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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
TOURISM REGULATORY AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2017**

*Paper laid by
the leader of the
Majority party
Hon. Aden Duale
Egit, MP on
18.07.2018
IBM*



TOURISM REGULATORY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

Table of Content	Page
I.KEY ENTITY INFORMATION AND MANAGEMENT	i
II.THE BOARD OF DIRECTORS.....	iv
III.MANAGEMENT TEAM	x
IV.CHAIRMAN'S STATEMENT	xiv
V.REPORT OF THE DIRECTOR GENERAL	xv
VI.CORPORATE GOVERNANCE STATEMENT.....	xviii
VII.MANAGEMENT DISCUSSION AND ANALYSIS	xx
VIII.CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xxii
IX.REPORT OF THE DIRECTORS	xxiii
X.STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxiv
XI.REPORT OF THE INDEPENDENT AUDITORS ON TOURISM REGULATORY AUTHORITY.....	xxv
XII.STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII.STATEMENT OF FINANCIAL POSITION	2
XIII.STATEMENT OF CHANGES IN NET ASSETS	3
XIV.STATEMENT OF CASH FLOWS	4
XV.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVI.NOTES TO THE FINANCIAL STATEMENTS.....	7
XVII.RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	20

I. KEY ENTITY INFORMATION AND MANAGEMENT

a. Background information

Tourism Regulatory Authority (TRA) is a new State Corporation established under Tourism Act No. 28 of 2011 section 4, as body Corporate to be administered and managed by a Board. The Authority was made operational in April 2014 and has been operating through facilitation from the Ministry of Tourism till June 2016 when it gained its operational independence.

The Authority gained its Financial and Operational independence in September, 2016.

b. Principal Activities

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

Vision

A valued and trusted lead regulator in a competitive tourism sector.

Mission Statement

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

Values

- Integrity
- Collaboration
- Team work
- Professionalism
- Innovation

Mandate

The mandate of Tourism Regulatory Authority as set out in the Tourism Act 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 tourism throughout the country;
- b) Regulate tourism activities and services countrywide, in accordance with the national tourism strategy;
- c) Register, license and grade all sustainable tourism and tourism- related activities and services including cottages and private residences engaged in guest house services
- d) Develop and implement, in consultation with relevant stakeholders, criteria for standardization and classification 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) Vet and recommend expatriates seeking employment in tourism sector;
- h) Monitor and assess tourist activities to ensure conformity to sound principles of sustainable tourism;

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

- i) 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.

c. Key Management

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

- Board of Directors
- Accounting officer/ Director General
- Management

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Mr. Kipkorir Lagat
2.	Ag. Manager Regulatory Policy & Corporate Affairs	Mr. Moses Lesaibile
3.	Ag. Manager Quality Assurance	Mr. Fredrick J. Omondi
4.	Ag. Rep. Manager Regional Offices	Ms. Wilda Ombongi
5.	Ag. Manager Standards	Mr. Willis Otieno
6.	Ag. Manager Corporate planning	Mr. Sila Mathuva
7.	Ag. Manager Trade Support Services	Mr. Simon Kiarie
8.	Ag. Manager Finance	Ms. Nkatha Mugambi
9.	Ag. Manager Human Resource Manager	Ms. Lucy Serem
10.	Ag. Head of Procurement	Mr. Samson Ogwel
11.	Ag. Head of ICT	Mr. Evan Gichuki

N/B All the managers were in Acting positions until 30th May 2017. They were confirmed to their positions on 1st June, 2017

e. Fiduciary Oversight Arrangements

The Authority fiduciary arrangements are as outlined below;

- **Fiduciary duty of Good Faith and Fair dealing**
This requires the officers to deal with honesty good faith & fairness when handling the Authority obligations in their daily tasks of operations.
- **Fiduciary Duty of Disclosure**
This requires the officers to disclose any potential conflict of interest that may arise between their individual interest and those of the Authority.
- **Fiduciary Duty of Loyalty**
It involves putting the welfare and best interest of the Authority above their own personal or other business interest. The officers are not expected to secretly divert or take advantage of the Authority business opportunities for their own personal benefit.
- **Fiduciary Duty of Care.**
This requires use of appropriate care and diligence when acting on behalf of the Authority. One is required to exercise reasonable prudence in carrying out their duties to achieve the best

interest of the Entity. Managers are to be held personally liable for failing to exercise reasonable or ordinary care under the circumstances.

