REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF TOURISM RESEARCH INSTITUTE

FOR THE YEAR ENDED 30 JUNE 2018

B.

4/4/19.

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

TOURISM RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The *Tourism Research Institute* was established by the Tourism Act 2011 (Se
objective and purpose shall be to undertake and co-ordinate tourism research an

(b) Principal Activities

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

(c) Key Management

The *entity* 's day-to-day management is under the following key organs:

- Board of Directors Council Management etc:
- Accounting officer CEO
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

DESIGNATION	NAME
Ag. Chief Finance Officer	Mr David G Gitonga
Chief Accountant	Mr John Olela
Tourism Officer I	Ms Betty Maranga
Senior Accountant	Ms Susan Mbugua
Legal Officer	Ms. Lilian Moraa
SSCMO	Mr. Japheth Ndambuki

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members

Board Finance and Establishment Committee	1. Principal secretary, Tourism 2 .**Dr Rahab Nyaga (chairperson)** 3. Mr. Bernard Kemboi 4. Prof. Masibo Lumala 5. Mr.Albert Mwaringa 6. Mr. David G.Gitonga Ag. CEO
Board Technical and Strategy Committee	1. Principal Secretary Tourism 2. **Prof. Masibo Lumala (chairperson)** 3. Mr. Nahashon Mwongela 4. Dr. Rahab Nyaga 5. Ms. Zahra Moi 6. Mr. Zachary Mwangi 7. Mr. David G Gitonga Ag. CEO
Board Audit and Risk Committee	1. **Mr. Kenneth Kiprono (chairperson)** 2. Ms. Zahra Moi 3. Mr. Albert Mwaringa 4. Principal Secretary Tourism

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) **Entity Headquarters**

[illegible]
[illegible]
[illegible] Highway
Nairobi, KENYA

(g) **Entity Contacts**

Telephone: (254) 020 3313010
E-mail: ceo@tri.go.ke

(h) **Entity Bankers**

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

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

(i) **Independent Auditors**

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

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS

1. Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience. Indicate whether the director is independent or an executive director and which committee of the Board the director chairs where applicable.
 2. Ms. Jennifer Barassa (Chair Person) Bachelor	Born in Busia County on 23rd April 1952 graduate of Nairobi University, Marketer first African lady teacher at Lenana School former chairperson of CDF, Board member of USIU ,CEO of Top Image Africa 35 years experience in Sales, Marketing and Advertising.
 3. Mrs. Fatuma Mohammed Hersi – PS Tourism Masters	Born in Wajir County on 17th August 1963
 4. Mr. Albert Mwaringa – Alt. PS. Treasury Bachelor	Born in Kilifi County on Holder of Bachelors degree i Public Administration. Has Administration and in the Min Was seconded to the Govern Sudan under the IGAD/GOSS im year programme based at Juba t Servants of the new Republic of Serving as an Undersecretary at Treasury. Alternate to PS, National Treasury

 5. Mr.Zachary Mwangi – KNBS Director General Masters	Born in Muranga County on graduate from University of Art in Economic Policy Mana in Uganda,Director General of Bureau of Statistics
 6. Mr.Nahashon Mwongera – Alt. KIPRA Masters	Born in Meru County on 6th November 1972 Bachelor of Arts Economics and Mathematics from Egerton University Masters of Arts in Boswana and currently a phD student in Kenyatta University implement market intelligence and Product Ranking
 7. Prof. Masibo Lumala Post doc	Born in Trans-Nzoia County on 1st January 1966 holds Ph.D in Applied Linguistics and Communication he is a Senior Lecturer at Moi University .External Examiner at Addis Ababa University in Ethiopia and University of Nairobi writer of the Local Newspaper opinion columns presently working on a book titled Gender, Communication and Development.
 8. Dr.Rahab Nyaga Doctorate	Born in Embu County on 15th July 1958 holds Doctor of Philosophy degree from Kenyatta University Associate editor of the East Africa Journal of Communication external examiner for Makerere University in Uganda currently a Senior lecturer and the Academic Dean at Pan Africa Christian University.

