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REPORT

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TABLED BY: Deputy Majority Leader F. Muriuki

CLERK AT THE TABLE:

OF THE AUDITOR-GENERAL

ON

TOURISM RESEARCH INSTITUTE

**FOR THE YEAR ENDED
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

2 JUN 2022

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TOURISM RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

**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, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information Background information

The Tourism Act No. 28 of 2011 (Section 51) whose objective and purpose shall be to undertake and co-ordinate tourism research and analysis established Tourism Research Institute.

(b) Principal Activities

The principal activity of the Research Institute is to undertake and Co-ordinate research analysis for the Tourism Sector in Kenya.

Vision: The Institute that Drives Tourism Research for Innovation and Change.

Mission: To Undertake, Coordinate and Disseminate Tourism Research for Sustainable Tourism Development.

Core Functions

The Act gives the core functions of Tourism Research Institute as follows:

- a. Collect and analyse information, for the sector and other clients in the private and public sectors, relating to —
 - i. Tourism products and services at the local, national, regional and international levels;
 - ii. Trends in tourism;
 - iii. Processes or activities likely to impact on sustainable tourism;
 - iv. Tourism statistics
- b. Assess strategies and techniques for product development and marketing;
- c. Undertake market intelligence.
- d. Determine, in consultation with lead agencies, the carrying capacities of the various tourism destinations and conservation needs and priorities.
- e. Assess information that is the basis of integrated tourism development area plans.
- f. Research on sustainable tourism and other emerging areas.
- g. Give information on early warning, disaster management, impacts and mitigation and adaptive strategies to climate change.
- h. Organize symposia, conferences, workshops and other meetings to promote the exchange of views on issues relating to tourism research and analysis.
- i. Publish, annually, research findings and communicate recommendations to the relevant lead agencies, institutions and other stakeholders in the tourism sector; and
- j. Perform any other functions that are ancillary to the object and purpose for which the Institute is established.

Core Values:-

- Credibility
- Innovation
- Timeliness
- Professionalism
- Integrity
- Teamwork

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(c) Key Management

Tourism Research Institute's day-to-day management is entrusted to the Chief Executive Officer who is also the Secretary to the Board.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 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 Planning	Jeniffer M. Musango
4.	Head of Procurement	Japheth Ndambuki
5.	Tourism Officer	Betty Wanjiku Maranga

KEY TOURISM RESEARCH INSTITUTE 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. Richard Mwarema 3. Casear Handa 4. David Gichuhi 5. Beth Ndungu 6. David G. Gitonga – Ag. CEO
Technical and Strategy Committee	<ol style="list-style-type: none"> 1. Caesar Handa – Chairman 2. Nahason Mwongera 3. Richard Mwarema 4. Janet Mbete 5. Zahra Moi 6. David Gichuhi 7. David G. Gitonga – Ag. CEO
Audit and Risk Committee	<ol style="list-style-type: none"> 1. Janet Mbete – Chair 2. Beth Ndungu 3. Macdonald George Obudho 4. Nahashon Mwongera 5. David Gichuhi 6. Virginia Mulinge-Secretary

(f) Tourism Research Institute Headquarters

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

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KEY TOURISM RESEARCH INSTITUTE INFORMATION AND MANAGEMENT (Continued)

(g) Tourism Research Institute Contacts

Telephone: (+254) 020 2001084

E-mail: ceo@tri.go.ke

Website: www.tri.go.ke

(h) Tourism Research Institute Bankers

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

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS



1. Mr. Richard K. Lang'at
 Master's Degree

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 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





2. Hon. Safina Kwekwe Tsungu, CBS
 Master's Degree

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.

Hon. Tsungu has served in various organizations and institutions in both 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 Commerce degree from The University of Nairobi. She is an Alumni of Alliance Girls.

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	<p>Born on 28th November 1967, Macdonald G. Obudho is a holder of a Master of Science degree in Statistics from Jomo Kenyatta University of Agriculture and Technology and Bachelor of Science degree in Mathematics and Computer Science from the same university. He has risen through the ranks from Economist/Statistician II to the current position of Director General, Kenya National Bureau of Statistics. He has experience in top management spanning over 13 years and has a number of certificates to his name from short and long courses, workshops, conferences and seminars attended both locally and abroad. As a result of exemplary work in design and execution of the 2019 Kenya Population and Housing Census, Mr. Obudho was honoured with a State Award; The Moran of the Order of the Burning Spear (MBS).</p>
<p>3. Macdonald George Obudho, MBS Master's Degree</p>	<p>Born on 6th November 1972, Mr. Mwongera is a holder of a Bachelor of Arts Economics and Mathematics from Egerton University, Masters of Arts from Botswana University and currently a PhD student in Kenyatta University. He is a Research and Development professional with over 12 years' experience both in public and private sectors. He possesses hands on experience in public policy research and analysis; implementing market research methodologies for product and innovative ideas development; training of trainers; preparation of technical and financial proposals; developing strategic plans; results-based project monitoring and evaluation; and writing of technical reports. Mr. Mwongera is currently a Policy Analyst at the Kenya Institute for Public Policy Research and Analysis (KIPPRA) focussing on Tourism, Environment and Natural Resource Management, Macroeconomic and Financial sector analysis.</p>
	<p>Born on 13th September 1964, Kenneth has an MBA (Management Information System) and B Com 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>
<p>4. Mr. Nahashon Mwongera Master's Degree</p>	
<p>5. Mr. Kenneth Kiprono Master's Degree</p>	



6. Ms. Zahra Bahlewa Moi
 Master's Degree

Zahra Bahlewa Moi is a Kenyan businesswoman, Born on 19th June 1969, She is married with three children. She is alumni of the United states International University –Africa (Global Executive Master of Business Administration and BSC.(Hons) International Business Administration) and 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 professional manner with an intention to maximize productivity and efficiency. Zahra is also the Managing Director, Chesiki farm Limited. Other Directorship she holds includes:

- Agriculture-Mogotyo Plantation Ltd.
- Aviation- Sicham Aviation Ltd.
- Property-Sweeny Estate Ltd.

Hospitality-award winning premier French and gourmet restaurant, The lord Errol. She is an independent director.



7. Mr. Caesar Handa
 Master's Degree

Born on 17th October 1964, Caesar Handa is a highly trained and experienced communications professional. He has a Bachelor 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.








