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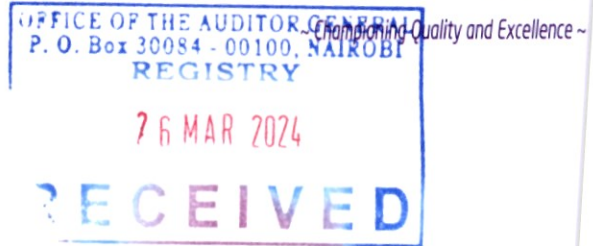
TABLED BY:	HON. OWEN BAYA (DEPUTY MAJORITY LEADER)
CLERK-AT THE TABLE:	J. LEMERELLE

THE AUDITOR-GENERAL

ON

TOURISM REGULATORY AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2023**



Tourism Regulatory Authority

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Table **of**

Contents.....

Page

1.	Acronyms, Abbreviations and Glossary of Terms	ii
2.	Key Entity Information and Management.....	iii
3.	The Board of Directors.....	vii
4.	Key Management Team	xvi
5.	Chairperson’s Statement.....	xix
6.	Report of the Director General	xx
7.	Statement of Performance against Predetermined Objectives for FY 2022/2023	xxiii
8.	Corporate Governance Statement.....	xxix
9.	Management Discussion and Analysis.....	xxxv
10.	Environmental and Sustainability Reporting.....	xxxix
11.	Report of the Directors.....	xlii
12.	Statement of Directors Responsibilities	xliii
13.	Report of the Office of the Auditor General (O.A.G) on Tourism Regulatory Authority	xlv
14.	Statement of Financial Performance for the year ended 30 June 2023.....	1
15.	Statement of Financial Position as at 30 June 2023.....	2
16.	Statement of Changes in Net Assets for the year ended 30 June 2023.....	3
17.	Statement of Cash Flows for the year ended 30 June 2023.....	4
18.	Statement of Budget Comparison and Actual amounts for the year ended 30 June 2023	6
19.	Notes to the Financial Statements	8
20.	Appendices	35

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

A&RMC	Audit & Risk Management Committee of the Board
BSC	Balance Score Card
CS	Cabinet Secretary
CEO	Chief Executive Officer
DG	Director General
EAC	East Africa Community
ERP	Enterprise Resource Planning System
e-CRM	e- Customer Relationship Management
FB	Full Board
F&AC	Financial & Administration Committee of the Board
HC&R	Human Capital & Remuneration Committee of the Board
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KUC	Kenya Utalii College
MTEF	Medium Term Expenditure Framework
NT	National Treasury
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PS	Principal Secretary
PC	Performance Contracting
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SPFB	Special Full Board
TRA	Tourism Regulatory Authority
TC	Technical Committee of the Board

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

Tourism Regulatory Authority (T.R.A) was established under section 4 of the Tourism Act No.28 of 2011. TRA is domiciled in Kenya with Headquarters in Nairobi at Utalii House, 5th Floor and has Seven regional offices at Kisumu, Eldoret, Nakuru, Nyeri, Nairobi, Mombasa and Malindi. Although the Authority was operationalised in April 2014 it gained its Financial and Operational independence in September, 2016.

(b) Principal Activities

The principal Activity of the Tourism Regulatory Authority (T.R.A) is to regulate the tourism sector in Kenya including all the activities and services listed under the Ninth schedule of the Tourism Act. No. 28 of 2011

Vision

A centre of tourism regulatory excellence.

Mission Statement

To develop and promote a conducive regulatory environment for a dynamic competitive and sustainable tourism sector.

Values

- Integrity
- Collaboration
- Team work
- Professionalism
- Innovation

Mandate

The mandate of Tourism Regulatory Authority as set out in the Tourism Act No. 28 of 2011 is to regulate the tourism sector in Kenya. This mandate entails the following functions as prescribed under section 7 (1) of the Tourism Act: -

- a) Formulate guidelines and prescribe measures for sustainable establishments and operations to realize sustainable tourism development throughout the country;
- b) Regulate tourism activities and services countrywide, in accordance with the national tourism strategy;
- c) Register, licence and grade all sustainable tourism and tourist-related activities and services including cottages and private residences engaged in guest house services

- d) Develop and implement criteria for classification and standardization of tourism facilities and services;
- e) Develop and regulate tourism and hospitality curriculum, examination and certification in collaboration with the Ministry of Education;
- f) Develop and implement the code of practice for the tourism sector;
- g) Deleted;
- h) Deleted;
- i) Monitor and assess tourist activities to ensure conformity to sound principles of sustainable tourism;
- j) Undertake annual assessment and audit of tourism activities and services and prepare annual tourism sector status report in consultation with the Cabinet Secretary and other lead agencies;
- k) Perform any other functions ancillary to the object and purpose of which the Authority is established.

***g & h were deleted in December 2018 through the Statute Law (Miscellaneous Amendment) Act, 2018**

(c) Key Management

The day-to-day management of the Authority is under the following key organs:

- Board of the Authority.
- Director General
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Mr. Norbert Talam
2.	Director Compliance & Trade Facilitation	Mr. Moses Lesaibile
3.	Director Standards & Quality Assurance	Mr. Fredrick Jack Omondi
4.	Manager Corporate Support Services	Mr. Ernest Sila Mathuva
5.	Manager Finance & Accounts	Ms. Nkatha Mugambi,
6.	Legal Officer	Ms. Carolyne Sein
7.	Chief Audit & Risk Management Officer	Mr. Jeff Mutie Mutiso

(e) Fiduciary Oversight Arrangements

Full Board

The Board provides general oversight over the Authority. It however works through its Audit & Risk Management and Finance & Administration Board Committees to exercise fiduciary oversight.

Audit & Risk Management Board Committee Activities

The Committee forms a key element in the governance process by providing an independent in-depth expert assessment of the activities of top Management, the quality of risk management, financial reporting, financial management and internal audit, to the Board of Authority. It also ensures that external audit recommendations are fully addressed, that the quality of internal audit is of an appropriate standard and that the Management pay due regard to internal audit recommendations.

Finance & Administration Board Committee Activities

The Finance & Administration Committee exercises oversight over the Authority's strategic direction, financial management and reporting, procurement and asset disposal, performance contracting obligations and the ICT functions on behalf of the Board.

Human Capital and Remuneration Board Committee Activities

The Human Capital & Remuneration Committee exercises oversight over the Authority Human resource and remuneration of staff. This includes the tools of operation of Human resource.

(f) Entity Headquarters

Utalii House, 5th Floor,
P.O BOX 25357 – 00100
Nairobi, Kenya.

(g) Entity Contacts

Telephone: +254 701 444 777
E-Mail: dg@tourismauthority.go.ke
Website: www.tra.go.ke

Key Entity Information and Management (continued)

(h) Entity Bankers

- | | |
|--|--|
| 1. Kenya Commercial Bank of Kenya
University Way Branch
P.O BOX 48400 – 00100
Nairobi, Kenya. | 2. Co-operative Bank of Kenya
University Way Branch
P.O BOX 48321 - 00100
Nairobi, Kenya. |
|--|--|

(i) Independent Auditor



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


(j) Principal Legal Adviser

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

3. The Board of Directors

The Authority’s Board comprises of Nine (9) members led by a non-executive and independent Chairperson, four (4) independent non-executive directors, representatives of the Cabinet Secretary for The National Treasury, representatives for the Principal Secretaries State department of Planning, State department for Tourism, State Department of Environment and the Director-General of the Authority. The Composition of the Board is as stipulated in Section 8 of the Tourism Act 2011 and below are their individual profiles;

Directors	Details
 <p>Hon. Halima Yussuf Mucheke Non-Executive Director & Board Chairperson</p>	<p>Hon. Halima Yusuf Mucheke holds a Bachelor’s degree in Psychology from the University of Nairobi, a Diploma in Business Administration and currently pursuing a master’s degree in Business administration.</p> <p>She has previously worked as nominated member of Parliament with vast experience in the public service, having served as a sub-county administrator and a District Officer.</p> <p><input type="checkbox"/> Appointed on 18th November, 2022 vide Gazette notice No. 14234</p>
 <p>Mr. Alais L. Momoi Independent Director</p>	<p>Mr. Alais Lenana Momoi currently serves as the Executive Director of, an International Non-Governmental Organization dealing in Agro-Forestry Projects in Kenya and Tanzania. He brings to the Authority a wealth of experience from the education sector in Kenya with a career spanning over 20 years. He trained at Kilimambogo Teacher’s Training College (TTC) for a P.I Course after which he was posted to various schools in Kenya. Mr. Momoi is currently pursuing a Master’s Degree in Project Management at the Kenya Methodist University</p>

	<p>(KEMU) and holds a Bachelor of Education Degree from the University of Nairobi with specialty in Geography, History and Government studies. He has been a career educator, and an instructor with Outward Bound School of Experiential Learning. He has been a career administrator at South Eastern Kenya University (SEKU)– Kitui County. Previously, he served as a board member of the Kenya Forest Service, a position he was appointed to due to his commitment to Climate Change and Environmental issues in the region.</p> <p><input type="checkbox"/> His term expired on 9th March, 2023 vide Gazette notice no. 2888</p>
<div style="text-align: center;">  <p>Mr. Isaac Njangu Independent Director</p> </div>	<p>Mr. Isaac Njangu holds a Bachelor of Arts Degree in Sociology and History from University of Nairobi. With a span of 24 Years in the Aviation Industry he has attended a combined course in cargo and passenger handling from the East African School of Aviation, Threat assessment and Risk management course at Kenya Airways Pride Centre. He participated in the bullet proof manager program from Crestcom International and Advanced co-operative management course from KUSCO with a specialization course in cargo and passenger handling by Lufthansa GZW1-WA2. Mr Njangu believes that due to Global Dynamics and changes in the Tourism Industry affecting Human Movement, charter flights and Hotel occupancy there is need to come up with reforms and develop structures that will encourage Local tourism. These reforms require a dedicated and transformative team to guide the industry in the board. Mr. Njangu has served as a director at Siakago Boys High School, Wanandegge Sacco Society and Embu County National Land Commission.</p>

	<input type="checkbox"/> His term expired on 9 th March, 2023 vide Gazette notice no. 2888
<div data-bbox="316 353 699 721" data-label="Image"> </div> <div data-bbox="359 757 655 846" data-label="Caption"> <p>Ms. Najma Ismail Independent Director</p> </div>	<p>Ms. Najma Ismail is a seasoned multimedia journalist with over 15 years' experience in the Media Industry. She holds a Bachelor's Degree in Journalism and Communication from the Kenya Methodist University and is recognized as one of 100 most influential Kenyan Muslims and top 30 Muslim women achievers in Kenya. she brings to the Authority a wealth of experience having worked at Iqra FM as a full-time radio presenter, Sound Asia FM as a news Editor and News anchor. In October 2006 she successfully joined Radio Africa's KISS 100 FM and CLASSIC 105 FM. Najma currently works as a senior news anchor and gender editor as well as being the External Affairs Editorial Liaison Manager at the Standard Group. She has produced an Award Winning news feature "ALL WOMAN" that was dedicated to highlighting women issues and celebrating their social economic and political achievements. She also launched the first ever Islamic newspaper supplement "Ramadhan special". this was the first time a daily newspaper published a supplement dedicated to the Muslim community in East Africa. Najma is a local champion for women and girls' issues where her brand and high level of professionalism, was recognized leading her to be appointed goodwill ambassador for kenya education fund (kef) to provide deserving yet economically disadvantaged students in Kenya with free secondary education.</p> <p><input type="checkbox"/> Her term expired on 9th March, 2023 vide Gazette notice no. 2888</p>



Mr. Kennedy Olwasi
Director & Alternate to PS
Ministry of Environment and Forestry

Mr. Kennedy Olwasi is currently an Assistant Director Programmes & Strategic Initiatives, Ministry of Environment & Forestry, having previously worked as District Agricultural Officer in a number of stations in Kenya. He has also worked as a Policy and Institutional Capacity specialist for over 5 years and a further 4 years as a Research Assistant at the International Centre for Insect Physiology and Ecology (ICIPE, Kenya).

Mr. Olwasi is currently the technical lead in the development of Integrated Masterplans for Rehabilitation and Restoration of Cherangany Elgeyo Hills ecosystem as well as the Tsavo landscape. He also represents the Ministry of Environment & Forestry in a number of platforms including technical Committee on Environment and Forestry at the EAC Sectoral Council of Ministers (SECOM)) and Intergovernmental Relations Technical Committee, he is a member of the International Association of Impact Assessments (IAIA) and the Environment Institute of Kenya.