 9. Mr.Kenneth Kiprono Masters	Born in Elgeyo Marakwet County on 13t September 1964, Kenneth is an MBA(Management Information System) and BComm Finance holder from the University of Nairobi He is also a Certified Information Systems Auditor(CISA), He has vast IT and audit experience in the banking industry having worked in several capacities at Kenya Commercial Bank(KCB) where he held several positions: 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.
 10. Mr.Bernard Kemboi Koech Bachelors	Born in Elgeyo-Marakwet County on 25th July 1975 is a holder of MBA(Strategic Management)B.com and CPA(K) 18 years of experience in Practical experience in auditing and Finance participated in KAA manuals a proof that disability is not inability having had his right arm amputated at the tender age of 6 years .
 11. Ms Zahra Bahlewa Moi Masters	Born in Baringo County on 19th June 1969 alumni of the United State International University- Africa Managing Director Chesiki Farm limited she holds several Directorships where mandate is managing assets .
 12. Ag.CEO David G Gitonga Masters	Born in Nakuru County on 7th June 1972 hold Masters degree in Tourism Management 20 years experience in the Public Sector National Co-ordinator in the development National Tourism Blueprint 2030 involved in setting up of Tourism Regulatory Authority he is the Ag. CEO

MANAGEMENT TEAM

1. Insert each key manager's passport-size photo and name, and key profession/academic qualifications	Indicate the main area of responsibili without details
 1. Ag.CEO David G Gitonga	Born in Nakuru County on 7th June 1972 hold Masters degree in Tourism Management 20 years experience in the Public Sector National Co-ordinator in the development National Tourism Blueprint 2030 involved in setting up of Tourism Regulatory Authority he is the Ag. CEO
 2. Mr John Olela Chief Economist	Born in Homabay County on 26th November 1972 hold Masters degree in Economics 21 years experience in the Public Service, -area of responsibility Planning
 3.Ms. Susan M Mbugua Finance /Account	Born in Kiambu County in September 1966 holder of CPA (K) and a certificate in Advance Financial Management in Swaziland 28 years experience in Finance in the Public Service .area of responsibility Finance and Accounts
 3. Ms. Betty W. Maranga Tourism Officer	Born in Nyeri County In 13 August 1983 holder of Bachelor of Arts in Sociology and Communication 9 years experience in the Public Service . area of responsibility Tourism

 5.Ms. Lilian Moraa Legal Officer	Born in Nakuru County on 17th April 1 holder of LLB degree, Diploma in Law pursuing masters degree in LLM 9 years experience are of responsibility Legal
 6. Mr. Japheth Ndambuki Procurement Officer	Born in Machakos County on 15th December 1960 holder of Higher Diploma in Procurement 30 year experience are of responsibility Procurement
 7. Ms. Rhoda Kiima Human Resource	Born in Kitui County on 15th December 1960 holder of Higher Diploma in Human Resource Management and 30 years experience..area of responsibility Human Resource

CHAIRPERSON'S STATEMENT

Tourism Research Institute was established by the Tourism Act 2011 to undertake and coordinate tourism research and analysis. This entails collecting and analysing information for the tourism sector, assessing strategies and techniques for tourism product development and marketing. The Board of Directors of the institution was appointed and subsequently gazetted in October,2015 to October 2016. But the institute started its operation in January 2018 under a new Ag. CEO whom we believe will drive TRI in the right direction.

Since the Institute has not been categorised by SCAC, it has been a challenge to brand and also lack of staff inhibits TRI from being felt across the country.