8. Ms. Janet Mbeti
 Bachelors Degree

Born on 11th October 1962, Janet Ndago Ekumbo Mbeti 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 and chair of Audit and Risk committee.

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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. Richard Mwarema Master's Degree.</p>	<p>Born on 25th July 1966 in Taita Taveta County, Richard Owen Mwarema holds a Master's degree in Development Studies from the Institute of Social Studies, Hague Netherlands specialising in local and regional development and a BA in Economics from the University of Nairobi. He has over 28 years' experience in development planning at national and county level. Mwarema is the Director of Planning at the State Department of Tourism in the Ministry of Tourism and Wildlife. He represents the Principal Secretary, State Department of Tourism in the Board.</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 and a Bachelor's degree in Tourism. He has 24 years' experience in the Tourism Public Sector mainly in tourism policy and product development as well as sector regulation. He was the National Co-ordinator in the development of National Tourism Blueprint 2030 and was involved in setting up of Tourism Regulatory Authority. He is the Ag. CEO of Tourism Research Institute and the Secretary to the Board.</p>

3. MANAGEMENT TEAM

	<p>He is the acting Chief Executive Officer of Tourism Research Institute. 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..</p>
<p>1. David Gitonga, Ag. CEO</p>	
	<p>She is the Head of Accounting and Finance. Has 30 years' experience in Public Service. A member of Institute of Certified Public Accountant of Kenya (ICPAK Area of responsibility Finance.)</p>
<p>2. Ms. Susan M Mbugua Accountant</p>	
	<p>He is the head of procurement. Has 34-year experience in the public service. Area of responsibility Procurement,</p>
<p>3. Mr. Japheth Ndambuki Procurement Officer</p>	
	<p>She is head of planning. Has 11 years of experience in Public Service, a member of Economic Society of Kenya (ESK).</p>
<p>4. Jennifer Mwende Musango Economist</p>	
	<p>Has 12 years' experience in the Public Service. area of responsibility Tourism She is the head of technical services in Tourism Research Institute.</p>
<p>5. Ms. Betty M. Maranga Tourism Officer</p>	

4. CHAIRMAN'S STATEMENT

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. 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 was delivered through an inter-agency committee and with support from United Nations Economic Commission for Africa (UNECA). The 10 tables have been completed in the previous year and the final report prepared finalized in this period under review awaiting launch.

Research Works

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

1. The Kenya Domestic Tourism Survey 2020

The Survey focused on the experiences of domestic leisure tourists in the country and their needs going forward. It acknowledged that domestic tourism is unlikely to replace international tourism, but it could serve as a contingency strategy for sustaining the entire tourism sector particularly during crises periods. It noted that destinations around the world are developing and implementing several initiatives targeted at promoting domestic travel and restoring confidence in the tourism sector during the covid-19 pandemic.

2. Assessing the Impact of Covid-19 on Kenya's Tourism and the Multiplier Effects on the Country's Economy, 2020

The study's main objective was to evaluate the effects of Covid-19 on tourism and the consequential impacts on the economy for the year 2020 focusing on inter-industry linkages and multiplier effects of expenditure. The common multipliers computed were associated with output, income, value addition and employment in the economy for the year 2020.

3. Assessing the Impact of Covid-19 on Kenya's Tourism and the Multiplier Effects on the Country's Economy, Jan-April, 2021

This study estimated and quantified the effects of the third wave of Covid-19 on Kenya's tourism industry and the resultant impacts on the country's economy.

4. Development of a Comprehensive Covid-19 Tourism Strategy (War Room Strategy), 2020

This Strategy proposes making shifts towards executing "big, bold ideas" that will transform the sector across majorly in four areas. These include; i) Branding Kenya as a tourism destination, (ii) Marketing Kenya as destination to high priority source markets to best capture inbound and domestic tourists, (iii) revitalizing the products and experiences offered to tourists, and (iv) better utilization of critical enablers such as digitization, sustainable tourism, and innovative finance.

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. Tourism Research Institute 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:

- Tourism Research Institute 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.

WAY FORWARD

As the country puts in efforts to restart tourism business in the era 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

5. REPORT OF THE CHIEF EXECUTIVE OFFICER (CEO)

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 2020/21, TRI was allocated Kshs.113, 700,000 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 with respect to its 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 started reporting on the performance of the tourism sector. During the year under review, this has been 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

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.

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The TSA project was delivered through an inter-agency committee and with support from United Nations Economic Commission for Africa (UNECA). The 10 tables have been completed in the previous year and the final report prepared finalized in this period under review awaiting launch.

Research Works

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

1) The Kenya Domestic Tourism Survey 2020

The Kenya Domestic Tourism Survey focus on the experiences of domestic leisure tourists in the country and their needs going forward. Acknowledging that domestic tourism is unlikely to replace international tourism, this market segment could serve as a contingency strategy for sustaining the entire tourism sector particularly during crises periods. In view of this fact, destinations around the world are developing and implementing several initiatives targeted at promoting domestic travel and restoring confidence in the tourism sector during the covid-19 pandemic. The study then recommended areas for improvements based on best practices, which included;

- Implementation of measures to improve affordability of Kenya's tourism to a broader share of the local population.
- Improvement of the quality of tourism services and facilities
- Improved access to tourism attractions and destinations
- Focus and diversify the tourism product offering for the domestic market
- Enhancing marketing and promotion of Kenya's tourism products, services and facilities
- Forging of greater partnerships in promoting domestic tourism
- Boosting the sector's capacity for product development and service delivery to the domestic market.

The Institute undertook an online countrywide survey during the months of October and November 2020, it focused on the following;

- ✓ Domestic tourist demographics –age, gender, education, income levels
- ✓ Awareness on and motivations for engaging in domestic tourism
- ✓ Trip characteristics
- ✓ Popular domestic tourist attractions and activities

- ✓ Tourist travel experience. To gather satisfaction levels on infrastructure, services and attraction experiences including transport, accommodation, recreational activities undertaken.
- ✓ Travel expenditure.
- ✓ General travel experience and fears during the Covid-19 pandemic.
- ✓ Challenges and recommendations

The report was finalized in the month of April 2021 and disseminated in the month of June, 2021

2) Assessing the Impact of Covid-19 on Kenya's Tourism and the Multiplier Effects on the Country's Economy, 2020

In order to understand the effects of Covid-19 on tourism and their impacts on Kenya's economy, this report focused on inter-industry linkages and multiplier effects of expenditure; with main objective of evaluating the effects of Covid-19 on tourism and the consequential impacts on the economy for the year 2020.