He holds a BSc and MSc degree in Agronomy from Egerton University and currently undertaking a PhD on climate change Adaptation, Institute of climate Change Adaptation, University of Nairobi. He also holds a number of certificates including on Green and Circular Economy, Copenhagen University, Denmark, Strategic Leadership, Kenya School of Government Kenya, Environmental Impact assessment and Audit, Kenya School of Agriculture and multidisciplinary, Monitoring and Evaluation and adaptive learning, Egerton University. He holds

	<p>a certificate in ISO Audit by Bureau veritas International among other trainings.</p>
<div data-bbox="319 358 686 672" data-label="Image"> </div> <div data-bbox="271 694 718 851" data-label="Caption"> <p>Mr. Peterson Muriithi Njenga Director & Alternate to PS State Department of Planning</p> </div>	<p>Mr. Peterson Muriithi Njenga holds a Bachelor’s Degree in Economics and currently undertaking a Master’s Degree in Economics. He joined the then Ministry of Planning, National Development and Vision 2030 in April 2008 as an economist/statistician II and has risen over the years to a level of Chief Economist in the State Department for Planning</p> <p>During his working career, he has gotten extensive training and experience in Economic Development, Policy Formulation & Analysis and Strategic Planning and Budgeting in the public sector.</p>
<div data-bbox="303 1030 702 1366" data-label="Image"> </div> <div data-bbox="255 1388 750 1545" data-label="Caption"> <p>Mr. Paul J. Oyier Director & Alternate to CS The National Treasury & Planning.</p> </div>	<p>Paul J. Oyier is a corporate strategy, public relations, media and communications practitioners with over 20 years’ experience in both the private and public sector in Kenya and the region.</p> <p>He is currently, the Senior Communications Advisor to Kenya’s Cabinet Secretary for The National Treasury & Planning, advising and supporting the minister to communicate the economic agenda clearly and in a compelling manner, while building and protecting the brand and reputation of the ministry. He also sits on the Boards of the Bomas of Kenya, the Betting Control & Licensing Board as an Alternate Director to the Cabinet Secretary.</p> <p>Paul is a co-founder and former Managing Director of leading strategic communications and business advisory firm, Eminent Business Group Ltd. and pioneer premium entertainment and events company, The Sterling Quality Company Ltd. He is the</p>

	<p>immediate former Corporate Affairs Manager of the Media Council of Kenya – the State media regulator.</p> <p>Paul is an elected Council Member of the Public Relations Society of Kenya (PRSK) where he chairs the Resource Mobilization & Partnerships Committee and the Panel of Experts on Crisis Management & Communications. He is also a member of the Governing Council of the Kenya Alliance of Resident Associations (KARA) and an alumnus of the 2004 US State Department’s International Visitor Leadership Programme.</p> <p>He holds a Bachelor of Arts degree in Journalism with a minor in Public Relations, from the United States International University – Africa, where he is set to soon graduate with a Master of Arts in Communication Studies, specializing in Strategic Public Relations.</p> <p><input type="checkbox"/> He was replaced on 4th April, 2023</p>
<div data-bbox="258 1285 646 1646" data-label="Image"> </div> <div data-bbox="236 1720 746 1859" data-label="Caption"> <p>Mr. Michael Nkodi Tialal Director & Representative to PS State Department of Tourism</p> </div>	<p>Mr. Michael Nkodi Tialal, was born in 1963 in Transmara West Sub-County. Tialal has served the Nation in the following capacities; He served as a high school principal 1994. In Dec.1994, he joined the then Provincial Administration as a District Officer.</p> <p>He rose through the ranks to become a County Commissioner in 2012. He served as a County Commissioner in many counties until recently when he was posted to the State Department for Tourism. He has been a civil servant for 30 years. Mr Tialal has also served as an Acting Director General, Tourism Regulatory Authority effective May 2022 to 21st July 2022.</p>

	<p>Tialal holds a master’s degree in Community Development and Extension from Chuka University. He has also attended several courses in Administration and leadership skills.</p> <p><input type="checkbox"/> He was replaced on 14th March, 2023</p>
 <p>Ms. Grace Wangui Kamau Director & Alternate to PS The State Department of Tourism</p>	<p>Grace Wangui Kamau is a lawyer by profession and an Advocate of the High Court with 19 years’ experience. She holds a Bachelor of Laws degree (LLB) from University of Nairobi and Certified Secretaries (CS) foundation level, qualification.</p> <p>She is currently a Deputy Chief State Counsel in the Ministry of Tourism & Wildlife and has previously worked at Ministry of Transport and Infrastructure. While at Ministry of Transport and Infrastructure she was a member of the Secretariat to the Steering Committee that established Nairobi Metropolitan Area Transport Authority (NaMATA). She has worked as Ag. Corporation Secretary for NaMATA and legal advisor to the Engineers Board of Kenya. She also worked as a litigation lawyer at the Office of the Attorney General for 6 years.</p> <p>She is a member of the Ministerial Human Resource Management and Advisory Committee (MHRMAC) and Medium Term Plan Committee and has served in various other key committees in Ministries.</p> <p><input type="checkbox"/> She was appointed on 6th June, 2022 and replaced 9th September, 2022.</p>



Mr. Norbert Talam
Director General & Board Secretary

Norbert Talam is the Director General, Tourism Regulatory Authority. He is a Finance Executive with over twenty (20) years' impressive track record in implementing high impact growth strategies, robust internal controls, and efficient reporting system.

Norbert is an Expert in leveraging logical and critical thinking behind the numbers that drive organization strategy, bolster efficiency, and propel achievements of strategic financial goals. He has Proven success in leadership, operational excellence and organizational development with keen understanding of managing multiple grants, operational efficiency and overall technical assistance.

Prior joining TRA, Norbert served as the Acting Chief Executive Officer, Company Secretary and as the Head of Finance at the First Community Bank for over 10 years. He also served in finance department at K-Rep Bank (Sidian Bank), Kenya Airways(KQ) and at Safari for Less Ltd.

Norbert is a Member of Institute of Public Accountants of Kenya(ICPAK), Institute of Public Secretaries of Kenya(ICPSK) and Institute of Directors (IOD). He Holds a Master of Business Administration from the University of Nairobi, and a Bachelors of Commerce (Accounting Option) from the Catholic University (C.U.E.A). He is a Certified Public Secretaries (CPS - K) and a Certified Public Accountant-K (CPA-K)

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

During the period under review it is important to note that, the government had appointed the following board member though they had not reported as at closer of the period.

- Gazette Notice No. 7041 dated 31st May 2023

Eric M. Kiniti

Alex Munyao

- Gazette Notice No. 7512 dated 9th June 2023

Josephine Wambui Kinyuti

Alex Cleland Atingo

4. Key Management Team

Management	Professional / Academic Qualification
 Mr. Norbert Talam Director General.	<ul style="list-style-type: none"><input type="checkbox"/> Master's in Business Administration from University of Nairobi<input type="checkbox"/> Bachelor of Commerce from Catholic University of East Africa (C.U.E.A).<input type="checkbox"/> Certified Public Accountant (CPA-K)<input type="checkbox"/> Certified Public Secretaries (CPS-K)<input type="checkbox"/> Member of Institute of Directors (IOD)
 Mr. Moses Lesaibile Director, Compliance & Trade Facilitation.	<ul style="list-style-type: none"><input type="checkbox"/> MSc. (Hospitality & Tourism Management)<input type="checkbox"/> Bachelor of Science (Hons) Hospitality Management from Strathmore University.<input type="checkbox"/> Diploma in Hotel Management from Kenya Utalii College.<input type="checkbox"/> Advance Tourism Management, Chinese Government Sponsored.<input type="checkbox"/> Member of the Kenya Institute of Management.



Mr. Fredrick Jack Omondi
Director, Standards &
Quality Assurance

- Holds Master of Arts in Environmental Planning & Management from the University of Nairobi
- Bachelor of Arts in Sociology and Geography from Egerton University
- EAC Classification Criteria Trainer
- Wide experience in tourism development, policy and regulation matters gained in the over 20 years with Ministry of Tourism and TRA.



Mr. Mathuva, Ernest Sila
Ag. Director, Corporate
Support Services

- Pursuing MSc. in Tourism Management from Kenyatta University.
- Post Graduate Diploma in International Relations from the University of Nairobi
- BSc. in Tourism Management from Moi University
- EAC Hotel and Restaurant Certified Assessor
- Served in Ministry of Tourism for 17 years before joining TRA in 2014.



Ms. Nkatha Mugambi,
**Manager, Finance &
Accounts**

- Pursuing MSc. Finance from Jomo Kenyatta University of Agriculture & Technology (JKUAT).
- Post graduate Diploma (PGD) in Tax Administration
- Senior Management Course (SMC), from KSG
- Bachelor of Commerce degree – Finance Option
- Certified Public Account of Kenya, CPA(K)
- Member of the Institute of Certified Public Accountants, ICPAK
- Diploma in Public Relation




Ms. Carolyne Sein
Legal Officer

- Masters of Law (LLM) from University of Nairobi
- Bachelor of Law (LLB) from Catholic University of East Africa (C.U.E.A).
- Post graduate Diploma in Law from Kenya School of Law.
- Advocate of the High Court.

5. Chairperson's Statement

The financial year 2022/2023 began on a high note with international tourism showing a strong performance through July 2022 with arrivals reaching 57% of pre-pandemic levels. In the global arena, the sector continued to show a strong performance with international tourist arrivals reaching 80% of pre-pandemic levels in the months of January through March 2023. This denoted a gradual and steady recovery from the impacts of the covid-19 pandemic. As such, the sector continues to show signs of a strong and steady recovery from the impacts of the covid-19 pandemic against a backdrop of mounting economic and geopolitical challenges. Clearly, the future outlook is positive, and the sector is once again showing its resilience and ability to bounce back. Despite the difficulties the sector has been facing, the World Travel and Tourism Council's (WTTC) projections point to a strong decade of growth. Travel & Tourism GDP is set to grow on average by 5.8% annually between 2022 and 2032, outpacing the growth of the overall economy (2.7% per year). The WTTC research shows that Travel & Tourism GDP could return to 2019 levels by the end of 2023. In Africa, the WTTC report shows that the growth rate of spending by domestic travellers outpaced that of international travellers (39.4% vs 11.3%). In Kenya, the sector showed a steady recovery with the year closing at 1,483,732 international tourist arrivals. It is imperative to note that over the years, the tourism industry has been exposed to a wide range of crises such as the severe acute respiratory syndrome (SARS) outbreak in 2003, the global economic crisis in 2008/2009, and the Middle East Respiratory Syndrome (MERS) outbreak in 2015. However, none of them led to a longer-term decline in the global development of tourism in terms of international tourist arrivals. This implies that tourism, as a system has been resilient to external shocks. Moving forward, the security, safety and hygiene standards of tourism facilities and services will continue to underpin the recovery and resilience of the tourism sector in Kenya.

Further, due to changes brought about by the pandemic, consumers appear to have shifted their priorities and are now placing greater emphasis on hygiene and safety. This has encouraged hospitality and tourism practitioners globally to similarly shift in how to provide services to customers and what they want to emphasize on when creating an experience for their customers. It is therefore key that the collective tourism stakeholder ecosystem in Kenya understands what has changed and the best strategies to be applied to enhance overall destination competitiveness and appeal.


.....
Hon. Halima Yusuf Mucheke
Board Chairperson

6. Report of the Director General

During the financial year 2022/2023, the Authority executed her mandate in line with the provisions of the Tourism Act, 2011 and the Tourism Regulatory Authority Regulations, 2014. Given that the tourism sector was steadily recovering from the ravaging impacts of covid-19, it was imperative that destination Kenya gives prominence to restoring traveller confidence on the safety of the destination. To this end, the Authority, carried out routine quality assurance audits in 7,224 regulated enterprises out of the target of 7,500 facilities for the year representing an improvement of 2.16% from the achievement in the previous financial. In addition, the Authority collected a total of Kshs. 205,144,711 as compliance charges during the financial year depicting a steady improvement of 11.79% from the achievement in the previous period.

To enhance standards in the tourism and hospitality sector, the Authority undertook activities geared towards management of minimum Standards for regulated tourism enterprises activities and services. To this end, the Authority conducted, Stakeholders' sensitization forums on the ten (10) developed standards and two (2) Codes of Practice in Kisumu, Nakuru, Nyandarua, Laikipia and Nyeri Counties. These Standards and Codes of practice were: Halal compliance guidelines; Spa & Wellness standard; Tour driver guides & hotel staff accommodation standard; MICE standard; Adventure sports standard; Tours and travel standard; Professional photographers' standard; Nature trails standard; Amusement parks standard; Events & entertainment guidelines; Code of practice for tours and travel; Code of practice for accommodation and catering establishments. To facilitate implementation of the quality standards, the Authority trained 32 quality assurance auditors/ managers against a set target of 32 translating to 100% achievement for this target for the period under review. Cumulatively over the years, the Authority has trained a total of seventy (70) officers as quality assurance auditors.

To promote a sustainable tourism sector, adherence to sound principles and practices of sustainable tourism as envisaged in the Tourism Act, 2011 is paramount. On this note, the Authority undertook an annual assessment and audit of tourism activities and services, measures and initiatives at the national level through collection of primary data from regulated tourism enterprises, activities and services in the South Rift, Nairobi, Coast and Mt. Kenya regions. Secondary data was collected from published reports and online sites. The data was analysed and a draft National Tourism Sector Status Report for the year 2022 prepared.

