
Property, plant and equipment	15	13,923,662	4,622,819	4,761,040
Intangible assets	16	1,526,604	1,439,206	999,334
		15,450,265	6,062,025	5,760,374
Total assets		59,563,225	7,453,392	22,678,557
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	17	1,480,620	1,663,994	2,198,699
Total liabilities		1,480,620	1,663,994	2,198,699
Net assets		58,082,605	5,789,398	20,479,858
Reserves				
Accumulated surplus		42,701,159	(203,809)	10,479,857
Capital Fund		15,381,447	5,993,206	10,000,000
Total net assets and liabilities		58,082,605	5,789,398	20,479,857


The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:


 Ag. Chief Executive Officer
 David G. Gitonga

Date: 9/6/2021

Head of Finance
 CPA Susan Mbugua
 ICPAK M/ No.14685

Date:


 Chairman of the Board
 CPA Richard K. Langat
 ICPAK M/No. 5186

Date: 9/6/2021

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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Retained earnings	Capital Fund	Total
At July 1, 2017			
Total comprehensive income	20,467,096	-	20,467,096
Capital/Development grants received during the year	(10,000,000)	10,000,000	-
Transfer of depreciation/amortisation from capital fund to retained earnings	2,534,710	(2,534,710)	-
Transfer of excess unutilized funds to deferred Income			-
At June 30, 2018	13,001,806	7,465,290	20,467,096
At July 1, 2018	13,001,806	7,465,290	20,467,096
Total comprehensive income	(14,677,698)	-	(14,677,698)
Capital/Development grants received during the year	(928,808)	928,808	-
Transfer of depreciation/amortisation from capital fund to retained earnings	2,400,892	(2,400,892)	-
Transfer of excess unutilized funds to deferred Income			-
At June 30, 2019	(203,809)	5,993,206	5,789,398
At July 1, 2019	(203,809)	5,993,206	5,789,398
Transfer of excess depreciation on revaluation		-	-
Total comprehensive income	52,105,007	-	52,105,007
Capital/Development grants received during the year	(15,487,059)	15,487,059	-
Transfer of depreciation/amortisation from capital fund to retained earnings	6,098,819	(6,098,819)	-
Transfer of excess unutilized funds to deferred Income		-	-
Reversal of stale cheques	188,200	-	188,200
At June 30, 2020	42,701,159	15,381,447	58,082,605

**Done in line with requirements of IPSAS 23 on recognition and treatment of Revenues from non-exchange transactions*

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

RESTATED				
		2019-2020	2018-2019	2018-2019
		Kshs	Kshs	Kshs
Cash flows from operating activities				
Receipts				
Government grants and subsidies	6	116,508,334	37,240,000	37,240,000
Other income, rentals and agency fees		-	11,650,000	11,650,000
Total Receipts		116,508,334	48,890,000	48,890,000
Payments				
Compensation of employees	8	7,850,108	5,214,719	13,897,676
Goods and services	7	46,783,969	34,140,535	26,733,210
Finance cost	12	90,983	31,778	31,408
Remuneration of directors	9	10,456,250	9,553,569	9,345,946
Repairs and maintenance	11	1,377,178	576,204	546,400
Other payments (Refer to appendix V)		2,861,700	3,833,331	12,170,929
Total payments		69,420,187	53,350,137	62,725,569
Net cash flows from operating activities		47,088,147	(4,460,137)	(13,835,569)
Cash flows from investing activities				
Purchase of property, plant, equipment	15	(13,471,518)	(269,000)	(441,000)
Purchase of intangible assets	16	(1,890,415)	(659,808)	-
Net cash flows used in investing activities		(15,361,933)	(928,808)	(441,000)
Cash flows from financing activities				
Increase in deposits		-	-	-
Net cash flows used in financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		31,726,214	(5,388,945)	(14,276,569)
Cash and cash equivalents at 1 JULY	13	1,390,807	6,779,752	15,597,376
Cash and cash equivalents at 30 JUNE	13	33,117,021	1,390,807	1,320,807