The input-output/Social Accounting Matrix (SAM) models were used to estimate the impacts and linkages of tourism in terms of output production, employment generation, labour income earnings and total value creation. Multipliers describe the relationships between expenditure and output, and income and employment (direct, indirect or induced). Data for analysis was sourced from multi-region input-output table (MRIO) database: <http://www.worldmrio.com/> and the Kenya Draft Tourism Satellite Accounts (2019). The common multipliers computed were associated with output, income, value addition and employment in the economy for the year 2020. The report finalized in the month of January 2021 and it is awaiting dissemination.

3) Assessing the Impact of Covid-19 on Kenya's Tourism and the Multiplier Effects on the Country's Economy, Jan-April, 2021

This study estimated and quantified the effects of the third wave of Covid-19 on Kenya's tourism industry and the resultant impacts on the country's economy.

The report finalized in the month of May 2021 and it is awaiting dissemination.

4) Development of a Comprehensive Covid-19 Tourism Strategy (War Room Strategy)

This Strategy proposes making shifts towards executing “big, bold ideas” that will transform the sector across majorly in four areas. These include; i) Branding Kenya as a tourism destination, (ii) Marketing Kenya as destination to high priority source markets to best capture inbound and domestic tourists, (iii) revitalizing the products and experiences offered to tourists, and (iv) better utilization of critical enablers such as digitization, sustainable tourism, and innovative finance.

This strategy identifies 9 initiatives to transform the sector. The initiatives if executed are expected to double tourism revenues over the 2019 baseline to approximately 3-3.5 billion USD by year 2030.

The Strategy has been finalized awaiting dissemination

5) Assess and document the Impact of the World Rally Championship (WRC) Safari Rally Kenya on Country’s Economy

In the months of June and July 2021, the Institute undertook an Economic Impact Survey of World Rally Championship (WRC) Safari Rally Kenya, 2021 on Kenya’s Tourism Sector. The survey was administered digitally, whereby an online survey platform was employed to target and acquire feedback from the spectator who participated on WRC. The spectator could access the online questionnaire through use of QR (Quick Response) code and use of link <https://www.tri.go.ke/wrc-survey-2021>.

The main purpose of this survey is to assess and document the impact of the World Rally Championship (WRC) Safari Rally Kenya 2021 on Kenya’s tourism and the economy. Specific objectives are;

- i. To establish expenditure patterns for both visitors and participants
- ii. To establish extent of levels of satisfaction for both visitors and participants.

The data has been collected awaiting analysis and report writing

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.

Tourism Research Institute 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:

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- 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.
- 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.

**6. STATEMENT OF TOURISM RESEARCH INSTITUTE PERFORMANCE AGAINST
 PREDETERMINED OBJECTIVES FOR FY 2020/2021**

**REVIEW OF TOURISM RESEARCH INSTITUTE ANNUAL REPORT AND FINANCIAL
 STATEMENTS PERFORMANCE FOR FY 2020/2021**

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 Tourism Research Institute’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. Tourism Research Institute achieved its performance targets set for the FY 2020/2021 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Undertake Research	To establish thematic tourism research areas and rollout the research process	-Number of research topics identified. -Number of projects undertaken and report in place	-Craft 3 research topics -Undertake 3 tourism research projects	a) Topics crafted <ul style="list-style-type: none"> • The Kenya Domestic Tourism Survey 2020 • Assessing the Impact of Covid-19 on Kenya’s Tourism and the Multiplier Effects on the Country’s Economy, 2020 and Jan-April, 2021 b) Project undertaken- <ul style="list-style-type: none"> • The Kenya Domestic Tourism Survey 2020 • Assessing the Impact of Covid-19 on Kenya’s Tourism and the Multiplier Effects on the Country’s Economy, 2020 • Assessing the Impact of Covid-19 on Kenya’s Tourism and the Multiplier Effects on the

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				Country's Economy, Jan-April, 2021 <ul style="list-style-type: none"> Development of a Comprehensive Covid-19 Tourism Strategy (War Room Strategy)
		% completion of Dissemination and research gaps analysis forums report	Finalization of Dissemination and research gaps analysis forums report	Report finalized awaiting to be published
		% completion	Assess and document The Impact of the World Rally Championship (WRC) Safari Rally Kenya on Country's Economy	Data collected awaiting analysis and report writing
Pillar 2: Tourism Data Management	To strengthen quality of research	Number of tourism performance reports prepared	Prepare 4no. quarterly and 1no. annual reports prepared	4 quarterly reports and an annual report prepared
		% completion of TSA 1 Report	Kenya National Tourism Satellite Account 2019 finalized	Final report prepared awaiting launch
		% development	Develop and operationalize National Tourism Data Warehouse	At procurement process

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 3: Disseminate Research Findings	To validate research process and reports	-Number of the meetings held -Annual and quarterly reports in place	-Organize 1 stakeholders 'dissemination breakfast meeting and publish research findings -Develop annually and quarterly Tourism performance reports	-1 breakfast meeting held and 1 report published Annually and quarterly tourism performance reports developed

7. 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)
1.	Mr. Richard K. Langat	Independent	Board Chairperson	-	-	-	6/6
2.	Richard Mwarema	Alt Principal Secretary, Ministry of Tourism		4/5	5/6		5/6
3.	Dr. Erustus Kanga	Alt Principal Secretary, Ministry of Tourism		1/5	1/6		1/6
4.	Janet Mbeti	Independent	Chairperson BARC	-	6/6	4/4	6/6
5.	Caesar Handa	Independent	Chairperson BTSC	5/5	6/6	-	6/6
6.	Kenneth Kiprono	Independent	Chairperson BFEC	5/5	-	4/4	6/6
7.	Zahra Bahlewa Moi	Independent		-	5/6	-	6/6
8.	Mac Donald George /	Director General, KNBS		-	-	1/4	2/6

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For the year ended June 30, 2021