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

In addition, as part of her resource mobilization initiatives, the Authority received Kshs. 48,547,500 million (out of 194 million) as part funding for the Classification and Grading for Class A and B enterprises project from the Tourism Promotion Fund. Through this funding, the Authority managed to undertake stakeholder sensitization in Embu, Nakuru, Nyandarua, Laikipia and Nyeri Counties and accredited a total of 127 accommodations and catering facilities was accredited in Embu, Nakuru and Nyandarua Counties. During the sensitization forums, the Authority emphasized the imperatives of Minimum and Accreditation Standards and their role in enhancing destination competitiveness and appeal. Moreover, the role of County Governments and operators of regulated tourism enterprises was well enumerated through presentation of the stakeholder and workforce development strategies. The stakeholders were also taken through what was expected of them during the quality audits that would be conducted and how they stood to benefit from a business perspective. In overall the accreditation exercise was well received amongst the myriad of stakeholders in Mt. Kenya Region. This being an ongoing project, the Authority is hopeful that the rest of the funds will be realised so that the whole country is adequately covered.

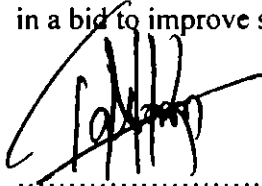
To facilitate ease of doing business, the Authority processed all the one hundred and twenty-five (125) applications for duty / VAT exemptions from investors submitted during the period under review. This was for recommendations for custom duty exemptions in accordance with the EAC Custom Management Act 2004, and VAT exemption in accordance with the Finance Act 2017. The total cost of items recommended for exemption during the financial year was Kshs. 1,424,000,954 with an estimated value of exemption of Kshs. 284,800,190 It is worth noting that the applications processed during the period were both from hotels seeking duty exemption and Tour Operator seeking VAT exemptions respectively.

During the period under review, execution of Authority set work plan and Performance contract targets was greatly hampered by many externalities. First, the budget cuts and inability to meet the Appropriation-in Aid (A-in-A) target significantly reduced amount of money available for execution of planned activities and programmes. This led to a scaling down of almost all activities in the annual work plan and performance contract. The inadequate budget allocation has greatly hampered ability of the Authority to enhance uptake of quality standards by regulated tourism enterprises thus curtailing attainment of destination appeal and competitiveness. A case in point, the Authority was not in a position to finalize development of regulations for tourism and hospitality training institutions, complete review of the Tourism Regulatory Authority

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Regulations, 2014, validate the workforce development strategy and conduct a study to determine the supply of graduates from technical and vocation tourism and hospitality training institutions in the country in a bid to lay the foundation for professionalizing the tourism and hospitality sector. Fourth, it is imperative to note that the remuneration structure currently attached to the grading structure has proven to be uncompetitive compared to peer regulators and has thus contributed to low staff morale and greatly affected ability of the Authority to attract and retain best talent. Although the Authority had envisaged to implement recommendations of the employee satisfaction and work environment survey during the period, this was not possible due to lack of a substantive Board and budget cuts.

To enhance the financial muscle and its financial sustainability, the Authority will continue to appeal to the National Treasury for allocation of development grants, pursue partnerships with other MDAs such as the Tourism Fund, Tourism Promotion Fund and approach development partners through implementation of the Resource Mobilization strategy to enable execution of mega projects on standards and quality assurance to enhance destination competitiveness and appeal. The Authority will also give priority to following up on approval of the Human Resource instruments namely Human Resource Policy and procedures manual, Career progression guidelines, review of the organization structure, staff establishment by the Public Service Commission (PSC), and pursue re-categorization of the Authority for competitive remuneration in a bid to improve staff morale and enhance retention of best talent.



.....
Norbert Talam
Director General

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

TRA has five Strategic Pillars / thematic areas namely:

1. Institutional Capacity,
2. Co-regulation,
3. Standardization,
4. Corporate Image and
5. Service Delivery

These are mapped onto the four perspectives of the Balanced Score Card (namely stakeholders, finance, operations and organizational capacity) and thirteen (13) Strategic Objectives within the current revised Strategic Plan (2018-2022). The strategic objectives are as follows: -

- 1) Enhance customer satisfaction;
- 2) Enhance national cohesion and values;
- 3) Enhance financial sustainability of the Authority;
- 4) Improve financial management;
- 5) Enhance quality of service within the tourism sector;
- 6) Enhance professionalism in the tourism sector;
- 7) Enhance standards in the tourism sector;
- 8) Facilitate tourism trade;
- 9) Monitor trends in the tourism sector;
- 10) Enhance partnerships and collaborations;
- 11) Improve management of the human capital;
- 12) Enhance automation at the Authority; and
- 13) Improve the working environment.

TRA develops its annual work plans based on the above thirteen strategic objectives. Some performance outputs in the work plan are also captured in the annual performance contract, hence there is a direct link between the work plan and the Performance Contract. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. TRA achieved its performance targets set for the financial year 2022/2023 period for its 13 strategic objectives as indicated in table 3.1 below:

Table 1: Authority's performance as per Strategic Objectives for the period 2022-2023

Strategic Pillar (BSC Perspective)	Strategic Objective	Key Performance Indicators	Activities	Achievements
Stakeholders	Enhance customer satisfaction	% of activities implemented	Implement e-CRM to capture and monitor customer complaints and feedback; Sensitize staff on Service Charter; Public awareness creation on their rights and complaint handling mechanisms; Training of Staff on complaints handling; Develop a New Communication Strategy (2023-2027; Mitigate corruption within the Authority	80%
	Enhance national cohesion and values;	% of activities implemented	Sensitize Staff on National Cohesion and values; Implement Commitments as per the Annual President's report on National values and principles of Governance; Reserve 30% under access to Government procurement opportunities (AGPO); Promotion of local content in procurement; Develop disability mainstreaming policy; Implement the stakeholder engagement strategy	75%
Finance	Enhance financial sustainability of the Authority	% of activities implemented	Increase revenue collection (A-I-A); Automate revenue collection to minimize pilferage; Develop / Review Financial & Accounting Policies and procedures Manual; Implement the Resource Mobilization Strategy	70%
	Improve financial management	% of completion-reports	Implement internal financial management systems, processes and controls; Preparation of Quarterly & Annual Financial Reports and Handling of Audit Issues Adopt Programme based budgeting	94%

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

			and Participate in Budgeting, MTEF Process & Sourcing of fund; Sensitize staff on internal controls and financial procedures; Carry out Monthly reconciliation of cash book, bank ledgers; Coordinate Board activities; Disposal of idle & obsolete assets of the Authority Annually; Implement Authority's procurement plan	
Operations	Enhance quality of service within the tourism sector	% of activities implemented	Undertake routine quality assurance audits of regulated tourism enterprises countrywide; Register and license regulated tourism enterprises; Conduct an inventory to establish the universe of regulated tourism enterprises, activities and services countrywide; Undertake awareness campaigns on compliance; Conduct training and certification of 32 quality assurance auditors and managers; Conduct training of 500 Quality Assurance Champions on Quality Management Systems; Review TRA Regulations, 2014; Safeguard Authority's contractual interests	75%
	Enhance professionalism in the tourism sector	% of activities implemented	Develop Tourism and Hospitality Training Regulations; Develop and maintain a register for recognized tourism and hospitality training institutions, Tourism sector Associations, Tourism sector workforce; Stakeholder Sensitization on Workforce strategy; Undertake a study to determine the supply of training institutions graduates.	70%

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

	Enhance standards in the tourism sector	% of activities implemented	Develop sustainability standards for: Tourism sub-sector and Hospitality sub-sector; Conduct stakeholder's sensitization on 10 developed standards and two (2) codes of practice in 7 regions (Nakuru, Eldoret, Lodwar, Bungoma, Kakamega, Kisumu & Kisii)- namely Halal compliance guidelines; Spa & Wellness standard; Tour driver guides & hotel staff accommodation standard; MICE standard; Adventure sports standard; Tours and travel standard; Professional photographers' standard; Nature trails standard; Amusement parks standard; Events & entertainment guidelines; Code of practice for tours and travel; Code of practice for accommodation and catering establishments; Conduct hospitality sector stakeholder sensitization on National Minimum standards, Food Safety & Hygiene standards and Hotel Safety and Security standard in Nakuru, Eldoret, Lodwar, Bungoma, Kakamega, Kisumu & Kisii	75%
	Facilitate tourism trade	% of completion-reports	Process Recommendations for Duty/VAT exemptions; Sensitize stakeholders on available incentives; Follow up on progress of proposals for tourism operators to access the tax breaks/incentives to facilitate innovation	85%
	Monitor trends in the tourism sector	% of activities implemented	Undertake an annual assessment and audit of tourism activities and services at National level; Compile the Tourism Sector Status Report for the year 2022; Collate monthly data from regulated tourism	90%

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

			enterprises, activities and services in respect to number of visitors by country of origin, revenue earnings, expenditure per visitor and number of employees both local and expatriates; Undertake a study on competing tourism destinations on matters tourism regulation.	
	Enhance partnerships and collaborations	% of activities implemented	Collaborate with other Agencies to enhance compliance; Build networks and strategic linkages with development partners; Sensitize stakeholders on benefits of co-regulation; Organize engagement forums with County governments to engender a mutual regulatory relationship for the tourism industry	65%
Organizational capacity	Enhance automation at the Authority	% of activities implemented	Staff awareness creation on ICT Policy and Procedures; Implement maintenance plan for all ICT equipment and systems; Acquire infrastructure to support Automated system (Off Disaster Recovery Site and Storage Servers); Roll Out Licensing modules of ERP Phase II to the Public; Create and continually update a database of regulated tourism enterprises, activities and services; Improved Data infrastructure at the Authority (Bandwidth Capacity)	85%
	Improve the management of human capital	% of activities implemented	Restructure the Authority's Organization structure; Implement the performance management framework; Finalize HR Training Policy; Develop an Annual Training Plan; Provide Youth Internship/Industrial attachments/Apprenticeships annually; Finalize Recognition and Reward Policy;	85%

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

			Finalize Review the Career Progression Guidelines and Human Resources Procedures Manual; Provide counselling services/ Welfare to employees; Coordinate development of the New Strategic Plan 2023-2027; Coordinate Corporate performance /PC activities, reporting and evaluation	
	Improve the working environment	% of completion	Review the code of conduct and ethics; Implement recommendations of the Employee Satisfaction and work environment Survey; Management of Occupational Safety and Health throughout the Authority; Prevention and Management of HIV Infections and Non-Communicable Diseases; Formulation & implementation of records management policy; Prepare and submit quarterly statutory reports (PPRA, Ministry of Industrialization); Develop and implement a maintenance Plan for Authority vehicles	80%

In the financial year 2022/2023, the Authority had envisaged to implement a total of thirteen (13) outputs through one hundred and twenty-four (124) activities. By the close of the financial year, the Authority had managed to implement and achieve 79.15% of the annual work plan. This is an increase of 16.24% from the previous financial year where the Authority had managed to implement 62.91% of the annual work plan.