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation)

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	136,000,000	(8,900,000)	127,100,000	116,508,334	10,591,666
Other receipts (bank bal 2018/2019)	-	-	-	1,390,806	-
Total income	136,000,000	(8,900,000)	127,100,000	117,899,140	-
Expenses					
Compensation of employees	35,000,000	(8,900,000)	26,100,000	8,467,298	17,632,702
Goods and services	70,900,000		70,900,000	47,680,157	23,219,843
Remuneration of directors	12,000,000	-	12,000,000	10,827,597	1,172,403
Finance cost	-	-	-	90,983	(90,983)
Repairs and Maintenance	500,000	-	500,000	1,830,140	(1,330,140)
Depreciation	600,000	-	600,000	6,098,819	(5,498,819)
Total expenditure	119,000,000	(8,900,000)	110,100,000	74,994,993	35,105,007
Surplus for the period	17,000,000	-	17,000,000	52,105,007	
Capital Expenditure					
Purchase of vehicles	12,000,000	-	12,000,000	11,414,199	585,801
Purchase of intangible assets	1,960,000		1,960,000	1,960,000	-
Purchase of Equipments and furniture	3,040,000	-	3,040,000	2,112,860	927,140
Total capital expenditure	17,000,000	-	17,000,000	15,487,059	1,512,941
Accumulated Surplus	-	-	-	36,617,948	

Explanation on Variances

1. Government grant- funding was received late in the financial period from the State department this lead to the delay in execution
2. Compensation of Employees – some planned activities could not be undertaken due to the Covid-19 pandemic
3. Goods and services – planned research works including exit survey and research needs analysis could not be undertaken due to Covid-19
4. Remuneration of directors – expenditure on this was reduced due to shelved travel activities and due to meetings being conducted virtually
5. Finance cost - this was erroneously not budgeted for
6. Repairs and Maintenance –this was under budgeted due to some **partitioning works** related to safety of the stores, accountable documents and health of the officers who shared the office with the dusty documents.
7. Depreciation – IPSAS 17 requires monetary value of an asset be decreased over its useful life this provision was under estimated.

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 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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 • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 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:</p> <ol style="list-style-type: none"> (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>Amendments to Other IPSAS</p>	<p>Applicable: 1st January 2022:</p>

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Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

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.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on 3 August 2019. 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 (Kes.8,900,000) on the 2019-2020 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 5 of these financial statements.

c) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Equipment	12.5%
Furniture & Fittings	12.5%

d) 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.

e) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) 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.

g) 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.

h) 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.

i) Comparative figures

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

j) 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, 2020.

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

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assumptions and estimates on parameters available when the consolidated financial statements were prepared.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

6 TRANSFERS FROM OTHER GOVERNMENTS

RESTATED

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Unconditional grants			
Operational grant	127,100,000	37,240,000	37,240,000
Other grants	-	-	
Total government grants	127,100,000	37,240,000	37,240,000

The Entity had budgeted to receive Kes.127,100,000 during Financial Year 2019/2020 but received ksh116,508,334 Ksh10,591,666 which related to Financial Year 2019/2020 was received in Financial Year 2020/2021.

7. USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Advertisement	1,525,227	-	
Audit fee	250,000		250,000
Cleaning services	1,940,359	-	
Computer and Internet services	531,200	215,581	
Conferences and delegations	6,753,320	8,372,570	
Fines and penalties	12,202	-	
Fuel and oil	718,652	-	