	Collins Omondi			-	-	2/4	2/6
9.	Beth Ndungu	Representing Principal Secretary, The National Treasury		5/5	6/6	4/4	6/6
10.	Nahashon Mwongera	Representing Executive Director, KIPPRA		3/5	-	4/4	6/6
11.	David Gichuhi	Inspectorate of State Corporations		5/5	6/6	4/4	6/6
12.	David Gitonga	Ag. CEO		5/5	6/6	-	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

CORPORATE GOVERNANCE STATEMENT (Continued)

- h) Enhance the corporate image of the organisation
- i) Ensure availability of resources for the achievement of the organisation's objectives
- 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

MANAGEMENT DISCUSSION AND ANALYSIS

Tourism Research Institute’s operational and financial performance

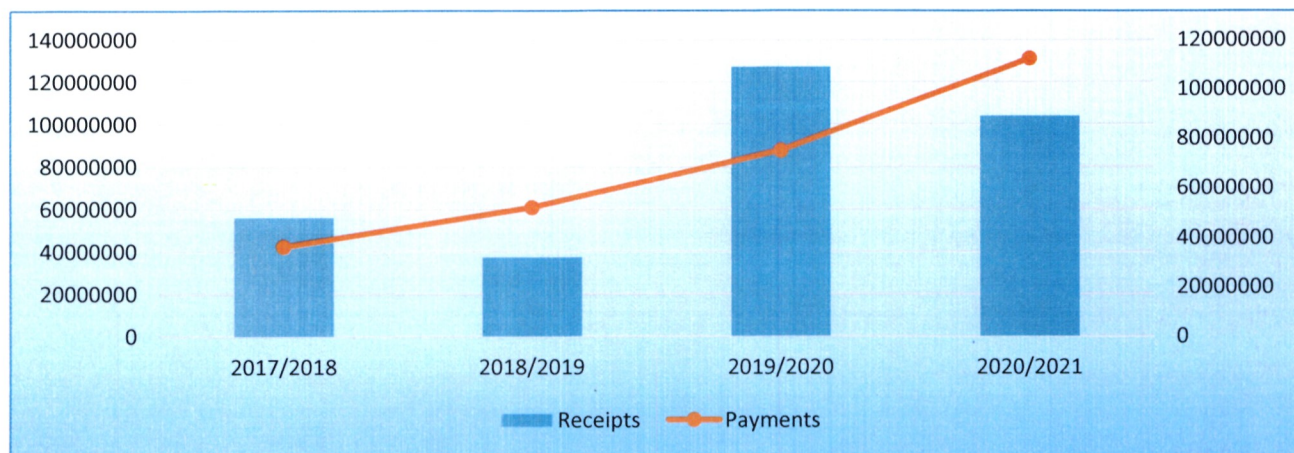
Tourism Research Institute had budgeted to receive Kshs.113, 700,000 during Financial Year 2020/2021 but received Kshs. 85,275,000 being 75% because of revision of the budget by the National Treasury and Planning. The balance of Kshs.18, 576,768 relating to FY2020/2021 was received during the succeeding financial year 2021/2022 on 5 July 2021.

During the same financial year, Tourism Research Institute received Kshs.35, 000,000 from Tourism Promotion Funds under Kenya COVID-19 Tourism Recovery Strategy (War Room Strategy) to undertake research. By the end of the financial year 2020/2021, Tourism Research Institute had utilized Kshs.21, 000,000 being 60% of the funds and the balance of Kshs.14, 000,000 was deferred to be utilized in the financial year 2021/2022 for the pending activities.

Receipts and Payments analysis over the years

Tourism Research Institute has continued to exhibit growth in terms of receipts and payments because of increase in activities over the years. The chart below shows the growth in both receipts and payments from the time Tourism Research Institute started operations in the financial year 2017/2018 to date.

Table 1: Growth of Receipts and Payments over the years



From the above table, it shows as if there was an over expenditure in the FY2018/2019 and FY2020/2021. This was not the case since the surplus funds in the FY2017/2018 and FY2019/2020 was subsequently utilized to cover the gap in the FY2018/2019 and FY2020/2021 respectively.

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 2020 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 software to sustain the Account. The 10 tables were completed and final report prepared awaiting launch. One of the key statistical tools to sustain it, the Implant software has been acquired.

3. DEVELOPMENT OF A NATIONAL TOURISM DATA WAREHOUSE

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.

National Tourism Data Warehouse 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 Data Warehouse 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 National Tourism Data Warehouse in two broad phases:- Initial and implementation stages. It conducted a stakeholder analysis for the same and developed the ToRs through an inter-agency committee. It is now in the process of procuring a consultant for the initial phase.

4. THE KENYA DOMESTIC TOURISM SURVEY 2020

The Kenya Domestic Tourism Survey focus on the experiences of domestic leisure tourists in the country and their needs going forward. Acknowledging that domestic tourism is unlikely to replace international tourism, this market segment could serve as a contingency strategy for sustaining the entire tourism sector particularly during crises periods. In view of this fact, destinations around the world are developing and implementing several initiatives targeted at promoting domestic travel and restoring confidence in the tourism sector during the covid-19 pandemic. The study then recommended areas for improvements based on best practices, which included;

1. Implementation of measures to improve affordability of Kenya's tourism to a broader share of the local population.
2. Improvement of the quality of tourism services and facilities
3. Improved access to tourism attractions and destinations
4. Focus and diversify the tourism product offering for the domestic market
5. Enhancing marketing and promotion of Kenya's tourism products, services and facilities
6. Forging of greater partnerships in promoting domestic tourism
7. Boosting the sector's capacity for product development and service delivery to the domestic market.

The Institute undertook an online countrywide survey during the months of October and November 2020, it focused on the following;

1. Domestic tourist demographics –age, gender, education, income levels
2. Awareness on and motivations for engaging in domestic tourism
3. Trip characteristics
4. Popular domestic tourist attractions and activities
5. Tourist travel experience. To gather satisfaction levels on infrastructure, services and attraction experiences including transport, accommodation, recreational activities undertaken.
6. Travel expenditure.
7. General travel experience and fears during the Covid 19 pandemic.
8. Challenges and recommendations

The report was finalized in the month of April, 2021 and disseminated in the month of June, 2021

5. ASSESSING THE IMPACT OF COVID-19 ON KENYA'S TOURISM AND THE MULTIPLIER EFFECTS ON THE COUNTRY'S ECONOMY, 2020

In order to understand the effects of Covid-19 on tourism and their impacts on Kenya's economy, this report focused on inter-industry linkages and multiplier effects of expenditure; with main objective of evaluating the effects of Covid-19 on tourism and the consequential impacts on the economy for the year 2020.