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage the business affairs of the Board of Authority. TRA's corporate governance standards are guided by the guidelines and governance principles as enshrined in various Government manuals and has adopted rules of conduct based on best practices. The Board of the Authority is the supreme forum for formulating and interpreting policy and charting out the roadmap of goal attainment including plans of action. Hence the Board Directors attaches great importance to the need to conduct the business and operations of TRA with integrity, professionalism and in accordance with the generally accepted international corporate practices and standards. To this end the Directors meets regularly to review management performance on operations and future planning. Hence they are given appropriate and timely information to enable them maintain full and effective control over strategic, financial and operational issues. The Authority operations are mirrored through;

Board Meetings and the Attendance

During the year under review the Board of directors held statutory, ad hoc and special meeting as per the schedule below. The Board has four standing Committees which are required to meet at least quarterly or more frequently as need arises. The Committees are as follows;

i) Audit & Risk Management Committee (A&RMC)

The Committee's role is to review and resolve audit issues raised by either the internal or external auditors and provide oversight with regard to risk management as provided by the Treasury Circular No. 3/2009 on the development and implementation of institutional risk management policy framework in the public sector. The composition was as follows;

NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Mr. Alais Momoi	Chairperson	Independent Board Member
2.	Mr. Isaac Njangu	Member	Independent Board Member
3.	Mr. Paul Oyier	Member	Alternate to PS, National Treasury & Planning
4.	Ms. Grace Kamau	Member	Alternate to PS, State Department of Tourism.
5.	Mr. Mutie Mutiso	Secretary	Chief Internal Auditor

ii) Finance & Administration Committee (F&AC)

The Finance and Administration Committee exercises policy oversight of the Authority's information technology, human and financial resources and achievement of the Authority's Objectives through alignment of said resources. The composition was as follows;

NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Ms. Najma Ismail	Chairperson	Independent Board Member
2.	Ms. Grace Kamau	Member	Alternate to PS, State Department of Tourism.
3.	Mr. Paul Oyier	Member	Alternate to CS, National Treasury
4.	Mr. Peterson Muriithi	Member	Alternate, PS, State Department of Planning.
5.	Mr. Norbert Talam	Secretary	Director General, TRA

iii) Technical Committee

The Technical Committee reviews and recommends policies on matters licensing and compliance, tourism sector incentives, standards, quality assurance, classification results, draft regulations, classification criteria and tools to the Board for adoption and approval. It further reviews and recommends the Annual Tourism Sector Status Report to the Board for adoption and approval. The composition was as follows;

NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Ms. Najma Ismail	Chairperson	Independent Board Member
2.	Ms. Grace Kamau	Member	Alternate to Ps, State Department of Tourism.
3.	Mr. Kennedy Olwasi	Member	Alternate to PS, State Department of Environment
4.	Mr. Alais L. Momoi	Member	Independent Board Member
5.	Mr. Norbert Talam	Secretary	Director General, TRA

iv) Human Capital & Remuneration

The Committee reviews and recommends policy guidelines on matters human capital and remuneration. The composition was as follows;

NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Mr. Isaac Njangu	Chairperson	Independent Board Member
2.	Ms. Grace Kamau	Member	Alternate to Ps, State Department of Tourism.
3.	Mr. Kennedy Olwasi	Member	Alternate to PS, State Department of Environment
4.	Mr. Paul Oyier	Member	Alternate to PS, National Treasury & Planning

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

5. Mr. Peterson Muriithi Member Alternate, PS, State Department of Planning.
6. Mr. Norbert Talam Secretary Director General, TRA

Summary of the Board Meetings and Attendance

During the year under review the Board of directors held statutory and special meetings as per the schedule below;

No	Name	Position	FB	SPFB	HC&R	A&RMC	F&AC	TC
1.	Hon. Halima Yusuf Mucheke	Chairman	1/2	1/4	N/A	N/A	N/A	N/A
2.	Ms. Najma Ismail	Independent Director	2/2	3/4	N/A	N/A	4/4	3/3
3.	Mr. Alais Lenana Momoi	Independent Director	2/2	4/4	N/A	3/3	N/A	3/3
4.	Mr. Isaac Muchiri Njangu	Independent Director	2/2	4/4	3/3	3/3	N/A	N/A
5.	Mr. Peterson Muriithi	Alternate to PS, Planning and Statistics	2/2	4/4	3/3	N/A	4/4	N/A
6.	Mr. Kennedy Olwasi	Alternate to PS, Environment	2/2	3/4	3/3	N/A	N/A	3/3
7.	Mr. Michael Tialal	Representative to PS, Tourism	1/2	N/A	3/3	2/3	2/4	2/3
8.	Ms. Grace Kamau	Alternate to PS, Tourism	N/A	2/4	N/A	1/3	2/4	1/3
9.	Mr. Paul Oyier	Alternate to CS, National Treasury	2/2	4/4	3/3	3/3	3/4	N/A

Succession Plan

Section 8(2) of the Tourism Act provides that the members of the Board of the Authority shall be appointed at different times so that the respective expiry dates of their terms of office shall fall at different times for ease of continuity. The Tourism Act under which the Board is constituted also provides for renewal of the term of the Board Members for one additional term of three (3) years. The Act gives the Cabinet Secretary the powers to appoint board members and/or replace a Board

member when a vacancy occurs. The Board currently has two vacancies of independent directors under Section 8(1)(g)(ii) of the Tourism Act, 2011.

Board Charter

The Board of Authority is governed by a Board Charter aligned to the Constitution of Kenya, 2010, Tourism Act, 2011 and Mwongozo Code of Conduct. The Charter provides for composition and appointment of board members, procedure on conduct of board meetings, resignation and removal of board members, term limits, functions and responsibilities of Chairperson, CEO, Corporation Secretary and individual board members and composition of Board committees.

Process of Appointment and Removal of Board Members

The Board members of the Authority are appointed or removed as per the provisions of Section 8 and 10 of the Tourism Act, 2011 and Mwongozo Code of Governance. The Chairperson is appointed by the President while the representatives of the Principal Secretaries must be appointed by the Principal Secretary represented in writing. The six non- public officer members are appointed by the Cabinet Secretary competitively taking into account regional balance and gender parity. Two are nominated by the registered tourism sector associations and four are persons who have expertise in tourism or tourism-related disciplines. The Chairperson and the Independent Board members are appointed for a term not exceeding three years which can be renewed for a further term not exceeding three years.

On removal of members, the Act provides that members of the Board may resign from the office in writing to the appointing Authority. Additionally, other grounds for removal include where a board member has been absent from three consecutive meetings without sufficient cause; is unable to act as a member as may be determined by the Cabinet Secretary or upon death of a member.

Roles and Functions of the Board

The functions of the Board of the Authority are as provided under section 9 of the Tourism Act and also as guided by Mwongozo. They include: -

- Ensure the proper and effective performance of the functions of the Authority;
- Approve and ratify the policies of the Authority;
- Manage, control and administer the assets of the Authority in a manner and for purposes that promote the object and purpose of the Authority;
- Receive any gifts, grants, donations or endowments made to the Authority;

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

- Determine the provisions to be made for capital and recurrent expenditure, and for the reserves of the Authority;
- Open bank accounts for the funds of the Authority;
- Subject to the approval of the Minister for the time being responsible for matters relating to finance, invest any of the Authority funds not immediately required for the purposes of this Act, as it may determine;
- Determine and specify the terms and conditions for the appointment and emoluments of the personnel of the Authority;
- Co-operate with other organizations undertaking functions similar to its own, whether within or outside Kenya as it may consider appropriate and in furtherance of the object and purpose of the Authority;
- Provide for a staff superannuation scheme for the employees of the Authority; and
- Approve the borrowing of funds in consultation with the Minister for the time being responsible for matters relating to finance.

Induction and Training

The Board Members of the Authority on appointment are inducted on the Authority mandate activities and key instruments used by the Authority. The Board members are also facilitated for training and induction on Mwongozo corporate governance provisions and also corporate governance. Other trainings are undertaken from time to time depending on governance or other skill gaps as may be determined by the Board.

Board and Members Performance

The Board of the Authority performed well during their tenure of the office in the FY 2022/2023 wherein evaluation was concluded on 30th August, 2023. This was carried out under supervision of State Corporation Advisory Committee (SCAC) where the overall Board Performance was scored at 94%.

Conflict of Interest

Section 11 of the Tourism Act, the Board Charter and the Authority's Code of Conduct and Ethics signed by each Board member provides for disclosure of interest. A member of the Board of the Authority who has an interest in a matter for consideration by the Board of the Authority is expected to disclose the nature of that interest in writing and not participate in any deliberations of the Board of the Authority relating to that matter. The section also provides that a member of

the Board who fails to disclose interest shall cease being a member of the Board of the Authority. The Authority has a conflict of interest register which is circulated for registering any conflict of interest during the Board meetings.

Board Remuneration

The Board members are remunerated as guided by Government Guidelines and circulars from time to time. This is in line with section 9(3) of the Tourism Act that provides for members of the Board to paid allowances as determined by the Cabinet Secretary, in consultation with the Minister for the time being responsible for matters relating finance. For the year under review, it is only the Chairperson who received monthly honorarium and airtime. Board members were paid sitting and other substantive allowance as approved by the Cabinet Secretary.

Ethics of Governance and other Governance Audit

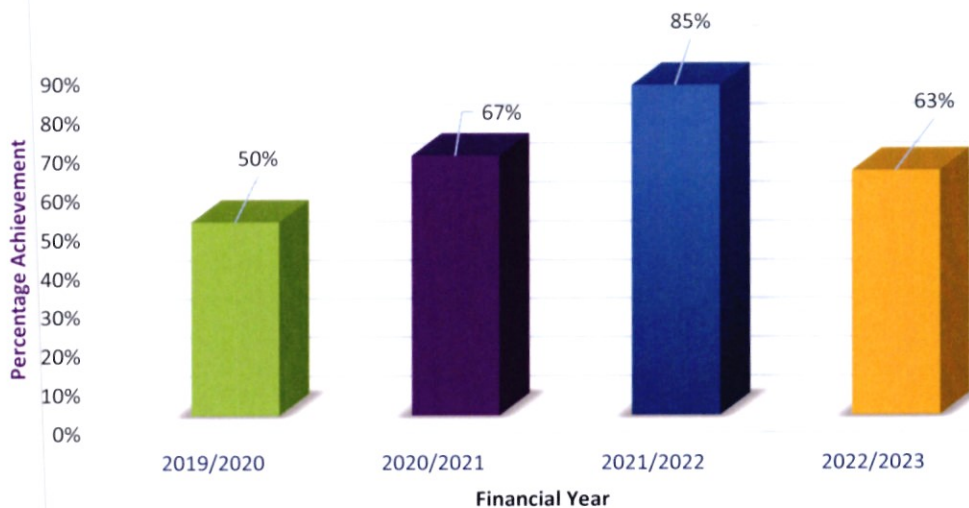
The Board members are governed by Chapter 6 of the Constitution on Integrity and the Code of Governance for State Corporations (Mwongozo). The Board members also signed the Authority's Code of Conduct and Ethics. The Governance Audit for this Financial Year has not been done as provided by Mwongozo due to budgetary constraints.

9. Management Discussion and Analysis

i) Management of Minimum Standards for Regulated Tourism Enterprises

During the period under review, on management of minimum Standards for regulated tourism enterprises, the Authority conducted, Stakeholders' sensitization forums on the ten (10) developed standards and two (2) Codes of Practice in Kisumu, Nakuru, Nyandarua, Laikipia and Nyeri Counties. These standards and Codes of Practice were as follows: Halal compliance guidelines; Spa & Wellness standard; Tour driver guides & hotel staff accommodation standard; MICE standard; Adventure sports standard; Tours and travel standard; Professional photographers' standard; Nature trails standard; Amusement parks standard; Events & entertainment guidelines; Code of practice for tours and travel; Code of practice for accommodation and catering establishments. However, the sensitization forums were not held in other regions such as Eldoret, Kisii, Bungoma, Kakamega and Lodwar as previously envisaged in the PC due to budget cuts. This affected the performance of the indicator bringing it to 63% for the financial year. This is a drop of 25.88% from the achievement in the previous financial year as shown in figure 3.1 below

Figure 1: Comparative analysis of management of minimum standards for regulated tourism enterprises performance indicator over four years



From figure 1 above, it is clear that the Authority's performance for this performance indicator took a slump in the financial year 2022/2023. This is largely attributed to the budget cuts hence planned activities were not executed.

Accreditation of Accommodation and Catering Facilities (project)

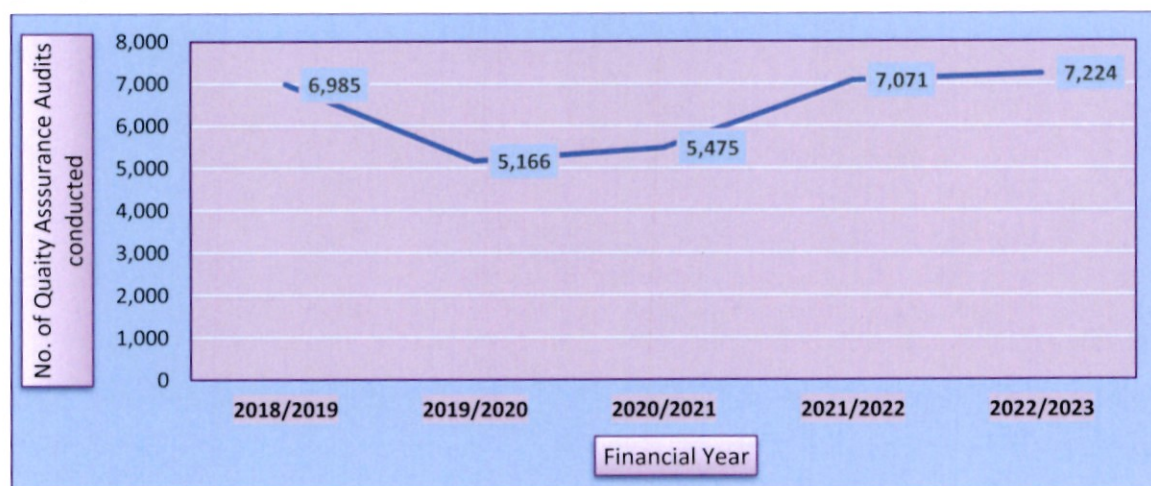
During the period under review, the Authority received Kshs. 48,547,500 million (out of 194 million) as part of funding for the Classification and Grading for Class A and B enterprises project from the Tourism Promotion Fund. To this end, the Authority revised the targets on this indicator

and committed to undertake two activities namely, to conduct stakeholder sensitization on accreditation of accommodation and catering establishments in 7 Counties in Mt. Kenya Region (Embu, Tharaka Nithi, Meru, Kirinyaga, Nyeri, Murang'a, Laikipia) and to undertake accreditation of 250 accommodation facilities in Mt. Kenya region. By the end of the financial year, the Authority had managed to undertake stakeholder sensitization in Embu, Nakuru, Nyandarua, Laikipia and Nyeri Counties and accredited a total of 127 accommodations and catering in Embu, Nakuru and Nyandarua Counties. This being an ongoing project, the implementation of the same will continue into the next financial year.