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Licenses and permits	1,395,000	-	
Marketing and promotion	747,480	834,503	
Motor vehicle running expenses	720,298	442,060	
Newspaper and periodicals	-	570,000	360,000
Office consumables and Supplies	1,196,111	293,869	1,239,570
Official Entertainment	1,178,005	1,082,790	
Postage & delivery	18,900	-	
Printing and stationery	4,988,254	1,768,038	4,150,520
Research and Survey	14,287,565	13,148,032	16,093,883
Sponsorship	50,000	-	
Strategic development	-	46,400	
Stakeholders forum	1,076,712	1,227,554	
Subscription	-	502,680	
Telecommunication	905,891	355,000	355,580
Tender evaluation	-	663,500	
Travelling expenses	8,974,086	4,391,459	3,944,832
Other general expenses	-	226,500	338,825
	47,269,262	34,140,535	26,733,210

8 EMPLOYEE COSTS.

	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Salaries and wages - Internship	1,025,002	225,001	219,652
Staff Allowances	6,954,426	3,566,800	9,641,088
Staff development and training	487,870	1,422,918	4,036,936
Employee costs	8,467,298	5,214,719	13,897,676

9. REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Chairman's Honoraria	1,061,930	965,700	861,300
Directors emoluments	3,840,783	2,148,800	3,474,340
Other allowances	6,335,779	6,439,069	5,010,306
Total director emoluments	11,238,492	9,553,569	9,345,946

10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Property, plant and equipment	4,226,216	1,181,623	1,136,828
Intangible assets	1,872,602	1,219,269	999,333
Total depreciation and amortization	6,098,819	2,400,892	2,136,161

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Property	1,045,980	-	
Office Equipments	18,560	576,204	
Computers and accessories	748,000	-	546,400
Motor vehicle repairs	17,600		
Total repairs and maintenance	1,830,140	576,204	546,400

12. FINANCE COSTS

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Bank service charges	90,983	31,778	31,408
Total finance costs	90,983	31,778	31,408

13. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Development Account	16,615	15,475	15,475
Operational Account	33,100,407	1,375,332	1,305,332
Total cash and cash equivalents	33,117,021	1,390,807	1,320,807

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

13 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Kenya Commercial bank-(KCB)			
Development Account	1220901636	16,615	15,475
Operational Account	1220888613	33,100,407	1,375,332
Grand total		33,117,021	1,390,807

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Current receivables			
GOK Grants	10,591,666	-	-
Deposits and Prepayments	346,116	560	-
Staff Imprest	58,157	-	-
Total current receivables	10,995,939	560	-

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture and fittings	Computers and Accessories	Office Equipments	Total
Cost	Shs	Shs	Shs	Shs	Shs
	25%	12.50%	30%	12.50%	
At 1 July 2017	-	-	-	-	-
Additions	-	356,400	3,723,000	2,991,419	7,070,819
At 30th June 2018	-	356,400	3,723,000	2,991,419	7,070,819
Additions	-	-	-	269,000	269,000
At 30th June 2019	-	356,400	3,723,000	3,260,419	7,339,819
Additions	11,414,199	467,200	1,208,340	437,320	13,527,059
At 30th June 2020	11,414,199	823,600	4,931,340	3,697,739	20,866,878
Depreciation and impairment					
At 1 July 2017	-	-	-	-	-
Depreciation	-	44,550	1,116,900	373,927	1,535,377
At 30 June 2018	-	44,550	1,116,900	373,927	1,535,377
Depreciation	-	38,981	781,830	360,811	1,181,622
At 30 June 2019	-	83,531	1,898,730	734,739	2,717,000
Depreciation	2,853,550	92,509	909,783	370,375	4,226,217
At 30th June 2020	2,853,550	176,040	2,808,513	1,105,114	6,943,217
Net book values					
At 30th June 2020	8,560,649	647,560	2,122,827	2,592,625	13,923,662
At 30th June 2019	-	272,869	1,824,270	2,525,680	4,622,819
At 30th June 2018	-	311,850	2,606,100	2,617,492	5,535,442
<i>[Include brief description of WIP as a footer]</i>					