The institute envisages to recruit and retain suitable staff during 2018/19 financial year. The tourism sector targets to increase tourism arrivals from 1.3 million in 2016 to 2.5 million in 2022 and also increase tourism earnings from Kshs. 99.0 billion in 2016 to Kshs. 175 billion in 2022. To realize the targets, tourism research will play pivotal role in informing policy choices and devising strategies that will ensure the sector gets more competitive. We believe that through sound research and having new strategies, the sector will also contribute towards achievement of the Jubilee Government manifesto and also an enabler to the strategic interventions (Big four) through the demand created along the tourism value chain. This will be achieved through supply of locally produced inputs to tourism entities sourced from the agriculture, manufacturing and agro-processing sector. Tourism will also provide the much needed foreign exchange earnings required for importation of inputs and equipment [illegible] tourism will also catalyst for investment and growth in other sectors through [illegible]

Chairperson
Ms. Jennifer Barasa

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

The first Chairperson to the Board was appointed on the 18th of March 2016 by His Excellency the President (Gazette Notice 1738) where she served diligently until her resignation on 28th September 2016. She was replaced by a new appointment on the 28th October 2016 effective 21st October 2016 under Gazette Notice [illegible] dated 28th October 2016.
TRI was not included in the budget cycle of 2015/16 or 2016/17. In [illegible] was allocated ksh[illegible] [illegible]

Milestones

1. [illegible] operational in January 2018 after opening its bank accounts, this meant [illegible] the ministry to finance its operations.

2. [illegible] deployed to TRI to offer [illegible] departments.

3. [illegible] its first strategic plan 2018 - 2023, this will provide direction and [illegible] a firm foundation for tourism research which has been identified as a [illegible] in the tourism sector. The plan focuses on three critical pillars namely [illegible] tourism research, coordinating tourism research and disseminating tourism research.

4. The institute has also developed Human Resource Policy and Procedures Manual

5. The organization participated in the 61st meeting of the United Nations World Tourism Organisation's Commission for Africa and "Tourism Statistics, A Catalyst for Development" Seminar in Abuja, Nigeria.

6. The institute acquired working tools, such as E-Board for the board members and office equipment. This will go a long way in improving service delivery and executing TRI mandate.

Challenges

1. Budget cuts- during 2017/18 there was a substantial cut on development budget, this meant that TRI would only receive 20M, this was later reduced further to 10M.

2. Late allocation of funds, the institute received the 4th quarter of its recurrent allocation after 30th June 2018.

3. Inadequate funds. In the current year 2018/2019, the Institute is only allocated kshs. 38 million.

4. The Institute relies on staff who are neither deployed nor seconded to TRI. They have responsibilities in their main workstation in the Parent Ministry therefore TRI work is therefore not prioritised and they are available subject to the workload in their main station.

5. The institute is yet to be categorized by SCAC.

Chief Executive Officer
David G Gitonga

CORPORATE GOVERNANCE STATEMENT

Board Size and Composition

The table below gives the membership of the Board during the financial year 2017 2018.

	NAME	CLASSIFICATION	DATE OF APPOINTMENT	EXPIRY DATE
1	Ms. Jennifer Barasa	Chairperson	21 10 2016	20 10 2019
2	Mrs. Fatuma Hirsi Mohamed	Principal Secretary, State Department of Tourism		
3	Prof. Masibo Lumala	Independent Director	2 12 2015	1 12 2018
4	Dr. Rahab N. Nyaga	Independent Director	2 10 2015	1 10 2018
5	Mrs. Zahra Bahlewa Moi	Independent Director	31 05 2016	30 05 2019
6	Mr. Bernard Koech Kemboi	Independent Director	2 10 2015	1 10 2018
7	Mr. Kenneth Kiprono	Independent Director	2 10 2015	1 10 2018
8	Mr. Zachary Mwangi	Director General, Kenya National Bureau of Statistics	18 03 2016	To date
9	Mr. Albert Mwaringa	Alternate to Principal Secretary, The National Treasury	01 05 2017	30 06 2018
10	Mr. Nahashon Mwongera	Alternate to Executive Director, KIPPRA	18 03 2016	To date
11	Ms. Stella Amadi	Alternate to Principal Secretary, State Department of Tourism		