ii) Quality Assurance Audits of Regulated Tourism Enterprises

To enhance destination competitiveness and sustainability, the Authority focused on high uptake of quality standards by regulated tourism enterprises, activities and services throughout the period under review. To this end, the Authority carried out routine quality assurance audits in 7,224 regulated enterprises against a set target of 7,500 for the financial year. The target was not achieved due to budget cuts coupled with the below target A-in-A collection which affected facilitation of quality assurance activities especially for far flung areas. Although the annual target was not achieved, this year's achievement represents an improvement of 2.16% from the achievement in the previous financial year as shown in **figure 3.2 below**:-

Figure 2: Comparative analysis of No. regulated tourism enterprises covered during routine quality assurance audits countrywide for five years



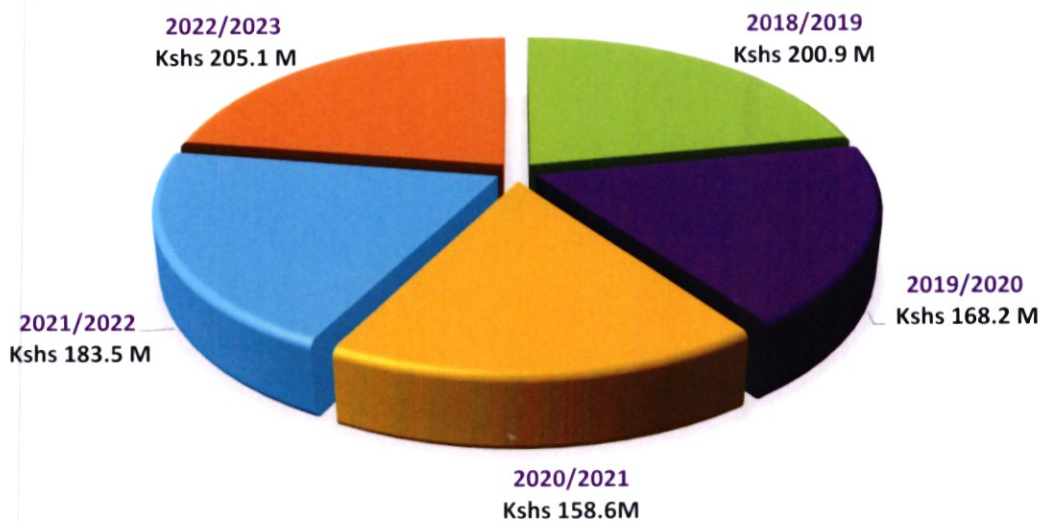
iii) Training of Quality Assurance Auditors/Managers

To facilitate implementation of quality standards, the Authority had committed to train quality assurance auditors to conduct quality assurance audits and assess the level of conformity to the set minimum standards for accreditation of regulated tourism enterprises as listed in the 9th schedule of the Tourism Act, 2011. To this end, the Authority trained 32 quality assurance auditors/managers against a set target of 32 translating to 100% achievement for this target for the period under review. In the financial year 2020/2021, the Authority had trained 38 quality assurance auditors while the indicator did not have any target in the financial year 2021/2022. Thus far therefore the Authority has seventy (70) trained quality assurance auditors.

Appropriation in Aid (A-in- A)

During the period under review, the Authority collected **Kshs 205,144,711** in Appropriation in Aid (A-in-A) against an annual target of Kshs 215 Million. Although the annual target of 215 million as per the commitments in the performance contract and budget allocation was not achieved, this performance represents an improvement of 11.79 % from the achievement in the previous financial year 2021/2022 where **Kshs 183,506,841** was collected as shown in figure 3.3 below: -

Figure 3: Comparative Analysis of Actual Revenue for five years



The analysis in figure 3 above shows that in two financial years i.e. 2019/2020 and 2020/2021, the Authority experienced a slump in revenue collection largely due to the outbreak of covid-19 and subsequent containment measures which led to closure of regulated tourism enterprises for a significant period during these two years. The increase in revenue collection in the financial year 2021/2022 is largely attributed to the gradual recovery of the tourism and hospitality sector from

the devastating impacts of covid-19. Nonetheless, the Authority’s revenue seems to be growing gradually in pace with the recovery of the tourism sector and it is hoped that once the Authority fully automates, it will be more efficient in the collection of Appropriation in Aid to support regulatory functions.

National Tourism Sector Status Report for the Year 2022 Prepared

To enhance adherence to sound principles and practices of sustainable tourism, the Authority undertook an annual assessment and audit of tourism activities and services, measures and initiatives at the national level. On this note, primary data was collected by use of questionnaires and face-to-face interviews in four regions i.e. South Rift, Mt. Kenya, Nairobi, and Coast Regions. Data was analysed and a draft report prepared.

Processing of Custom Duty / VAT Exemptions.

To Facilitate Tourism Trade, the Authority processed all the applications for duty/ VAT exemptions from investors as shown in the **table 3.2 below**;

Table 2: Comparison of Custom duty exemptions for four financial years

Details	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/2023
No. of Applications	94	57	105	125
Value of Goods Applied (Million) Kshs.	914.5	488.7	986.23	1,424

The analysis in **table 2 above** shows that there was an increase of 44.39% of applications received from the tourism and hospitality sector seeking custom duty and VAT exemptions in the financial year 2022/2023 as compared the previous financial year 2021/2022. This could largely be attributed to the gradual recovery of the tourism sector from the impacts of the covid-19 pandemic.

10. Environmental and Sustainability Reporting

TRA exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant services and improving operational excellence in a bid to respond to our clarion call of championing quality and excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

A tourism sector that adopts sustainable consumption and production (SCP) practices can play a significant role in accelerating the global shift towards sustainability through development and implementation of tools to monitor sustainable development impacts for sustainable tourism which creates jobs, promotes local culture and products. Tools to monitor sustainable development impacts for tourism including for energy, waste, biodiversity, and job creation will result in enhanced economic, social and environmental outcomes. The Authority's Strategic Plan 2018-2022 adopts the theme of "Enhancing Destination Competitiveness and Sustainability" to reflect the Authority's overarching goal of enhancing the global competitiveness and sustainability of destination Kenya through standards development and compliance promotion

ii) Environmental performance

The Strategic Plan requires the Authority to continually adjust regulatory model to conform to the changing tourism environment. During the period under review, the regulator prioritized facilitating tourism businesses through among others development and implementation of quality standards for tourism service providers. To this end, Authority has embraced projects /initiatives such as review of the EAC classification criteria and development of standards and certification programs will encompass sustainability aspects such as eco-designs, green standards, new equipment and technologies in energy and waste resources, renewable energies, equipment and materials for recycling and waste among others. Through this strategic framework, the Authority played a coordinating role of rallying industry players together through collaborative networks to enhance uptake of quality standards in business operations, standards development, and adoption of digital tourism, innovation and technology through technical advisory services and capacity building of tourism and hospitality practitioners. These actions helped mainstream environmental practices and quality in the sector and enhance development of a well-regulated tourism sector for competitiveness and sustainability. In the same spirit towards safe environment, it sponsored planting of a wide variety of trees through an NGO in Kajiando County.

iii) Employee welfare

TRA Human Resource Manual recognises employees as the most valuable resource and will endeavour to create a safe working environment; maintain safety and health in the workplace, through the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, the Authority implemented policies and programmes that assure their protection from such hazards and disasters. The policies and programmes will be implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws. It is also in the process of reviewing all its HR instruments with the aim to match with industry best practices and for attraction and retention of human capital.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

In carrying out its core mandate of regulating the tourism sector in Kenya, the Authority has been ensuring that regulated enterprises uphold regulatory standards through continuous quality audit checks. This ensures monitoring to ensure observance of good conduct, observation of hygiene in all areas, installation of proper waste disposal mechanisms and procedures, welfare of the workforce's etcetera's has endeavoured also to carry out stakeholder sensitization regularly for continuous dissemination of information. As a regulator it ensures that all players in the industry observe corporate governance practices and observe minimum standards.

b) Responsible Supply chain and supplier relations

The Authority undertakes supplier registration every two years. The Authority also continuously registered firms under AGPO requirement. During the year under review, the Authority gave business opportunities to listed suppliers through open tendering and request for quotations. The Authority maintained good supplier relations, honoured all contracts and had no pending bills as at the end of 2022/2023 financial year.

c) Responsible marketing and advertisement

The Authority undertook public notice in mainstream media on its services, reminder to renew licenses and ensured the services are well known. It took advantage of various forums both at National and County level to build on the TRA Brand.

d) Product stewardship

The Authority developed and undertook standardization of product and service delivery. Some of the activities undertaken include to enhance quality of service within the tourism sector and enhance professionalism in the tourism sector. The Authority followed up all complaints reported to the authority or in public media to ensure the consumer interests are addressed.

v) Corporate Social Responsibility / Community Engagements

During the period under review the Authority undertook two major projects as part of giving back to the community.

First was to partner with a NGO in Loitokitok whose main objectives are to conserve the environment and standardize the living standards of people through production of seedlings of different species and distributing them freely to farmers. The sponsorship of ksh220,000 purchased a total of 450 seedlings which included both indigenous and fruit seedling such as avocado, mangoes, papaya and lemon, medicinal seedlings such as Moringa, Commercial seedlings, and timber seedlings like grevillea, which were distributed to the farmers as part of empowering the community through Agro-forestry for conservation and economic empowerment of youth and women. The exercise took place between 15th and 18th September 2022.

Secondly, the Authority did sponsor Kenya Utalii College during the gastronomy event themed “*AFRICAN MASQUERADE: CELEBRATING AFRICAN CULINARY DIVERSITY*” This was part of the Knowledge and Skill development of the students who graduate into the hospitality industry. The event was to give them a platform to display and showcase their talents, skills, professionalism prowess in whole range of hospitality, entertainment and culinary artistry to Government, hospitality and tourism industry stakeholders, diplomatic corps, family, friends and general public

11. Report of the Directors

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2023, which shows the state of the Authority's affairs.

i) Principal activities

The principal activities of the entity continue to be as outlined in the Tourism Act. No.28 of 2011 which is to regulate the tourism sector.

ii) Results

The results of the entity for the year ended June 30, 2023 are set out on page 1 to 7.

iii) Directors

The members of the Board of Directors who served during the year are shown in the table below.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) 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 Regulatory Authority did not make any surplus during the year FY 2021/2022 and hence no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board



.....
Norbert Talam

Secretary to the Board



12. Statement of Directors Responsibilities

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the TRA for and as at the end of the financial year ended on June 30, 2023. These responsibilities include:

- (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 Authority
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

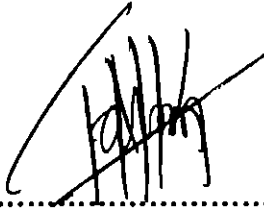
The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the state of TRA transactions during the financial year ended June 30, 2023, 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 Authority 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 TRA will not remain a going concern for at least the next twelve months from the date of this statement.

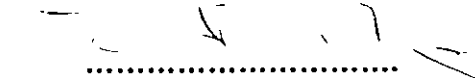
**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Approval of the financial statements

The TRA financial statements were approved by the Finance & Administration Board Committee on _____ 2023 and signed by:



.....
Norbert Talam
Director General



.....
Halima Yussuf Mucheke
Board Chairperson

REPUBLIC OF KENYA

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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON TOURISM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

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 the 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

Opinion

I have audited the accompanying financial statements of Tourism Regulatory Authority set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net

Report of the Auditor-General on Tourism Regulatory Authority for the year ended 30 June, 2023

assets, the statement of cash flows, 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, the financial statements present fairly, in all material respects, the financial position of the Tourism Regulatory Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual basis) and comply with the Tourism Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tourism Regulatory Authority 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 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

Unresolved Prior Year Issues

In the audit report of the previous year, various issues were raised on the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or provided reasons for the delay in resolving the outstanding issues as required by the Public Sector Accounting Standards Board template and The National Treasury's Circular Ref.AG.3/88 Vol.VII (28) of 9 May, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Guidelines on Appointments of Contracted Staff

The statement of financial performance reflects compensation of employees amount of Kshs.199,247,734. Included in the amount is salary payment of Kshs.4,106,007 to nine (9) employees in job grades 6, 8 and 9 who were employed on contract terms. However, the nine (9) employees did not meet the requirements as set out in the Authority's Human Resource Manual which states that appointment on contract terms shall apply to employees on job grades TRA 1 and TRA 2 or any other position that may not be filled on permanent terms or for employees above the age of 45 but with skills required by the Authority. All the nine (9) employees were below the age of 45 years. It is not clear why they were appointed on contract terms and not on permanent basis as guided by the manual.