The input-output/Social Accounting Matrix (SAM) models were used to estimate the impacts and linkages of tourism in terms of output production, employment generation, labor income earnings and total value creation. Multipliers describe the relationships between expenditure and output, and income and employment (direct, indirect or induced). Data for analysis was sourced from multi-region input-output table (MRIO) database: <http://www.worldmrio.com/> and the Kenya Draft Tourism Satellite Accounts (2019). The common multipliers computed were associated with output, income, value addition and employment in the economy for the year 2020.

The report finalized in the month of January 2021 and it is awaiting dissemination.

6. ASSESSING THE IMPACT OF COVID-19 ON KENYA'S TOURISM AND THE MULTIPLIER EFFECTS ON THE COUNTRY'S ECONOMY, JAN-APRIL, 2021

This study estimated and quantified the effects of the third wave of Covid-19 on Kenya's tourism industry and the resultant impacts on the country's economy.

The report finalized in the month of May 2021 and it is awaiting dissemination.

7. DEVELOPMENT OF A COMPREHENSIVE COVID-19 TOURISM STRATEGY (WAR ROOM STRATEGY)

This Strategy proposes making shifts towards executing "big, bold ideas" that will transform the sector across majorly in four areas. These include; i) Branding Kenya as a tourism destination, (ii) Marketing Kenya as destination to high priority source markets to best capture inbound and domestic tourists, (iii) revitalizing the products and experiences offered to tourists, and (iv) better utilization of critical enablers such as digitization, sustainable tourism, and innovative finance.

This strategy identifies 9 initiatives to transform the sector. The initiatives if executed are expected to double tourism revenues over the 2019 baseline to approximately 3-3.5 billion USD by year 2030.

The Strategy has been finalized awaiting dissemination

CHALLENGES

Despite the positive move to undertake the research and analysis in the tourism sector, Tourism Research Institute 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.

Tourism Research Institute'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.

The Institute is compliant with Executive Order No. 2 of 2018 on procurement of public goods, works and services by public entities.

2. Major risks facing Tourism Research Institute

Operational risk

- Tourism Research Institute lacks sufficient human resource capacity to execute key functions and responsibilities. This is affecting its performance and implementation of its objectives.
- Tourism Research Institute 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 Tourism Research Institute. 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 Tourism Research Institute

Tourism Research Institute's financial probity and serious governance issues

There is no serious governance issue to declare.

There is no serious governance issue to declare.

8. 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 Kajiado 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 Tourism Research Institute, 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.

We have partnerships with local entrepreneurs Kenya Tourism Federation that 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.

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of Tourism Research Institute.

Principal activities

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

Results

The results of Tourism Research Institute for the year ended June 30, 2021 are set out on page 1 to 24

Directors

The members of the Board of Directors who served during the year are shown on page XIV. During the year 2020/ 2021 the following directors retired and were appointed with the effective dates shown.

RETIRED

No	NAME	CLASSIFICATION	DATE OF APPOINTMENT	EXPIRY DATE
1.	Dr. Erustus Kanga	Alternate-PS Tourism	19/06/2019	18/09/2020
2.	Zachary Mwangi	Director General-KNBS	23/11/2016	10/06/2020
3.	Collins Omondi	Alternate-KNBS	10/07/2020	21/01/2021

APPOINTED

No	NAME	CLASSIFICATION-	DATE OF APPOINTMENT	EXPIRY DATE
1.	Macdonald Obudho	Director General-KNBS	28/01/2021	-
2.	Richard Mwarema	Alternate-PS Tourism	23/09/2020	-

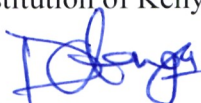
Dividends/Surplus remission

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. Tourism Research Institute 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 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: 27.01.22

a. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

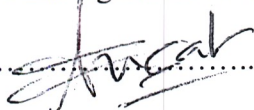
The Directors are responsible for the preparation and presentation of Tourism Research Institute's financial statements, which give a true and fair view of the state of affairs of Tourism Research Institute for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility 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 Tourism Research Institute; (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 Tourism Research Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Tourism Research Institute'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 Tourism Research Institute's financial statements give a true and fair view of the state of Tourism Research Institute's transactions during the financial year ended June 30, 2021, and of Tourism Research Institute's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for Tourism Research Institute, which have been relied upon in the preparation of Tourism Research Institute'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 Tourism Research Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Tourism Research Institute's financial statements were approved by the Board on 14th SEPTEMBER 2021 and signed on its behalf by:

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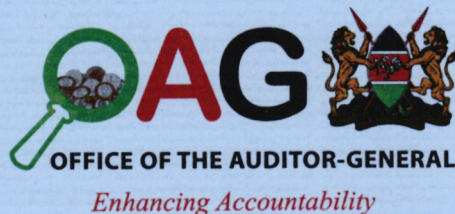
Chairperson of the Board

.....


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
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TOURISM RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the financial statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tourism Research Institute set out on pages 1 to 22, which comprise the statement of financial position as at

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 effects 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 the Tourism Research Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accruals basis) and comply with the Tourism Act, 2011 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Variance between Comparative and Prior Year Audited Amounts to the Financial Statement

The comparative balances reflected in the financial statements and notes to the financial statements differed with the audited balances for 2019/2020 as analysed below:

Description	Comparative Figures for 2020/2021 Kshs.	Audited Amounts 2019/2020 Kshs.
Statement of Financial Performance		
Use of Goods and Services	47,608,473	47,269,262
Employee Costs	8,056,987	8,467,298
Repairs and Maintenance	1,901,240	1,830,140
Statement of Cash Flows		
Use of Goods and Services	47,819,160	46,783,969
Employee Costs	8,056,987	7,850,108
Remunerations of Directors	11,426,692	10,456,250
Repairs and Maintenance	1,901,240	1,377,178
Purchase of Property, Plant, Equipment	13,527,059	13,471,518
Purchase of Intangible Assets	1,960,000	1,890,415
Net Cash Flows used in investing Activities	15,487,059	15,361,933

Notes to the Financial Statement

Notes	Description	Comparative Figures for 2020/2021 Kshs.	Audited Amounts 2019/2020 Kshs.
7	Use of Goods and Services	47,608,473	47,269,262
8	Employee Costs	8,056,987	8,467,298
11	Repairs and Maintenance	1,901,240	1,830,140

1.2 Variance between the Statement of Changes in Net Assets and the Statement of Financial Position

The statement of changes in net assets reflects total accumulated surplus of Kshs.57,647,742 and Kshs.12,910,943 which differ with Kshs.58,082,605 and Kshs.12,476,081 for accumulated surplus and capital fund respectively reflected in the statement of financial position.