12	Mr. Michael G. Riungu Mr. David Githui Gitonga	Acting Chief Executive Officer	

Mr. Riungu was replaced by Mr. Gitonga as the Ag. CEO on 25th January 2018. Ms. Lilian Moraa who is the Legal Officer of the State Department of Tourism was designated to offer the services of Corporation Secretary starting February 2018. As per the Tourism Act 2011 and the State Corporations Act, the Board Chairperson is appointed by HE the President of the Republic of Kenya, independent Directors are appointed by the Cabinet Secretary responsible for Tourism while the others represent the respective ministries and agencies.

Roles and Functions of the Board

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

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

Committees of the Board

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

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

Board Finance and Establishment Committee

The Committee has the following members:

1. **Dr. Rahab Nyaga – Chairperson**
2. Principal Secretary, State Department of Tourism
3. Representative of Principal Secretary, The National Treasury
4. Bernard Koech Kemboi
5. Prof. Masibo Lumala
6. David G. Gitonga – Ag. CEO

It held three (3) regular meetings and one (1) special meeting in the year.

Board Technical and Strategy Committee

The Committee has the following members:

1. **Prof. Masibo Lumala - Chairperson**
2. Principal Secretary, State Department of Tourism

3. Dr. Rahab Nyaga
4. Nahashon Mwongera
5. Zahra Bahlewa Moi
6. Zachary Mwangi
7. David Gitonga – Ag. CEO

It held two (2) meetings in the year.

Board Audit and Risk Committee

The Committee had the following members in the year under review:

1. Kenneth Kiprono – Chairperson
2. Representative of Principal Secretary, The National Treasury
3. Zahra Bahlewa Moi

It held one (1) meeting in the year.

The meetings were few since TRI started receiving funding in February 2018. That is when actual operations began.

Board meetings

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

Main Board and Committee Meetings Attendance During the Year

Board Member	Classification	Designation	Finance and Establishment Committee (BFEC): Total No. of meetings 4 (3 scheduled, 1 special)	Technical and Strategy Committee (BTSC): Total No. of meetings 2 (2 scheduled, 0 special)	Audit and Risk Committee (BARC): Total No. of meetings 1 (1 scheduled, 0 special)	Main Board Meetings: Total 5 (3 scheduled, 2 special)
Jennifer Barassa	Independent	Board Chairperson				5 5
Fatuma Hirsi Mohamed	Principal Secretary, Ministry of Tourism		2 4	0 2		3 5
Prof. Masibo Lumala	Independent	Chairperson BTSC	4 4	2 2		4 5
Dr. Rahab N Nyaga	Independent	Chairperson BFEC	4 4	2 2		5 5
Kenneth Kiprono	Independent	Chairperson BARC			1 1	5 5
Bernard Koech Kemboi	Independent		4 4			5 5

Zahra Bahlewa Moi	Independent		2 2	1 1	5 5
Zachary Mwangi	Director General, KNBS		2 2		2 5
Albert Mwanunga	Representing Principal Secretary, The National Treasury	3 4		1 1	3 5
Nahashon Mwangera	Representing Executive Director, KEPSA		1 2		5 5
Stella Amadi	Alternate to Principal Secretary for Tourism	2 4	1 2		3 5
[illegible] Kiragu David [illegible]	Acting Chief Executive Officer	4 4	2 2		5 5
Peter Ndonga	Representative of State Corporations	2 4	1 2	0 1	4 5

During the year 2017/2018 the Institute's Board members' remuneration was quite substantial since:

- [illegible] settlement of arrears that had accrued in the previous year
- there was a retreat that was held for the Board and management for purposes of developing the strategic plan and organisational and HR structures as well as facilitating bonding for the board and management