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Cost			
At beginning of the year	3,657,808	2,998,000	2,998,000
Additions	1,960,000	659,808	
At end of the year	5,617,808	3,657,808	2,998,000
Amortization and impairment			
At beginning of the year	2,218,602	999,333	999,333
Amortization	1,872,602	1,219,269	999,333
At end of the year	4,091,204	2,218,602	1,998,666
NBV	1,526,604	1,439,206	999,334

17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Trade payables	1,480,620	1,560,545	2,024,594
Payroll liabilities	-	103,449	24,106
Other liabilities	-	-	149,999
Total trade and other payables	1,480,620	1,663,994	2,198,699

18. RESTATED MOVEMENT SCHEDULE

	RESTATED		MOVEMENT
	2018-2019	2018-2019	
	Kshs	Kshs	
Use Of Goods And Services	34,140,535.46	26,733,210.00	7,407,325.46
Employee Cost	5,214,719.35	13,897,676.00	(8,682,956.65)
Remuneration Of Directors	9,553,569.00	9,345,946.00	207,623.00
Repair And Maintenance	576,204.48	546,400.00	29,804.48
Finance Cost	31,778.25	31,408.00	370.25
Trade and other payables from exchange transactions	1,663,994.44	2,198,699.00	(534,704.56)
Depreciation And Amortization	2,400,891.70	2,136,161.00	264,730.70
Cash and cash equivalents	1,390,806.90	1,320,806.75	70,000.15
Receivables from non-exchange transactions	560.00	-	560.00
Property, plant and equipment	4,622,818.92	4,761,040.00	(138,221.08)
Intangible assets	1,439,206.00	999,334.00	439,872.00
Capital fund	5,993,206.30	10,000,000.00	(4,006,793.70)
Total	67,028,290.80	71,970,680.75	(4,942,389.95)

Movement on the expenditure is as a result of reclassification of the expense line. All other movements have been supported by a journal voucher.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019	2018-2019
	KShs	KShs	KShs
Surplus for the year before tax	52,355,007	(14,677,698)	146,575
Adjusted for:			
Depreciation	6,098,819	2,400,892	2,136,161
Working Capital adjustments			
Increase in receivables	(10,995,379)	11,650,000	11,650,000
Increase in deferred income	-	-	-
Increase in payables	(433,374)	3,833,331	3,833,331
Increase in payments received in advance	-	-	-
Net cash flow from operating activities	47,025,073	3,206,524	17,766,067

20. 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.

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:

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	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from non-exchange transactions	10,995,939	10,995,939	-	-
Bank balances	33,117,021	33,117,021	-	-
Total	44,112,960	44,112,960	-	-
At 30 June 2019				
Receivables from non-exchange transactions	560	560	-	-
Bank balances	1,390,807	1,390,807	-	-
Total	1,391,367	1,391,367	-	-

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 30 June 2020.

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.

(i) Liquidity risk management (Continued)

	Less than 1 month Kshs	Between 1- 3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade payables	-	-	1,480,620	1,480,620
Total		-	1,480,620	1,480,620
At 30 June 2019				
Trade payables	-	-	1,663,994	1,663,994
Total	-	-	1,663,994	1,663,994

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21. 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; Ministry of Tourism and Wildlife
- iii) Key management;
- iv) Board of directors;

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	127,100,000	37,240,000
Total	127,100,000	37,240,000
b) Key management compensation		
Directors' emoluments	1,061,930	965,700
Compensation to the CEO	-	-
Compensation to key management	-	-
Total	1,061,930	965,700

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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 make any surplus during the year (FY 2019 Nil) and hence no remittance to the Consolidated Fund.