In the circumstances, accuracy and completeness of the figures in the financial statement 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.148,700,000 and Kshs.112,375,687 respectively, resulting to an under absorption of Kshs.36,324,313 or 24% of the budget. No satisfactory explanation was given for the underutilization of the budgeted funds. The under expenditure affected the planned activities which may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Issues

In the audit of the previous year, several issues were raised. The Management has not resolved the issues or provide reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board template and The National Treasury's Circular Ref: AG.4/16/2 Vol.3(72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for matter described in the basis for conclusion on lawfulness and effectiveness in

section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Over Expenditure on Remuneration of Directors

The statement of financial performance and as reflected in Note 9 to the financial statements reflects Kshs.14,779,013 as remuneration of Directors. However, the expenditure was above 5% of operations and maintenance budget of the Institute. The expenditure exceeded the allowable limit by Kshs.10,774,013 without authority contrary to circular Ref. OP/CAB9/1A dated 11 March, 2020.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as 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 procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit so as to obtain limited assurance as to 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 the Board of Directors

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

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

other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 July, 2022

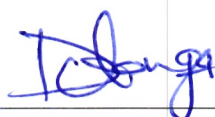
10. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from government Ministry	6	103,851,768	127,100,000
Transfers from other governments entities	6	21,000,000	-
Total revenue		124,851,768	127,100,000
Expenses			
Use of goods and services	7	90,002,304	47,608,473
Employee costs	8	1,307,676	8,056,987
Remuneration of directors	9	14,779,013	11,238,492
Depreciation and amortization expense	10	4,475,003	6,098,820
Repairs and maintenance	11	1,786,991	1,901,240
Finance costs	12	24,700	90,983
Total expenses		112,375,687	74,994,994
Surplus/(deficit) for the period/year		12,476,081	52,105,006
Remission to National Treasury		-	-
Net Surplus for the year		12,476,081	52,105,006

Tender evaluation allowances totalling to Kshs.490, 000 is included in the use of goods and services.

The notes set out on pages 6 to 24 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Board of Directors by:



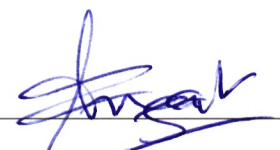
Ag. Chief Executive Officer
David G. Gitonga

Date 27.01.22



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

Date 27.01.22



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

Date 27.01.22

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11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	13	60,198,093	33,117,021
Receivables from non-exchange transactions	14	18,575,001	10,995,939
Total Current Assets		78,773,094	44,112,960
Non-Current Assets			
Property, plant and equipment	15	12,326,428	13,923,662
Intangible assets	16	653,334	1,526,603
Total Non- Current Assets		12,979,762	15,450,265
Total Assets		91,752,856	59,563,225
Liabilities			
Current Liabilities			
Trade and other payables	17	7,194,170	1,480,620
Deferred income	19	14,000,000	
Total Current Liabilities		21,194,170	1,480,620
Net Assets		70,558,686	58,082,605
Accumulated surplus		58,082,605	42,701,159
Capital Fund		12,476,081	15,381,446
Total Net Assets		70,558,686	58,082,605
Total Net Assets and Liabilities		91,752,856	59,563,225

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Board of Directors by:



Ag. Chief Executive Officer
David G. Gitonga

Date 27-01-22



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

Date 27-01-22



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

Date 27-01-22

**12. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Accumulated Surplus	Capital/ Development Grants/Fund	Total
As at July 1, 2019		(203,809)	5,993,207	5,789,398
Surplus/ Deficit for the year		52,105,006	-	52,105,006
Capital/Development grants received during the year		(15,487,059)	15,487,059	-
Transfer of depreciation/amortisation from capital fund to retained earnings		6,098,820	(6,098,820)	-
Adjustment for the year in relation to stale cheques		188,200	-	188,200
As at June 30, 2020		42,701,159	15,381,446	58,082,605
As at July 1, 2020		42,701,159	15,381,446	58,082,605
Surplus/ deficit for the year		12,476,081	-	12,476,081
Capital/Development grants received during the year	15	(2,004,500)	2,004,500	-
Transfer of depreciation/amortisation from capital fund to retained earnings	10	4,475,003	(4,475,003)	-
As at June 30, 2021		57,647,742	12,910,943	70,558,686

Note:

- For items that are not common in the financial statements, Tourism Research Institute should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
- Prior year adjustment for the year is in relation to stale cheques amounting to Kshs.188,200 relating to honoraria for the former chair and allowances .*

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13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from governments entities	6(a)	85,275,000	116,508,334
Transfers from other governments entities	6(a) / 17	35,000,000	-
Other receipts		10,592,150	-
Total Receipts		130,867,150	116,508,334
Payments			
Use of goods and services		85,421,487	47,819,160
Employee costs	8	1,307,676	8,056,987
Remuneration of directors		13,247,467	11,426,692
Repairs and maintenance		1,780,248	1,901,240
Finance Costs	12	24,700	90,983
Total Payments		101,781,578	69,295,061
Net cash flows from/(used in) operating activities		29,085,572	47,213,273
Cash flows from investing activities			
Purchase of property, plant, equipment	15	(2,004,500)	(13,527,059)
Purchase of intangible assets	16	-	(1,960,000)
Net cash flows from/(used in) investing activities		(2,004,500)	(15,487,059)
Cash flows from financing activities			
Increase in capital funds			-
Net cash flows from /(used in) financing activities			-
Net increase/(decrease) in cash and cash equivalents		27,081,072	31,726,214
Cash and cash equivalents at 1 July 2020	13	33,117,021	1,390,807
Cash and cash equivalents at 30 June 2021	13	60,198,093	33,117,021

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Board of Directors

by: 