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting year, the institute set up systems and structures and we believe that during the next financial year TRI will delve into its mandate.
The institute has developed its 1st Strategic Plan 2018- 2023 which focuses on 3 critical pillars of undertaking tourism research, coordinating tourism research and disseminating research findings alongside development of institutional capacity to facilitate the pillars. The plan will spur research in the tourism sector a framework for stakeholders' engagement and collaboration will be put in place as we strive to achieve the bigger objective of growing the tourism sector for posterity. The plan will offer structured leadership to researchers in the tourism sector with the aim of availing a pool of research findings that can help design policies and strategies for achieving the targets set for the tourism sector. The plan will also be the basis for the institutional medium term expenditure framework (MTEF) budget proposals to the government as well as research proposals for other sources of financing. The monitoring and evaluation framework will be used as a tool for ensuring the right levels of inputs are availed and systems are in place to deliver timely outputs in the planned strategies so that the desired outputs and outcomes are realized.
The institute also developed Human Resource Manual and Policies and has an organizational structure is in place.
The money allocated during the reporting year was used to set up the office, the following items were procured:

- 3 Photocopier machines
- 4 Laptops
- 4 Computer Desktops
- E-Board
- Office consumables

The institute has complied with the following statutory requirements

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT SUSTAINABILITY REPORTING

Being the 1st year of operation the entity did not have any Social Corporate Responsibility.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *Tourism Research Institute* affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1 - 22

Directors

The members of the Board of Directors who served during the year are shown on pages v, vi, vii.

Dividends/Surplus remission

In accordance with Section 24(4) of the Public Financial Management Act regulations, regulatory entities shall remit [illegible] dividend fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. The Entity did not remit surplus. Since it is yet to be [illegible] by National Treasury

Auditors

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

By Order of the Board

Ag Chief Executive Officer
Nairobi
Date....25 09 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act) – Tourism Act 2011 (Section 51). The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2017, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *entity's* financial statements were approved by the Board on 25th September, 2018 and signed on its behalf by:

Director	**Director**	**Director**
Prof. Masibo Lumala	**Dr.Rahab Nyaga**	**CPA. Bernard Kemboi**

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from MDAs	6	46,600,000	-
Total revenue		**46,600,000**	-
Expenses			
Employee costs	7	6,644,782	-
Board Expenses	8	15,121,321	-
Depreciation & Amortization	9	2,431,286	-
Repairs and maintenance	10	1,282,670	-
Finance costs	11	18,825	-
General expenses	12	10,767,834	-
Total expenses		**36,266,718**	-
Surplus before tax		**10,333,282**	-
Taxation		-	-
Surplus/deficit for the period/year		**10,333,282**	-
Remittable to National Treasury		-	-
Net Surplus for the year		**10,333,282**	-

The notes set out on pages [illegible] form an integral part of these Financial Statements

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TOURISM RESEARCH INSTITUTE FO THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Tourism Research Institute se out on pages 1 to 19 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets statement of cash flows and statement of comparison of budget and actual amounts fo the year then ended, and a summary of significant accounting policies and othe 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 a the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financia position of Tourism Research Institute as at 30 June 2018 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No 28 of 2011.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Tourism Research Institute in accordance with ISSAI 30 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. **Staff Matters**

1.1 **Shortage of Staff**

It was observed that the organization is yet to recruit staff in some key positions which play a crucial role in assisting the organization fulfil its mandate. Most notable is the

Technical Department and Corporate Services Department which is yet to recru staff despite having a proposed combined staffing level of eighteen (18). It observed that most of the staff have been designated from the ministry to Tourism Research Institute and still have to fulfil their duties at the Ministry.