In addition, the staff were appointed on a one (1) year's contract that is renewable at the end of the contract period, and are eligible to service gratuity which in the long run is costly to the Authority.

In the circumstances, Management was in breach of the Human Resource Manual guidelines.

2. Staff in Acting Positions in Excess of Allowed Period

The statement of financial performance reflects compensation of employees amount of Kshs.199,247,734. Included in the amount is Kshs.726,333 incurred on acting and special duty allowances paid to three (3) employees in acting capacity for several years contrary to Section 34(3) of the Public Service Commission Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

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 audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall 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 controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority 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 Authority's financial reporting process, reviewing the effectiveness of how Management 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 Authority's financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 controls.
- 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 Authority's ability 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 Authority to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority 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 controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


18 April, 2024

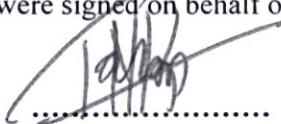
**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

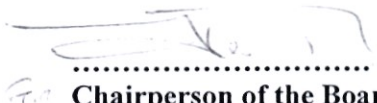
14. Statement of Financial Performance for the year ended 30 June 2023

REVENUE	Note	2022/2023	2021/2022
Revenue from non-exchange transactions		Kshs.	Kshs.
License Fees	6(b)	205,144,711	183,506,841
Governments - grants	7 (b)	167,600,000	190,599,000
Tourism Promotion Fund (TPF) Grants	8	24,482,945	-
Deferred Income Recognised	9	<u>11,190,796</u>	<u>3,159,424</u>
Total Revenue		<u>408,418,452</u>	<u>377,265,265</u>
EXPENSES			
Compensation of Employees	10	199,247,734	199,353,190
Board Expenses	11	10,656,314	14,762,053
Depreciation & Amortization	12	23,365,446	26,706,974
Repairs and maintenance	13	4,800,984	4,038,117
Use of Goods & Services	14	131,122,720	128,252,405
Contracted Services	15	17,407,618	15,031,932
Accreditation and Classification	16	<u>24,482,945</u>	<u>-</u>
Total expenses		<u>411,083,761</u>	<u>388,144,672</u>
Surplus (Deficit) for the period		(2,665,309)	(10,879,407)

The notes set out on pages 8 to 39 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....
Manager, Finance & Accounts
Nkatha Mugambi,
ICPAK Mbr No:9687


.....
Director General
Norbert Talam


.....
Chairperson of the Board
Halima Yussuf Mucheke

Date:.....21/03/2024

Date:.....22/03/24

Date:.....25/5/2024

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

15. Statement of Financial Position as at 30 June 2023

ASSETS	Note	2022/2023	2021/2022
Current assets		Kshs.	Kshs.
Cash and cash equivalents	17	198,403,120	176,336,486
Receivables from non - exchange transactions	18	30,367,293	22,761,175
Inventories	19	<u>2,351,946</u>	<u>1,610,204</u>
Total Current Assets		<u>231,122,359</u>	<u>200,707,865</u>
Non-current assets			
Property ,plant and equipment	20	40,060,555	56,511,183
Intangible assets	21	685,560	1,873,338
Intangible assets(W.I.P)	21	<u>9,450,000</u>	<u>4,050,000</u>
Total Non-current assets		<u>50,196,115</u>	<u>62,434,521</u>
Total Assets		281,318,474	263,142,386
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	22	20,674,961	12,218,374
Provisions	23	5,841,315	6,352,650
Deferred income	24	<u>104,949,906</u>	<u>97,476,148</u>
Total liabilities		<u>131,466,182</u>	<u>116,047,173</u>
Net assets			
Retained Earnings	25	99,656,176	84,660,693
Capital Fund	25(b)	32,446,115	35,809,520
Revaluation Reserve	25 (c)	<u>17,750,000</u>	<u>26,625,000</u>
Total net assets		<u>149,852,291</u>	<u>147,095,213</u>
Total Net Assets & Liabilities		281,318,474	263,142,386

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

.....
Manager, Finance & Accounts
Nkatha Mugambi,
ICPAK Mbr. No:9687

Date:... 21/03/2024

.....
Director General
Norbert Talam

Date: 22/03/24

.....
Chairperson of the Board
Halima Yussuf Mucheke

Date:.....

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Retained Earnings	Revaluation Reserve	Capital Fund	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at June 30,2022	84,660,694	26,625,000	35,809,520	147,095,214
Transfer of Depreciation / Amortization from Capital Fund to Retained Earnings	23,365,446	(8,875,000)	(14,490,447)	-
Retained earnings Capitalized Transfer of Deferred to capital fund	(5,704,654)	-	5,704,654	-
	-	-	5,400,000	5,400,000
Surplus(deficit) for the year	<u>(2,665,309)</u>	<u>-</u>	<u>-</u>	<u>(2,665,309)</u>
As at June 30,2023	<u>99,656,177</u>	<u>17,750,000</u>	<u>32,423,727</u>	<u>149,829,904</u>

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

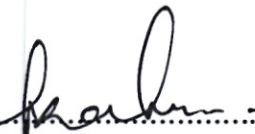
17. Statement of Cash Flows for the year ended 30 June 2023

Cash Flow from Operating Activities	2022/2023	2021/2022
Receipts	Kshs.	Kshs.
License Fee	205,121,711	183,521,790
Recurrent Government grants	159,383,333	190,599,000
Accrued Grants	-	63,002,125
Tourism Promotion Fund (TPF) Grants	<u>48,547,500</u>	<u>-</u>
Total Receipts	<u>413,052,544</u>	<u>437,122,915</u>
Payments		
Compensation of employees	193,192,526	193,373,310
Board expenses	10,872,264	15,122,053
Contracted services	15,969,758	6,765,609
Use of goods and services	97,679,154	116,908,215
Rent Paid	33,128,237	39,860,289
Repair & Maintenance	4,541,869	4,038,825
Remission to National Treasury (90%)	-	57,652,196
Accreditation and Classification	24,482,945	-
Total Payments	<u>379,866,752</u>	<u>433,720,498</u>
Net cash flows from operating activities	<u>33,185,792</u>	<u>3,402,417</u>
Cash Flow From Investing Activities		
Purchase of property, plant, equipment	(5,719,158)	(242,849)
Purchase of intangible assets	<u>(5,400,000)</u>	<u>(1,142,600)</u>
Net cash flows used in investing activities	<u>(11,119,158)</u>	<u>(1,385,449)</u>
Cash Flow From Financing Activities	-	-
Increase in deposits	=	=
Net cash flows used in financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	<u>22,066,634</u>	<u>2,016,968</u>
Cash and cash equivalents at 1 July	176,336,487	174,319,518
Cash and cash equivalents as at 30 June	198,403,120	176,336,487

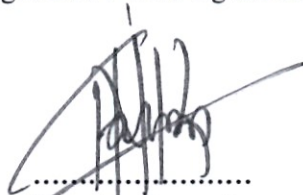
**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

TRA presents its cash flow statement using the direct method as recommended in IPSAS 2. For the purposes of these financial statements, cash and cash equivalents includes bank balances and cash at hand for the offices holding approved float for ease of operations.

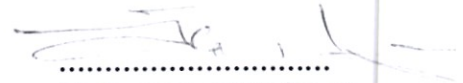
The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....
**Manager, Finance & Accounts
Nkatha Mugambi,
ICPAK Mbr. No:9687**

Date: 21/03/2024


.....
**Director General
Norbert Talam**

Date: 22/03/24


.....
**Chairperson of the Board
Halima Yussuf Mucheke**

Date: 23/3/24

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

18. Statement of Budget Comparison and Actual amounts for the year ended 30 June 2023

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Differences	% of Utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
Revenue	a	b	c=(a+b)	d	e=(c-d)	e=d/c*100
Licenses Fee	215,000,000	-	215,000,000	205,144,711	9,855,289	95
Government grants	190,600,000	(23,000,000)	167,600,000	167,600,000	(0)	100
Other Incomes (Deferred recognized)	-	15,724,666	15,724,666	11,190,796	(4,533,870)	71
Tourism Promotion Fund (TPF)	-	<u>48,547,500</u>	<u>48,547,500</u>	<u>24,482,945</u>	<u>(24,064,555)</u>	50
Total income	<u>405,600,000</u>	<u>41,272,166</u>	<u>446,872,166</u>	<u>408,418,452</u>	<u>(18,743,136)</u>	91
Expenses						
Compensation of employees	204,712,219	-	204,712,219	199,247,734	5,464,485	97
Board Expenses	15,000,000	(3,731,699)	11,268,301	10,656,314	611,987	95
Depreciation & Amortization	23,155,823	-	23,155,823	23,365,446	(209,623)	101
Repairs and maintenance	4,928,386	582,100	5,510,486	4,800,984	709,502	87
Use of Goods and services	130,688,246	(1,585,344)	129,102,902	131,122,720	(2,019,818)	102
Contracted Services	22,592,784	(7,074,261)	15,518,523	17,407,618	(1,889,095)	112
Accreditation and Classification	-	<u>48,547,500</u>	<u>48,547,500</u>	<u>24,482,945</u>	<u>24,064,555</u>	50
Total expenditure	<u>401,077,458</u>	<u>36,738,296</u>	<u>437,815,754</u>	<u>411,083,761</u>	<u>26,731,993</u>	94
Surplus (Deficit) for the period	4,522,542	4,533,870	9,056,412	(2,665,309)		
Capital expenditure	4,125,303	4,533,870	8,659,173	2,711,020		

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Budget notes

1. IPSAS 24.14 There was a variance of 5 % in the actual and budgeted revenue collected as a result of budget cut hence low activities on compliance and enforcement

2. (IPSAS 24.29) There was a change of the original budget and the final budget during the year. During the Supplementary I, the Authority allocated grants were subjected to budget cut of Kshs 23 Million To mitigate the effect of the budget cut, the management sought approval to use deferred on key activities that were under PC In the last Quarter of the FY , the Authority received approval for a project under accreditation and grading to be funded by the Tourism Promotion Fund (TPF) of Kshs48,547,500 of which 24,482,945 was utilised

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

19. Notes to the Financial Statements

1. General Information

Tourism Regulatory Authority (TRA) is a body corporate established under section 4 of the Tourism Act No.28 of 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. Its principal activity as outlined under section 7(1) of the Act is to regulate 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. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

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 TRA's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, 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. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

The Authority did not have any new and amended standards in issue but not yet effective in the year ended 30th June 2023.

ii. Early adoption of standards

The Authority did not adopt any new or amended standards in year 2022/2023.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Licenses Fees

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

TRA annual budget is partially financed using recurrent grants as a subsidy towards the personnel emolument vote. Recurrent grants when received are recognized in the statement performance. Development / capital grants are recognized in the statement of financial position and realised in the statement of performance over the useful life of the assets that has been acquired using such funds.

Rendering of services

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

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

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

ii) Revenue from exchange transactions

The Authority has no revenue from exchange transactions such as dividends, rental incomes etc.

b) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly on June 2022. There was subsequent revisions made to the approved budget where the government grants were reduced by Kshs. 23,000,000 under the Supplementary Estimate I. The Authority also requested for a review of the budget again upwards with the deferred income amounting to Kshs. 15,724,666 under Supplementary Estimate II

The Authority'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. 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 page 6 and 7 of these financial statements.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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.

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. Amortization is calculated on a straight line basis over estimated useful lives not exceeding a period of 5 years. No amortization is charged on work-in-progress.

TRA acquires property plant and equipment (PPE) and intangible assets for use in its operations. An asset that is not ready for use (still being developed and/ or not delivered) at the reporting date is considered as work in progress (WIP). The assets are shown in PPE & Intangible movement schedules but are only capitalized on delivery. The WIP assets are recognized at cost; they are not depreciated or amortized. The depreciation and amortization start on the capitalization date.

e) Inventories

TRA maintains general inventory for office operations which includes printing and stationery materials, office utilities etc. Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

f) Provisions

Provisions are recognized when TRA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Additional disclosure of these estimates of provisions is included in Note 23.

g) Nature and purpose of reserves

TRA creates and maintains reserves in terms of specific requirements namely; the accumulated Reserve and Capital Fund. The accumulated reserve is where all surpluses net of deficits from previous year are accumulated. The capital fund is also net of any transfers from/ to the accumulated surplus.

h) 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.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its pensionable employees at the rate of 20% of basic pay and to the National Social Security Fund (NSSF). Contributions to NSSF are determined by local statute and are currently limited to Tier 1 of Kshs. 360 and Tier 2 of Kshs 720 making a total Kshs. 1,080 per employee per month. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

j) Related parties

The Authority 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 TRA or vice versa. Members of key management are regarded as related parties and comprise the managers, directors, the DG and board of Directors. Balances and transactions between Tourism Regulatory Authority and its related parties have been disclosed as per IPSAS 20 in note 29 of the accounts.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at 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.