23. EVENTS AFTER THE REPORTING PERIOD

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

24. ULTIMATE AND HOLDING ENTITY

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

25. Currency

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

26. Major Expenditure Commitment

By the end of the financial year 2019/2020, the Entity had budgeted activities shown below. However, due to the Covid-19 pandemic, the activities were not undertaken as budgeted and were carried forward to financial year 2020/2021

Activity Budgeted	Winning Bidder	Amount
Compensation to the designated employees	(Awaiting categorization)	14,500,000
Tourism Online Platform	Advertised feasibility studies	15,000,000
Regional stakeholder's engagement forums and Exit survey	Adscan Communication Ltd	6,870,000
Supervision	TRI	1,200,000
Tourism Exit Survey	Planned	6,500,000
Total		44,070,000

The activities will be funded using cash at bank Kes. 33,100,407 and GOK receivable for the FY 2019/2020 of Kes.10,995,939 which is disclosed as part of the surplus for the year.


APPENDIX I: 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"> • David G. Gitonga - Acting CEO • Mrs. Safina Kwekwe - Principal Secretary, Tourism • Hon. Najib Balala - Cabinet Secretary, Tourism 	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"> • Hon. Najib Balala - Cabinet Secretary, Tourism TRI Board 	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..... 9/6/2021

Chairman of the Board..... 
 Date..... 9/6/2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

APPENDIX III: INTER-ENTITY TRANSFERS

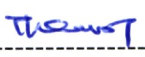
	ENTITY NAME:		
	Break down of Transfers from the State Department of Tourism		
	FY 2019/2020		
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		14/08/2019	9,310,000
		22/10/2019	22,465,000
		30/10/2019	31,775,000
		24/02/2020	31,775,000
		15/05/2020	10,591,667
		08/06/2020	10,591,667
		01/07/2020	10,591,666
		Total	127,100,000

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 & Wildlife

Sign-----

Sign-----

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APPENDIX IV: JOURNAL VOUCHERS

					Debit	Credit
1	Accumulated funds				928,808	
	Capital fund					928,808
		Intangible assets	659,808			
		Capital assets	269,000			
<i>(Amounts relating to the acquired intangible assets and capital assets for the year 2018/2019 omitted now adjusted)</i>						
2	Capital fund				11,034,421	
	Accumulated funds					11,034,421
		Intangible assets	4,091,205			
		Capital assets	6,943,216			
<i>(Amounts relating to the depreciation and Amortization for the acquired intangible assets and capital assets for the year 2017/2018, 2018/2019 omitted now adjusted)</i>						
3	Depreciation (2018/2019)				44,794.73	
	Accumulated depreciation					148,218.75
	Accumulated surplus (2017/2018)				103,424.02	
		Furniture & Fittings	-6,726.75			
		Computers	235,110			
		Office Equipment	-80,164.5			
<i>(Being adjustment of the wrongly under/overstated depreciation charge for the year 2017/2018-2018/2019)</i>						
4	Amortization				219,936.33	
	Intangible asset					219,936.33
<i>(Being omitted amortization for the year 2018/2019 now restated)</i>						
5	Cash and Cash equivalents				70,000.00	
	Creditors					70,000.00

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	<i>(Being double booking for Genome payment now adjusted)</i>					
6	Fixed assets				9,999.00	
		Furniture & Fittings	- 28,700.00			
		Computers	461,000.00			
		Office Equipment	- 422,301.00			
	Accumulated funds					9,999.00
	<i>(Being adjustment of miscalculated asset value for the year 2017/2018)</i>					
7	Intangible Asset				659,808.00	
	Accumulated funds					659,808.00
	<i>(Being error of omission for the year 2018/2019 now adjusted)</i>					
8	Depreciation				22,253.66	
	Accumulated depreciation					22,253.66
		Furniture & Fittings	- 2,746.41			
		Computers	67,767.00			
		Office Equipment	- 42,766.94			
	<i>(Being adjustment of the wrongly under/overstated depreciation charge for the year 2019/2020)</i>					
9	Amortization				219,936.33	
	Intangible asset					219,936.33
	<i>(Being omitted amortization for the year 2019/2020 now adjusted)</i>					
10	Director-Other allowances				1,114,675	
	Air travel					1,114,675
	<i>(Being reallocation of the expense to the correct account)</i>					

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APPENDIX V: Cash flow – Other payments breakdown