1.2 Acting Staff

It was observed that the Chief Executive Officer has been in acting capacity for m six (6) months which is against human resource best practices that requires acti serve for at most six months. The current Chief Executive Officer has been acti 25 January 2018.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit pro performed, I confirm that, nothing has come to my attention to cause me to beli public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGE AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2016, based on the procedures performed, I confirm that, nothing has come to my attention to cause believe that internal controls, risk management and overall governance were not eff

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The stan require that I plan and perform the audit to obtain assurance about whether all processes and systems of internal control, risk management and governance operating effectively in all material respects. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

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.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respect

financial transactions and information reflected in the financial stateme compliance with the authorities that govern them and that public resources are an effective way, in accordance with the provisions of Article 229(6) of the Co and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial stateme whether due to fraud or error, design and perform audit procedures responsive those risks, and obtain audit evidence that is sufficient and appropriate to pro a basis for my opinion. The risk of not detecting a material misstatement resu from fraud is higher than for one resulting from error, as fraud may inv collusion, forgery, intentional omissions, misrepresentations, or the overrid internal control.

- Evaluate the appropriateness of accounting policies used and the reasonablen of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going con basis of accounting and, based on the audit evidence obtained, whether a ma uncertainty exists related to events or conditions that may cast significant doub the Institute's ability to continue to sustain its services. If I conclude that a ma uncertainty exists, I am required to draw attention in the auditor's report t related disclosures in the financial statements or, if such disclosures inadequate, to modify my opinion. My conclusions are based on the audit evic obtained up to the date of my audit report. However, future events or cond 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.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 May 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	15,597,376	-
Receivables from non-exchange transactions	14	11,650,000	-
		27,247,376	-
Non-current assets			
Property, plant and equipment	15	5,456,868	-
Intangible Asset	16	1,998,667	-
		7,455,535	
Total assets		**34,702,911**	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	14,369,628	-
Total liabilities		**14,369,628**	-
Net assets		**20,333,282**	-
Capital and Reserves			
Accumulated surplus		10,333,282	-
Capital Fund		10,000,000	
Total net assets and liabilities		**20,333,282**	-

The Financial Statements set out on pages 1 to 21 were signed on behalf of the Board of Directors by:

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

Date....25 09 2018

Head of Finance
CPASusan Mbugua
ICPAK No. 14685

Date....25 09 2018

Chairman of the Board
Jeniffer Barassa

Date....25 09 2018

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Retained earnings	Capital Grant	Total
At July 1, 2016	**0**	**0**	**0**
Total comprehensive income	0	0	0
Transfer of depreciation amortisation from capital fund to retained earnings	0	0	0
At June 30, 2017	**0**	**0**	**0**
At July 1, 2017	**0**	**0**	**0**
Receipts during the year	-	10,000,000	**10,000,000**
Total comprehensive income	10,333,282	-	**10,333,282**
Transfer of depreciation amortisation from capital fund to retained earnings			-
At June 30, 2018	**10,333,282**	**10,000,000**	**20,333,282**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	46,600,000	-
Total Receipts		**46,600,000**	-
Payments			
Compensation of employees	7	6,644,782	-
Goods and services	8,10,12	27,171,825	-
Finance cost	11	18,825	-
Total Payments		**33,835,432**	-
Changes in working Capital			
(Increase) decrease in receivables	14	(11,650,000)	-
Increase (decrease) in payables	17	14,369,628	-
Net Changes in working capital:		**2,719,628**	-
Net cash flows from operating activities	19	**15,484,196**	-
Cash flows from investing activities			
Purchase of property, plant, equipment	15	(6,888,820)	-
Purchase of intangible assets	16	(2,998,000)	-
Net cash flows used in investing activities		**(9,886,820)**	
Cash flows from financing activities			
Increase in deposits		=	
Increase in deposits		10,000,000	
Net cash flows used in financing activities		**10,000,000**	
Net increase (decrease) in cash and cash equivalents		15,597,376	-
Cash and cash equivalents at 1 JULY		-	-
Cash and cash equivalents at 30 JUNE	13	**15,597,376**	-