For the purposes of these financial statements, cash and cash equivalents comprises of the bank balances held at the commercial banks and the office floats approved for various holders for smooth running of offices.

l) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Tourism Regulatory Authority 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.

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. TRA 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 TRA. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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 the TRA.
- 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

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

6. License Fees

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Received License Fee	185,378,472	178,900,331
Un received License Fees	<u>19,766,239</u>	<u>4,621,459</u>
	<u>205,144,711</u>	<u>183,521,790</u>

6 (b) License Fee

	Amount recognized in Statement of Comprehensive Income Kshs.	Amount deferred Kshs.	Amount Recognised in capital fund. Kshs.	Total Fee during the year Kshs.
Appropriation in Aid (A-I-A)	205,144,711	-	-	205,144,711

This revenue refers to the License fees collected under the TRA mandate of regulating the Tourism sector through issuance of Licenses to the Tourism establishments / facilities as outlined under the ninth (9th) schedule of Tourism Act, no. 28 of 2011. It comprised of Kshs. 559,350 from the e citizen platform and Kshs 204,585,361 through the Kenya Commercial Bank. During the FY under review the Authority had targeted to collect Kshs. 215 Million. However constrained resources leading to low facilitation of compliance and enforcement activities, led to a short fall of budgeted revenue by Kshs. 9.85 Million. The un-receipted revenue amounting to Kshs. 19,766,239 from the regional offices is attributed to tourism establishments depositing money directly into the bank account and failing to present slips to the respective offices for receipting.

7. (a) Transfers from Other Government entities

	2022-2023	2021-2022
Unconditional grants	Kshs.	Kshs.
Operational G.o.K Grant	167,600,000	190,599,000
Development Grant	<u>-</u>	<u>-</u>
Total	<u>167,600,000</u>	<u>190,599,000</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

7 (b) Transfers from Ministries, Departments and Agencies

Entity sending the grant	Amount recognized in Statement of Comprehensive Income	Amount deferred	Amount recognized in capital fund.	Total during the year
	Kshs.	Kshs.	Kshs.	Kshs.
State Department of Tourism	167,600,000	-	-	167,600,000

The grants received were used towards the expenditure for compensation to employees and hence fully recognized in the statement of financial performance.

8. Transfer from Tourism Promotion Fund

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred	Amount recognized in capital fund.	Total grant income during the Period
Tourism Promotion Fund (TPF)	24,482,945	24,064,555	-	48,547,500

The Authority received Grants from Tourism Promotion Fund to cater for the Accreditation, Classification and Grading of Hospitality (Class A & B) Enterprises. This was partial funding of the project as the total projected cost of the entire project is Kshs 194,000,000.

9. Deferred Income

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Deferred Grants Recognised	11,190,796	3,159,424

This is income from recurrent budget that was deferred in the last FY for carrying out specific activities / programs that had been initiated but had not been completed as at 30th June 2022 and the Authority had not derived economic benefit from these activities. The Authority was granted approval by the National Treasury under Supplementary II to utilise these funds on various goods and services and hence the income recognized in the income statement.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

10. Compensation to Employees	2022-2023	2021-2022
Description	Kshs.	Kshs.
Basic Salaries and wages	112,198,839	109,513,785
Employer Contributions to pensions NSSF & NITA	19,348,648	19,105,853
Commuter Allowances	11,739,787	11,935,555
Housing Allowances	41,651,011	41,714,000
Provision for Gratuity	5,779,652	9,913,991
Other Employee related Costs	<u>8,529,797</u>	<u>7,170,005</u>
Total Compensation to Employees	<u>199,247,734</u>	<u>199,353,189</u>

This is expenditure towards compensation of in post staff for the services rendered and based on the various approved human resource documents such as the salary scales by SRC and Human Resource procedures manuals that addressed items such as leave allowances, Gratuity, transfer allowances among others.

11. Board Expenses

Description	2022-2023	2021-2022
Description	Kshs.	Kshs.
Chairman's Honoraria	838,710	960,000
Sitting Allowances	4,440,000	6,620,000
Subsistence & Accommodation	3,063,200	5,754,752
Medical Insurance	211,037	432,781
Induction and Training	427,498	310,823
Other allowances(Lunch All, Data & Airtime)	<u>1,675,869</u>	<u>683,698</u>
Total	<u>10,656,314</u>	<u>14,762,053</u>

This refers to expenses and facilitation of Board of Directors in the activities and programs towards management of the Authority. Detailed analysis of the activities held by directors during the period under review.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

12. Depreciation and Amortization

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Property, plant and equipment	22,177,667	25,049,596
Intangible assets	<u>1,187,779</u>	<u>1,657,379</u>
Total	<u>23,365,446</u>	<u>26,706,974</u>

This is the estimated reduction in the value of asset over time, due to wear & tear and amortization of the Assets owned by the Authority both tangible and intangible. The depreciation is applied on a reducing balance basis over the estimated useful life of an asset. A full year's depreciation is charged in the year of acquisition and none on the year of disposal. The depreciation and amortization charge for the year are as computed under note 20 and 21 respectively.

13. Repair and Maintenance

	2022-2023	2021-2022
Description	Kshs.	Kshs.
General Repairs	520,826	202,410
M/Vehicles	<u>4,280,158</u>	<u>3,835,707</u>
Total	<u>4,800,984</u>	<u>4,038,117</u>

The expenditure on the repairs and Maintenance has increased from previous year due to high wear and tear on the Motor Vehicles over their useful life. The vehicles had been revaluated after completion of their useful life as the Authority was still drawing economic benefit from their usage.

14. Use of Goods and Services

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Utilities	512,337	530,378
Communication Expenses	2,494,421	2,864,246
Travelling & Subsistence	8,236,441	10,072,037
Advertising Expenses	567,607	1,275,688
Publicity & CSR	1,390,459	1,972,023

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Newspapers & Periodicals	565,907	486,401
Tourism standards & Quality Assurance	8,669,463	5,363,016
Rent & Rates	41,619,427	41,490,199
Printing and stationery	3,606,609	2,383,216
Hospitality Services	4,338,981	3,825,877
Inspection and Enforcements	16,761,350	20,700,920
Fuel , Oil & Lubricants	4,637,478	4,004,942
Annual Tourism Status Report	5,715,300	1,904,000
Staff Development & Welfare	798,420	2,531,640
Covid-19 Related Expenses	8,225	162,281
Audit Fees	440,000	940,000
Bank Charges & Commission	457,056	467,883
Insurances	30,303,239	27,067,580
Loss of Asset	-	210,078
Total use of goods and Services	<u>131,122,720</u>	<u>128,252,405</u>

These are expenses relating to the general day to day running of the Authority including utility bills, contractual obligations, general administration and the implementation of core mandate activities. These are programmes relating to Quality Assurance, development of standards, enforcement and compliance and preparation of the Annual Tourism Sector Status Report. The reported expense on loss of Asset refer to asset lost during the period under review. These were assets that were reported to the insurance and upon receipt of compensation from the insurance, this will be treated as an income in the year received.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

15. Contracted Services

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Corporate Expenses	3,178,000	4,140,660
Contracted Services	6,514,276	6,883,703
Internet & ICT Consumables	4,766,542	2,634,369
Professional Services	<u>2,948,800</u>	<u>1,373,200</u>
Total	<u>17,407,618</u>	<u>15,031,932</u>

These are expenditures that the Authority outsources and have entered into contract with the services providers for various activities such as cleaning and sanitation, internet and legal services.

16. Accreditation and Classification

	2022-2023	2021-2022
	Kshs.	Kshs.
Accreditation, classification and Grading of establishments	24,482,945	-

This relates to expenditure incurred in consultancy services to co-ordinate the assessment and accreditation of Class A & B Enterprises across the country, digitization of assessment & accreditation process.

17. Cash and Cash Equivalents

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Current account	198,094,230	175,994,305
Others(specify) Cash In hand	<u>308,890</u>	<u>342,182</u>
Total	<u>198,403,120</u>	<u>176,336,487</u>

17 (b) Current Accounts

	2022-2023	2021-2022
Financial institution	Kshs.	Kshs.
Kenya Commercial bank: Revenue Acc	63,774,996	25,456,771
Cooperative Bank of Kenya: Recurrent Acc	110,254,679	150,537,534
Cooperative Bank of Kenya: Development Acc	<u>24,064,555</u>	=
Sub- total	<u>198,094,230</u>	<u>175,994,305</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

17 (c) Cash at Hand

	2022-2023	2021-2022
Description	Kshs.	Kshs.
cash in hand	308,890	342,182
Sub- total	<u>308,890</u>	<u>342,182</u>
Grand total	<u>198,403,120</u>	<u>176,336,487</u>

The cash and cash equivalents represent the liquidity the Authority had as at the closure of the FY both at the bank and float balances that have been approved and issued to regional offices and units as per the policy for the smooth running of the operations. The Authority operates three bank accounts as listed above, where the Kenya Commercial Bank is the revenue collection account, one Cooperative Bank as Operational Account and the other as a development account.

18. Receivables from Exchange Transactions (Current)

	2022-2023	2021-2022
Current Receivables	Kshs.	Kshs.
Prepayment for Fuel & Oil	115,228	242,449
Prepaid Insurances	21,306,973	21,518,244
Debtors	700,354	1,000,482
Other Prepayments	5,071	-
Accrued Income	<u>8,239,667</u>	-
Total Current Receivables	<u>30,367,293</u>	<u>22,761,175</u>

These relates to resources / incomes due to the organizations for services or goods yet to be received. Transactions such as the deposits help in ensuring that key services are carried out without interruptions, delays or shortfalls. Also the element of debtors relates to what was owed to the Authority as at close of the period.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

19. Inventory

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Consumable Items	2,351,946	1,610,204

This refers to stationery in store that is used by the staff in day-to-day operations and is requisitioned on need basis. Procurement to replenish of inventory reorder levels is done in line with the approved procurement plan and upon requisition.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

	Motor vehicles	Furniture & Fitting	Office Equipment	Computers & other ICT electronics	Total
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 30th July 2021	47,717,800	57,564,198	5,565,829	22,897,517	133,745,344
Additions	-	67,900	160,000	14,949	242,849
Disposals	-	-	-	-	-
Transfer/adjustments	35,500,000	-	-	(315,117.16)	35,184,883
At 30th June 2022	83,217,800	57,632,098	5,725,829	22,597,349	169,173,076
Additions	-	99,320	215,100	5,412,620	5,727,040
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
As at 30th June 2023	83,217,800	57,731,418	5,940,929	28,009,969	174,900,116
Depreciation & Impairment					
At 1st July 2022	56,592,800	33,867,191	3,105,433	19,096,468	112,661,893
Depreciation for the year	8,875,000	7,259,949	742,616	5,300,103	22,177,668
Transfer/adjustments	-	-	-	-	-
At 30th June 2023	65,467,800	41,127,140	3,848,050	24,396,572	134,839,561
Net book values					
At 30th June 2023	17,750,000	16,604,278	2,092,880	3,613,397	40,060,555
At 30th June 2022	26,625,000	23,764,907	2,620,396	3,500,880	56,511,183

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

20.(b) Property, Plant and Equipment at cost

If the assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles	83,217,800	65,467,800	17,750,000
Computers And Related Equipment	28,009,969	24,396,572	3,613,397
Office Equipment, Furniture and Fittings	<u>63,672,347</u>	<u>44,975,189</u>	<u>18,697,158</u>
Total	<u>174,900,116</u>	<u>134,839,561</u>	<u>40,060,555</u>

It is important to note that, there are various assets for the Authority whose value has fully depreciated to zero. Due to limited resources, the Authority continues to draw economical value in their use. These assets are as outlined below;

	Cost or Valuation	Annual Depreciation Charge
	Kshs.	Kshs.
Computers and Related Equipment	12,109,660	4,036,553

21. Intangible Assets

Description	2022-23	2021-22
Cost At beginning of the year	12,364,893	8,314,893
Additions During the year(WIP)	<u>5,400,000</u>	<u>4,050,000</u>
At end of the year	<u>17,764,893</u>	<u>12,364,893</u>
Amortization and impairment		
At beginning of the year	6,441,555	4,784,176
Amortization	<u>1,187,778</u>	<u>1,657,379</u>
At end of the year	<u>7,629,333</u>	<u>6,441,555</u>
NBV	10,135,560	5,923,338
<u>Reported As;</u>		
Work In Progress	9,450,000	4,050,000
NBV	685,560	1,873,338

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Work In Progress (W.I.P)

TRA purchases property plant and equipment (PPE) and intangible assets for use in its operations. An asset that is not ready for use (still being developed and/ or not delivered) at the reporting date is considered as work in progress (WIP). The assets are shown in PPE & Software movement schedules but are only capitalized on delivery. The WIP assets are recognized at cost; they are not depreciated or amortized. The depreciation and amortization start on the capitalization date. The reported W.I.P under the intangible assets relates to the ongoing project on Automation of TRA services under phase II.

22. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Trade payables (Merchants)	12,843,011	5,833,031
Employee Payable	4,824,085	3,402,174
Accruals	<u>3,007,865</u>	<u>2,983,169</u>
Total	<u>20,674,961</u>	<u>12,218,374</u>

The trade payables are present obligations of the entity arising from past events/ programmes or activities. Their settlement is expected to result in an outflow of liquidity in the subsequent period. The Accruals refers to expenses that have been recognized in the books but are yet to be settled since there are in process. These expenses are recorded in the accounting period in which they are incurred in line with general principles of accounting. However, it is key to note that the Authority did not have any pending bills as at close of the period.

23. Provisions

Description	Gratuity Provisions	Gratuity Provisions
	Kshs.	Kshs.
At the beginning of the year	6,352,650	-
Additional Provisions	6,249,652	6,352,650
Provision Utilized	<u>(6,760,987)</u>	<u>-</u>
Balance as at 30th June, 2023	<u>5,841,315</u>	<u>6,352,650</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

24. Deferred Income

	2022-2023	2021-2022
(a) Description	Kshs.	Kshs.
G.o.K Deferred Recurrent	70,801,483	70,801,483
G.o.K Deferred Capital	<u>34,148,423</u>	<u>26,674,665</u>
Total	<u>104,949,906</u>	<u>97,476,148</u>

(b) Deferred income movement is as follows;	2022-2023	2021-2022
Description	Kshs.	Kshs.
At the beginning of the year	97,476,147	101,778,171
Additions: For the year (TPF Funds)	24,064,555	-
Transfer to capital fund	(5,400,000)	(1,142,600)
Transfer to Income Statement	<u>(11,190,796)</u>	<u>(3,159,424)</u>
At end of the year	<u>104,949,906</u>	<u>97,476,147</u>

The deferred income relates to funds transferred from the income statement under government grants and appropriation funds (A.I.A) to the deferred income accounts. These grants relate to funds received in the year but for which the specific programme / activity had not been implemented and/or was ongoing. Hence the total element of deferred amount is reduced from the revenue accounted in that particular year and recognized in the year its utilized.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

25. (a) Retained Earnings

Description	2022-2023	2021-2022
	Kshs.	Kshs.
At the beginning of the year	84,660,694	126,503,143
Additions	-	-
Remission to KRA (90%) Surplus	-	(57,652,196)
Transfer of Depreciation	23,365,446	26,706,975
Loss of Asset	-	210,078
Retain Earnings Capitalised	(5,704,654)	(227,900)
Surplus (Deficit) for the period	<u>(2,665,309)</u>	<u>(10,879,406)</u>
At end of the year	<u>99,656,177</u>	<u>84,660,694</u>

25 (b) Capital Fund

Description	2022-2023	2021-2022
	Kshs.	Kshs.
At the beginning of the year	35,809,522	52,466,126
Deferred Income Capitalised	5,400,000	1,142,600
Retain Earnings Capitalised	5,727,040	227,900
Recurrent Capitalised	-	14,949
Loss of Asset	-	(210,078)
Transfer of Depreciation to Retain Earnings	<u>(14,490,447)</u>	<u>(17,831,975)</u>
At end of the year	<u>32,446,115</u>	<u>35,809,522</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

25 (c) Revaluation Reserve

	2022-2023	2021-2022
Description	Kshs.	Kshs.
At the beginning of the year	26,625,000	-
Revalued Assets	-	35,500,000
Transfer of Depreciation to Retain Earnings	(8,875,000)	(8,875,000)
Transfer to Retained Earnings	<u>-</u>	<u>-</u>
At end of the year	<u>17,750,000</u>	<u>26,625,000</u>

26. Cash Generated from Operations

	2022-2023	2021-2022
Description	Kshs.	Kshs.
Surplus (Deficit) for the year before tax	(2,665,309)	(10,879,407)
Adjusted For:		
Depreciation & Impairment	23,365,446	26,706,974
Loss of Asset	-	210,078
Contributed Assets	11,104,654	1,370,500
Contribution to provisions	(511,336)	6,352,650
Working Capital Adjustments		
(Increase) / Decrease in Inventory	(741,742)	710,649
(Increase) / Decrease in Receivables	(7,606,118)	(2,410,327)
Increase / (Decrease) in Payables	2,766,438	(19,706,605)
Increase / (Decrease) in Deferred Income	7,473,759	(4,302,024)
(Increase) / Decrease in Accrued Income	-	63,002,125
Cash outflow 90% Surplus	<u>-</u>	<u>(57,652,196)</u>
Net Cash from Flow from Operating Activities	<u>33,185,792</u>	<u>3,402,417</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

27. Financial Risk Management

The Authority activities exposes it to a variety of financial risks such as liquidity risks. TRA'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. TRA does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

TRA 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 TRA 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:

Description	Total Amount Kshs.	Fully Performing Kshs.
As At 30 June 2023		
Receivable from Non-Exchange Transactions		
Prepayments	21,427,272	21,427,272
Bank Balances	<u>198,403,120</u>	198,403,120
Total	<u>219,830,392</u>	<u>219,830,392</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)
As At 30 June 2022

Receivable from Non Exchange Transactions

Prepayments	21,760,693	21,760,693
Bank Balances	<u>176,336,487</u>	<u>176,336,487</u>
Total	<u>198,097,180</u>	<u>198,097,180</u>

The board of directors sets the TRA's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. TRA is currently implementing a licensing module which will aide in better management of debtors hence well accountable receivables.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the TRA's directors, who have built an appropriate liquidity risk management framework for the management of the Authority'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 TRA 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.

Description	Less than 1 Month Kshs.	Between 1-3 Months Kshs.	Over 5 Months Kshs.	Total Kshs.
As At 30 June 2023				-
Trade Payables	1,633,139	9,463,190	1,746,682	12,843,011
Provisions	721,165	1,676,562	3,443,588	5,841,315
Deferred Income	-	24,064,555	80,885,351	104,949,906
Employee Benefit Payable	<u>4,824,085</u>	-	-	<u>4,824,085</u>
Total	<u>7,178,389</u>	<u>35,204,307</u>	<u>86,075,622</u>	<u>128,458,317</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

As At 30 June 2022

Description	Less than 1 Month Kshs.	Between 1-3 Months Kshs.	Over 5 Months Kshs.	Total Kshs.
Trade Payables	3,408,984	316,079	2,107,910	5,832,973
Provisions	6,352,650			6,352,650
Deferred Income			97,476,148	97,476,148
Employee Benefit Obligation	<u>3,402,174</u>	-	-	<u>3,402,174</u>
Total	<u>13,163,808</u>	<u>316,079</u>	<u>99,584,058</u>	<u>113,063,945</u>

iii) Market risk

TRA 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 TRA's income. 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.

TRA Audit 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 TRA's exposure to market risks or the manner in which it manages and measures the risk.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

iv) Capital Risk Management

The objective of TRA's capital risk management is to safeguard the Authority ability to continue as a going concern. TRA capital structure comprises of the following funds:

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Retained Earning	99,656,177	84,660,694
Capital Reserves	32,446,115	35,809,521
Revaluation Reserve	<u>17,750,000</u>	<u>26,625,000</u>
Total Funds	<u>149,852,291</u>	<u>147,095,215</u>
Total Borrowings	-	-
Less Cash & Bank Balances	<u>198,403,120</u>	<u>176,336,487</u>
Net Debt (Excess Cash & Cash Equivalents)	<u>(48,550,829)</u>	<u>(29,241,272)</u>
Gearing Ratio	32.40 %	19.88%

29 Related Party Disclosures

Nature of related party relationships

TRA 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 TRA, or vice versa. The Board of Directors and Members of key management are regarded as related parties and comprise the Director General, directors and senior managers.

Government of Kenya

The Government of Kenya is the principal shareholder of TRA, holding 100% of the Authority's equity interest. Other related parties include:

- i) The Ministry of Tourism and Wildlife (The Parent Ministry)
- ii) Board of directors.
- iii) Key management.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

30 Surplus Remission

In accordance with the legal notice no 90 of 13th June 2019, the Cabinet secretary for The National Treasury amended Regulations 219 (2) of the Public Financial Management Act, and provided 31st October as the due date for remittance of 90% of the surplus funds reported by the management in the Unaudited Financial statements after the end of each financial year. The Authority did not have any surplus to remit in the FY 2021/22 and 2022/23.

The Surplus Remission has been computed as follows:

	2022-2023	2021-2022
	Kshs.	Kshs.
Surplus / (Deficit) For The Period	(2,665,309)	(10,879,407)
Less: Allowable deductions by NT	<u>-</u>	<u>-</u>
Total Deficit	<u>(2,665,309)</u>	<u>(10,879,407)</u>

31 Contingent Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Contingent Liabilities		
Court Case ELRC PET/E028/2022 LUCY SEREM -VS- TOURISM REGULATORY AUTHORITY & 3 OTHERS	0	777,200
ELRC E795 of 2022 Kennedy Lwenyi -Vs- Tourism Regulatory Authority, Cabinet Secretary, Tourism & Wildlife, Hon. Attorney General	<u>0</u>	0
Total	<u>0</u>	<u>777,200</u>

Legal fees – N/A TRA is represented by the Attorney General

Claim in event of success – Kshs. 9,427,783.43

N/B - All other cases initiated during the FY 2022/23 have been cleared and legal fees paid

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

32 Events after the Reporting Period

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

33 Ultimate and Holding Entity

TRA is a State Corporation under the Ministry of Tourism, Wildlife & Heritage. Its ultimate parent is the Government of Kenya.

34 Currency

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

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :(Put a date when you expect the issue to be resolved)
Report on the Financial Statements				
1	Unsupported License fee	The Authority has integrated the license fee collection with the E-citizen which is allowing the depositors to indicate their file numbers hence easy to identify the persons and establishments depositing money to TRA. The amount paid by these clients is missing in the transaction report and the e-citizen are working towards resolving this. Also the Authority is in collaboration with the revenue receiving bank KCB to develop hosts to host platform which will help identify all depositors of the revenue.	Ongoing	June 2024
2	Unsupported Expenditure	The management acknowledges the findings and wish to respond that the issue was as a result of coding and programming of the ERP system. The issue was with few inventory items and this has been successfully identified and resolved. The relevant ledgers have also been mapped appropriately.	Resolved.	N/A
Report on lawfulness and effective in use of public Resources				
1	Irregular composition of the Board.	The management acknowledged that the Authority's board lacks two board members nominated from registered tourism sector	Ongoing	N/A

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
Report on the Financial Statements				
	It was noted in the composition of the Board, two nominated members who are supposed to come from registered tourism sector associations were nominated by the Cabinet Secretary.	associations. The matter has been brought to the attention of the appointing authorities.		
2	Annual Tourism Status Report	We wish to clarify that the mandate to publish and lay the reports before the National Assembly is that of the Cabinet Secretary, Ministry of Tourism, Wildlife and Heritage. The Authority's role ends at submission to his office. The Board of the Authority will continue to follow up with the Minister for concurrence, publication and eventual presentation to the National Assembly in line with the Tourism Act.	Ongoing	N/A
Report on effectiveness of Internal controls ,Risk Management and governance				
1	Failure to Automate Revenue Collection of License fees.	The development of the license module under ERP is complete and also on boarding of services to e-citizen platform. The integration of ERP with revenue receiving bank is in process and the management is fast tracking the whole process to fully automate revenue collection.	Ongoing	June 2024

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Appendix II: Transfers from Government

Name of the MDA Transferring Funds	Date Received as per the bank statement	Nature	Amount Kshs.	Where recognized			Total Kshs.
				Statement of Financial Performance	Capital Fund	Deferred Income	
State Dep't. for Tourism	18/10/2022	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	18/10/2022	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	25/11/2022	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	08/12/2022	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	23/12/2022	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	24/01/2023	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	02/02/2023	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	15/03/2023	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	11/04/2023	Recurrent	15,883,333	15,883,333	-	-	15,883,333
State Dep't. for Tourism	11/05/2023	Recurrent	8,216,667	8,216,667	-	-	8,216,667
State Dep't. for Tourism	09/06/2023	Recurrent	8,216,667	8,216,667	-	-	8,216,667
State Dep't. for Tourism	03/07/2023	Recurrent	<u>8,216,667</u>	<u>8,216,667</u>	<u>-</u>	<u>-</u>	<u>8,216,667</u>
Total			<u>167,600,000</u>	<u>167,600,000</u>	<u>-</u>	<u>-</u>	<u>167,600,000</u>

TOURISM REGULATORY AUTHORITY
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Appendix III: Transfers from Other Government Entities

Name of the MDA Transferring Funds	Date Received as per the bank statement	Nature	Amount Kshs.	Statement of Financial Performance	Where recognized		Total Kshs.
					Capital Fund	Deferred Income	
Tourism Promotion Fund	02/06/2023	Development	48,547,500	24,482,945	-	24,064,555.00	48,547,500

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