Ag. Chief Executive Officer
David G. Gitonga

Date: 27.01.22



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

Date: 27.01.22



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

Date: 27.01.22

14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% of utilisation
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from governments ministries	113,700,000	-	113,700,000	103,851,768	9,848,232	91%
Transfers from other governments entities	-	-	-	21,000,000	(21,000,000)	100%
Total income	113,700,000	-	113,700,000	124,851,768	(11,151,768)	
Expenses						
Use of goods and services	80,100,000	-	80,100,000	69,002,304	11,097,696	
COVID-19 Recovery (War Room)	-	35,000,000	35,000,000	21,000,000	(21,000,000)	100%
Employee costs	20,400,000	-	20,400,000	1,307,676	19,092,324	6%
Remuneration of directors	12,500,000	-	12,500,000	14,779,013	(2,279,013)	118%
Depreciation and amortization expense	700,000	-	700,000	4,475,003	(4,475,003)	100%
Repairs and maintenance	-	-	-	1,786,991	(1,086,991)	255%
Finance cost	-	-	-	24,700	(24,700)	100%
Total expenditure	113,700,000	35,000,000	148,700,000	112,375,687	1,324,313	99%
Surplus for the period	-	-	-	12,476,081	(12,476,081)	

Budget notes**Revenue**

- i) Transfer from Ministry was subjected to 9% budget cut off by the National Treasury
- ii) Transfer from other entities was a conditional which came in after the budget approval to cater for COVID-19 recovery

Expenditure

- i) Use of goods and services went down as a result of most activities were carried out virtually due to COVID-19 pandemic
- ii) COVID-19 recovery refer to point ii above under revenue
- iii) Remuneration of directors – Increased as a result of review of prior year activities which were incurred during the current FY2020/2021
- iv) Repairs and maintenance – There was under budgeting during the budget process

15. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Tourism Research Institute.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act 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 2021

Standard	Impact
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> <p><i>(There was no impact on Tourism Research Institute financial statements)</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Tourism Research Institute’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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 Tourism Research Institute’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(Tourism Research Institute is yet to adapt this new standard)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Tourism Research Institute provides in its financial statements about social</p>

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Standard	Effective date and impact:
	<p>benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by Tourism Research Institute;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on Tourism Research Institute’s financial performance, financial position and cash flows.</p> <p><i>(Tourism Research Institute is yet to adapt this new standard)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <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> <p><i>(Tourism Research Institute is yet to adapt this new standard)</i></p>

iii. Early adoption of standards

Tourism Research Institute did not early – adopt any new or amended standards in year 2020/2021.

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 Tourism Research Institute 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 2020-2021 was approved by the National Assembly on 3 August 2020. 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 Tourism Research Institute upon receiving the respective approvals in order to conclude the final budget. Accordingly, Tourism Research Institute recorded additional appropriations of (Kshs.8,900,000) on the 2020-2021 budget following the governing body's approval.

Tourism Research Institute'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, Tourism Research Institute 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

Tourism Research Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Tourism Research Institute can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) 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

Tourism Research Institute 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

Tourism Research Institute regards a related party as a person or Tourism Research Institute with the ability to exert control individually or jointly, or to exercise significant influence over Tourism Research Institute, 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 confirm 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, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Tourism Research Institute'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.

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. Tourism Research Institute based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

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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 Tourism Research Institute. 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:

- a) The condition of the asset based on the assessment of experts employed by Tourism Research Institute
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- c) The nature of the processes in which the asset is deployed
- d) Availability of funding to replace the asset
- e) Changes in the market in relation to the asset

6. TRANSFERS FROM OTHER GOVERNMENTS ENTITIES

Description	2020-2021	2019-2020
	Kshs	Kshs
Unconditional grants		
Operational grant	103,851,768	127,100,000
Grants from other entities	21,000,000	-
Total	124,851,768	127,100,000

(Included, as part of operational grant is Kshs.18, 576,768, which was received on 5 July 2021, thus accrued in line with Tourism Research Institute's reporting framework).

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers	Prior year
				2020/2021	2019/2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Tourism promotion fund	21,000,000	14,000,000	-	35,000,000	-
Ministry of Tourism	85,275,000	-	-	85,275,000	116,508,334
Total	106,275,000	14,000,000	-	120,275,000	116,508,334

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	Kshs	Kshs
Advertising, Marketing and Promotion	1,168,900	747,480
Audit fees	250,000	250,000
Cleaning services	1,327,702	1,862,800
Conferences and delegations	6,553,000	7,830,032
Consumables	2,782,475	688,991
Corporate social responsibility	500,000	50,000
Data Analysis, Research and Survey	34,105,655	14,287,565
Data Management Platform	1,395,000	-
Fuel and oil	1,613,872	718,652
Government Advertising Agency	968,374	1,525,227
Internet	4,000	531,200
Licenses and permits	3,050	1,395,000
Membership and Subscription	136,167	-
Motor Insurance	970,569	503,294
Motor vehicle running expenses	1,282,328	145,904
Office supplies	514,019	507,120
Official Entertainment	2,131,912	1,178,005
Other general expenses	-	12,202
Postage and delivery	-	18,900
Printing and stationery	1,680,364	4,988,254
Staff Skills development	754,635	487,870
Telecommunication	1,014,350	905,891
Tender evaluation	490,000	-
Travel, accommodation, subsistence and other allowances	9,355,932	8,974,086
Sub Total	69,002,304	
COVID-19 Recovery strategy (War Room)	21,000,000	-
Grand Total	90,002,304	47,608,473

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS.