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

	Original Budget	Adjustments	Final Budget	Actual on comparable Basis	Performance Difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	KShs	KShs	KShs	KShs	KShs
Revenue					
Government grants and subsidie	46,600,000	-	46,600,000	34,950,000	-
Total income	46,600,000	-	46,600,000	46,600,000	-
Expenses					
Compensation of employees	6,633,782		6,644,782	6,644,782	-
Board Expenses	15,121,321		15,121,321	15,121,321	-
Repairs and Maintenance	1,282,670	-	1,282,670	1,282,670	-
General Expenses	10,767,834		10,767,834	10,767,834	-
Finance cost	18,825		18,825	18,825	-
Total expenditure	33,835,432	-	33,835,432	33,835,432	-
Surplus for the period	12,764,568	-	12,764,568	1,114,568	-

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note no. 5
The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39. Employee Benefits	**Applicable: 1st January 2018** The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. *(The IPSAS is currently not applicable for the Entity since there are no permanent Employees)*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019:** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

b) **Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on 8th June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

c) Taxes

Withholding Tax

The Entity was appointed as an agent of tax by Kenya Revenue Authority on 13th July 2018, Agent No. P051676745P000

d) Property, plant and equipment

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

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

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

e) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.
The Entity Amortizes the intangible assets at the rate of 30% on straight-line basis on proportionate basis from time of purchase.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities

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

Contingent assets

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

f) Changes in accounting policies and estimates

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

g) Related parties

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

h) Cash and cash equivalents

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

i) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

6 TRANSFERS FROM OTHER GOVERNMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Operational grant	46,600,000	0
Development grant	10,000,000	0
Total government grants and subsidies	**56,600,000**	**0**

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix III)

7 EMPLOYEE COSTS

	2017-2018	2016-2017
	KShs	KShs
Basic Salary	2,295,[illegible]35	0
Travel, motor car, accommodation, subsistence and other allowances	3,975,197	0
Staff Training and development	1,373,550	0
Employee costs	6,644,782	0

(Basic salary only, only has the salary payable to the CEO as all other Employees are seconded from the ministry)

8 REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	1,626,031	0
Directors emoluments	6,549,951	0
Other allowances	6,945,339	0
Total director emoluments	**15,121,321**	**0**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	1,431,953	0
Amortization of Intangible Asset	999,333	
Total depreciation and amortization	**2,431,286**	**0**

10 REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Computer Repairs	370,500	0
Building Repairs	912,170	
Total repairs and maintenance	**1,282,670**	**0**

11 FINANCE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Bank Service commission	18,825	0
Total finance costs	**18,825**	**0**

12 GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Conferences and delegations	1,967,500	0
Consulting fees	1,450,000	0
Consumables	481,900	0
Newspaper and Periodicals	240,000	0
Fuel and oil	136,000	0
Telecommunication	286,500	0
Postage	11,520	0
Printing and stationery	2,168,230	0
Hire charges	15,000	0
Travelling Expenses	3,776,235	0
Internet connectivity	107,299	0
Office Supplies	127,650	0
Total general expenses	**10,767,834**	**0**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CASH AND CASH EQUIVALENTS

Description	2017-2018 KShs	2016-2017 KShs
Current account	15,597,376	0
Total cash and cash equivalents	**15,597,376**	**0**

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

Financial institution	Account number	2017-2018 KShs	2016-2017 KShs
a) Current account			
Kenya Commercial bank Recurrent	1220888613	6,759,622	0
Kenya Commercial bank Development	1220901636	8,837,754	0
Grand total		15,597,376	0

14 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2017-2018 KShs	2016-2017 KShs
Current receivables		
Grants from Ministry of Tourism	11,650,000	0
Total current receivables	**11,650,000**	**0**

15 PROPERTY, PLANT AND EQUIPMENT

	Computers and Accessories	Office Equipment	Furniture and fittings	Total
Cost	Shs	Shs	Shs	Shs
At 1July 2017	0	0	0	0
Additions	3,262,000	3,241,720	385,100	6,888,820
At 30th June 2018	**3,262,000**	**3,241,720**	**385,100**	**6,888,820**
Depreciation and impairment				
At 1July 2017	0	0	0	0
Depreciation	978,600	405,215	48,138	1,431,953
At 30th June 2018	**978,600**	**405,215**	**48,138**	**1,431,953**
Net book values				
At 30th June 2018	**2,283,400**	**2,836,505**	**336,963**	**5,456,868**
At 30th June 2017	**0**	**0**	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INTANGIBLE ASSETS-SOFTWARE