Type	Date	Number	Name	Source Name	Memo	Credit
Cash and cash equivalents						
Other payments						
Check	08/07/2019	000477	Other payment	Kenya Revenue Authority	w/vat	58,207.00
Check	08/07/2019	000477	Other payment	Kenya Revenue Authority	w/vat	34,128.00
Check	02/09/2019	000515	Other payment	Kenya Revenue Authority	w/vat	36,994.00
Check	02/09/2019	000515	Other payment	Kenya Revenue Authority	w/vat	9,755.00
Check	02/09/2019	000515	Other payment	Kenya Revenue Authority	w/vat	8,794.00
Check	02/09/2019	000515	Other payment	Kenya Revenue Authority	w/vat	72,156.00
Check	02/09/2019	000515	Other payment	Kenya Revenue Authority	w/vat	23,576.00
Check	08/10/2019	000534	Other payment	Kenya Revenue Authority	w/vat	92,912.00
Check	05/11/2019	000548	Other payment	Kenya Revenue Authority	w/vat	10,500.00
Check	05/11/2019	000548	Other payment	Kenya Revenue Authority	w/vat	92,912.00
Check	28/11/2019	000578	Other payment	Kenya Revenue Authority	w/vat	15,120.00
Check	28/11/2019	000578	Other payment	Kenya Revenue Authority	w/vat	35,173.00
Check	28/11/2019	000578	Other payment	Kenya Revenue Authority	w/vat	11,835.00
Check	28/11/2019	000578	Other payment	Kenya Revenue Authority	w/vat	25,098.00
Check	07/01/2020	000602	Other payment	Kenya Revenue Authority	w/vat	6,699.00
Check	07/01/2020	000602	Other payment	Kenya Revenue Authority	w/vat	13,808.00
Check	07/01/2020	000602	Other payment	Kenya Revenue Authority	w/vat	41,294.00
Check	07/01/2020	000602	Other payment	Kenya Revenue Authority	w/vat	6,828.00
Check	06/02/2020	000631	Other payment	Kenya Revenue Authority	w/vat	6,201.00
Check	06/02/2020	000631	Other payment	Kenya Revenue Authority	w/vat	2,592.00
Check	06/02/2020	000631	Other payment	Kenya Revenue Authority	w/vat	6,664.00
Check	10/03/2020	000659	Other payment	Kenya Revenue Authority	w/vat	7,862.00
Check	10/03/2020	000659	Other payment	Kenya Revenue Authority	w/vat	1,172.00
Check	10/03/2020	000659	Other payment	Kenya Revenue Authority	w/vat	9,200.00
Check	10/03/2020	000659	Other payment	Kenya Revenue Authority	w/vat	2,592.00
Check	29/06/2020	000867	Other payment	Kenya Revenue Authority	w/vat	3,330.00
Check	29/06/2020	000867	Other payment	Kenya Revenue Authority	w/vat	16,667.00
Check	29/06/2020	000867	Other payment	Kenya Revenue Authority	w/vat	1,930.00
Check	29/06/2020	000867	Other payment	Kenya Revenue Authority	w/vat	6,667.00
Check	29/06/2020	000867	Other payment	Kenya Revenue Authority	w/vat	10,176.00
Check	29/06/2020	000867	Other payment	Kenya Revenue Authority	w/vat	5,600.00
Check	28/08/2019	507	Other payment	TELKOM KENYA LTD	Wifi services	48,000.00

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Check	08/01/2020	611	Other payment	Palosa investment		668,275.00
Check	08/01/2020	614	Other payment	Entaka Limited		293,640.00
Check	08/01/2020	614	Other payment	Chrisom Investment		379,848.00
Check	20/02/2020	000652	Other payment	Enashipai Resort & Spa		66,778.00
Bill Pmt -Check	03/06/2020	000790	TRIA Enterprises	TRIA Enterprises		728,717.00
Total Cash and cash equivalents - Other payments						2,861,700.00