	2020-2021	2019-2020
	Kshs	Kshs
Casual wages	232,676	77,559
Internship allowances	1,075,000	1,025,002
Other employee related costs		6,954,426
Employee costs	1,307,676	8,056,987

9. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	Kshs	Kshs
Chairman/Directors' Honoraria	1,044,000	1,061,930
Sitting allowances	5,514,070	3,840,783
Other allowances	8,220,943	6,335,779
Total	14,779,013	11,238,492

10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	Kshs	Kshs
Property, plant and equipment	3,601,734	4,226,217
Intangible assets	873,269	1,872,603
Total	4,475,003	6,098,820

11. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	Kshs	Kshs
Equipment and machinery	269,950	18,560
Building and property	-	1,045,980
Vehicles	400,814	88,700
Computers and accessories	1,116,227	748,000
Total	1,786,991	1,901,240

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. FINANCE COSTS

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank service charges	24,700	90,983
Total	24,700	90,983

13. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	Kshs	Kshs
Current account	60,198,093	33,117,021
Total	60,198,093	33,117,021

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

Financial institution	Account number	2020-2021	2019-2020
		Kshs	Kshs
a) Current account			
Kenya Commercial bank - Recurrent	1220888613	60,182,543	33,100,407
Kenya Commercial bank - Development	1220901636	15,550	16,615
Total		60,198,093	33,117,021

14. Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	Kshs	Kshs
GOK grant receivable	18,576,768	10,591,666
Deposits and prepayments	560	346,116
Staff Imprest * (Toyota Kenya)	(2,327)	58,157
Total	18,575,001	10,995,939

Staff Imprest*proforma invoice by Toyota Kenya for repair of the vehicle was based on estimation which resulted to over payment and the excess was brought forward to be utilized in the next service.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture and fittings	Computers and Accessories	Office Equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
	25%	12.50%	30%	12.50%	
At 1 July 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
Additions	-	428,000	966,500	610,000	2,004,500
At 30th June 2021	11,414,199	1,251,600	5,897,840	4,307,739	22,871,378
Depreciation and impairment					
At 1 July 2018	-	44,550	1,116,900	373,927	1,535,377
Depreciation	-	38,981	781,830	360,811	1,181,622
At 30th June 2019	-	83,531	1,898,730	734,738	2,716,999
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	1,105,113	6,943,216
Depreciation	2,140,162	134,445	926,798	400,328	3,601,734
At 30th June 2021	4,993,712	310,485	3,735,311	1,505,441	10,544,950
Net book values					
At 30th June 2021	6,420,487	941,115	2,162,529	2,802,298	12,326,428
At 30th June 2020	8,560,649	647,560	2,122,827	2,592,626	13,923,662
At 30th June 2019	-	272,869	1,824,270	2,525,681	4,622,820

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	Kshs	Kshs
Cost		
At beginning of the year	5,617,808	3,657,808
Additions	-	1,960,000
At end of the year	5,617,808	5,617,808
Amortization and impairment		
At beginning of the year	4,091,205	2,218,602
Amortization	873,269	1,872,603
At end of the year	4,964,474	4,091,205
NBV	653,334	1,526,603

17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	7,060,070	1,480,620
Payroll liabilities	134,100	-
Total	7,194,170	1,480,620

18. CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	Kshs	Kshs
Surplus for the year before tax	12,476,081	52,105,006
Adjusted for:		
Depreciation	4,475,003	6,098,820
Stale cheques reversed		188,200
Working Capital adjustments		
Increase in receivables	(7,579,063)	(10,995,379)
Increase in deferred income	14,000,000	-
Increase in payables	5,713,550	(183,374)
Net cash flow from operating activities	29,085,571	47,213,273

19. Deferred Income

Description	2020-2021	2019-2020
	KShs	KShs
National government	14,000,000	-
Total deferred income	14,000,000	-

(Deferred income relates to amount received from Tourism promotion fund 40% of the activity has not been finalized)

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FINANCIAL RISK MANAGEMENT

Tourism Research Institute's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. Tourism Research Institute'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. Tourism Research Institute does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

Tourism Research Institute's financial risk management objectives and policies are detailed below:

(i) Credit risk

Tourism Research Institute 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 Tourism Research Institute'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 Tourism Research Institute's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from non-exchange transactions	18,576,768	18,575,001	-	-
Bank balances	60,198,093	60,198,093	-	-
Total	78,774,861	78,773,094	-	-
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	-	-

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 Tourism Research Institute has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. Tourism Research Institute has significant concentration of credit risk on amounts due from 30 June 2021.

The board of directors sets Tourism Research Institute'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 Tourism Research Institute's directors, who have built an appropriate liquidity risk management framework for the management of Tourism Research Institute's short, medium and long-term funding and liquidity management requirements. Tourism Research Institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by Tourism Research Institute 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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	5,579,450	159,150	1,321,470	7,060,070
Total	5,579,450	159,150	1,321,470	7,060,070
At 30 June 2020				
Trade payables	159,150	-	1,321,470	1,480,620
Total	159,150	-	1,321,470	1,480,620

20. RELATED PARTY DISCLOSURE

Nature of related party relationships

Entities and other parties related to Tourism Research Institute 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 Tourism Research Institute, holding 100% of Tourism Research Institute's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of Tourism Research Institute, 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;

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	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	103,851,768	127,100,000
Grants from other Entities	21,000,000	
Total	124,851,768	127,100,000
b) Key management compensation		
Directors' emoluments	15,945,343	10,176,562
Chairman/Director Honoraria	1,044,000	1,061,930
Compensation to key management	-	-
Total	16,989,343	11,238,492

21. DIVIDENDS/SURPLUS REMISSION

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

22. EVENTS AFTER THE REPORTING PERIOD

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

23. ULTIMATE AND HOLDING ENTITY

Tourism Research Institute 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.

24. Currency

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

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:

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

Ag. C.E.O 

Date: 27.01.22

Chairman of the Board 

Date: 27.01.22

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Tourism Research Institute did not undertake any projects during the financial year under review.

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APPENDIX III: INTER-TOURISM RESEARCH INSTITUTE TRANSFERS

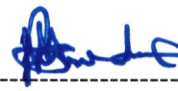
TOURISM RESEARCH INSTITUTE		TOURISM RESEARCH INSTITUTE		
Break down of Transfers from the State Department of Tourism				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		01/07/2020	10,591,666	FY 2019/2020
		10/08/2020	28,425,000	FY 2020/2021
		13/11/2020	28,425,000	FY 2020/2021
		22/04/2021	28,425,000	FY 2020/2021
		05/07/2021	18,576,768	FY 2020/2021
		Total	114,443,434	

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-----


TOURISM RESEARCH INSTITUTENAME:		TOURISM RESEARCH INSTITUTE		
Break down of Transfers from the State Department of Tourism				
FY 2020/2021				
b.	Conditional Grant	26/03/2021	35,000,000	FY 2020/2021

Finance Manager
 Tourism Research Institute

Finance Manager
 Tourism Promotional Fund

Sign-----


Sign-----