Description	2017-2018	2016-2017
	KShs	KShs
Cost		
At beginning of the year	-	0
Additions	2,998,000	0
At end of the year	**2,998,000**	**0**
Amortization and impairment		
At beginning of the year	-	0
Amortization	999,333	0
At end of the year	999,333	0
NBV	**1,998,667**	**0**

17 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Trade payables	11,296,760	0
Other Payables	2,942,032	
Withholding Tax - KRA	130,836	0
Total trade and other payables	**14,369,628**	**0**

18 CASH GENERATED FROM OPERATIONS

	2017-2018	2016-2017
Surplus for the year before tax	KShs	KShs
Surplus for the year before tax	10,333,282	0
Adjusted for:		
Depreciation & Amortization	2,431,286	0
Working Capital adjustments		
Increase in receivables	(11,650,000)	0
Increase in payables	14,369,628	0
Net cash flow from operating activities	**15,484,196**	**0**

19 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	11,650,000	11,650,000	11,650,000	0
Total	**11,650,000**	**11,650,000**	**11,650,000**	**0**

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

The entity has significant concentration of credit risk on amounts due from ministry of Tourism and wildlife

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

NOTES TO FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	11,296,760	0	0	11,296,760
Statutory Payables	0	0	2,942,032	2,942,032
Taxation	0	130,836	0	130,836
Total	**11,296,760**	**130,836**	**2,942,032**	**14,369,628**

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk – The Entity currently does not face any foreign currency risk

b) Interest rate risk – The Entity has not fixed any amount hence mitigated from interest rate risk

20 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

Government of Kenya (Continued)

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

21 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Entity did not have any contingent liability during the FY2017/18.

22 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Being the first year of operations, the Entity is yet to be categorized hence no remittance to the Consolidated Fund.

23 EVENTS AFTER THE REPORTING PERIOD

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

24 ULTIMATE AND HOLDING ENTITY

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

25 Currency

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

26 Major Expenditure Commitments

By the End of the financial year 2017 2018, the Entity had floated some tenders which had been budgeted in the same financial year on the following research activities:

Activity	Winning Bidder	Amount
Comparative Study of Kenya's Tourism performance Vis a Vis Global Tourism Trends	Ark link Business Associates	4,169,272
In-depth Assessment of Kenyan coastal Beach Tourism Product	Own Associated Consultancy	4,329,750
Board Members medical cover	Jubilee Insurance Company	926,876
Total Amount		**9,425,898**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The FY2017 18 would be the first year for the Entity to be Audited hence no progress report on follow up of Auditor Recommendations.

Ag. C.E.O
Date....25 09 2018

Chairman of the Board
Date....25 09 2018

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

The Institute was supposed to get Ksh 80m for office set up. However only ksh 10m was received and this went towards acquisition of the E- Board for Board operations and office Equipment to facilitate officers part of office setup.

The Entity having started its operations in FY2017/18, with only 10 m no major projects could be implemented.

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:
Break down of Transfers from the State Department of Tourism & Wildlife

FY 17/18

a Recurrent Grants

Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
24.01.2018	11,650,000	FY 2017/18
07.03.2018	11,650,000	FY 2017/18
11.05.2018	11,650,000	FY 2017/18
04.07.2018	11,650,000	FY 2017/18
Total	**46,600,000**	

b Development Grants

Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
02.03.2018	10,000,000	FY 2017/18
Total	**10,000,000**	

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

Finance Manager
Tourism Research Institute

Sign

Head of Accounting Unit
Ministry of Tourism & Wildlife

Sign