- **Fiduciary responsibilities includes;**
 - Adhering to the Corporations established and approved policies and guidelines.
 - Maintaining Stringent Internal control while performing their duties.
 - Ensuring compliance with applicable Laws and Regulations.

f. Entity Headquarters

Utalii House, 5th Floor,
Utalii Lane,
P.O BOX 30027 – 00100
Nairobi, Kenya.

g. Entity Contacts

Telephone: 0701 444 777
E-Mail: tourismauthorityke@gmail.com
infor@tourismauthority.go.ke
dg@tourismauthority.go.ke
Website: www.tourismauthority.go.ke

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 Auditors

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

j. Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS



**Mr. Sammy Nyule Ngumbao
Chairman**

Mr. Sammy Nyule Ngumbao holds Bachelor of Education (Arts) from Moi University. He is an outstanding Public Manager with excellent skills in communication, IT and sensitive to integrity at all times. The Chairman is an accomplished Public Administrator who underwent harsh challenges to successfully preside over volatile land matters in key land-sensitive regions of Kenya as a Provincial Administrator. Mr. Nyule is a competent Consultant and a mentor, tenacious in organizational skills, events organization, conflict resolution and public presentations.

Mr. Nyule is a Member of Kenya Institute of Management and trained in Corporate Governance (Kenya Institute of Management), Mwogonzo Code of Corporate Governance (State Corporations Advisory Committee), Advanced Public Administration (Kenya School of Government) and Leadership Endurance Course (Mt Kenya School of Adventure). He is proficient in Government of Kenya systems, board operations and Corporate Governance under Mwogonzo and State Corporations Act.

Before joining Tourism Regulatory Authority as its Founding Chairman where he spearheaded the smooth take off of the new regulator, Mr. Nyule also served Chairman of Board of Directors of Coast Water Services Board (2014).



**Ms. Joyce Nderitu
Independent Board Member**

Ms. Joyce Nderitu holds a Bachelor of Commerce degree from the University of Nairobi. A former banker but now in private practice, she has attended several courses in leadership and governance.

She is a member of the audit and risk as well as the standards and quality assurance committees.



Dr. Mordecai Ogada, PhD
Independent Board Member

Dr. Mordecai Ogada is a carnivore ecologist and obtained his PhD from Kenyatta University in 2007. He has been involved in conservation work for the last 15 years in Kenya and other parts of Africa, mainly on human-wildlife conflict mitigation (particularly the area of livestock depredation in rangelands). Dr. Ogada is a member of Kenya Wildlife Service Carnivore Management Committee and advises on carnivore conservation policy issues. He is also an adjunct faculty member, teaching and supervising conservation students at Colorado State University. His interest in tourism industry has been from the perspective of environmental and social sustainability of the industry. Dr. Ogada's professional work has included research and teaching but has mainly been in the area of community-based conservation, wildlife policy and wetlands ecology. Dr. Ogada's current professional focus is conservation policy and developing synergies between development design and natural resource management, which he pursues through the Nanyuki-based consultancy firm Conservation Solutions Afrika.



Roselyn C. Ng'eny Lang'at
(Mrs.)

Roselyn C. Ng'eny Lang'at (Mrs.) has previously served as an Assistant Manager in charge of Corporate Affairs Division at Telkom Kenya Ltd Company, both in the regional offices and at the headquarters. She has also worked as an Administrator in South Western College-Kericho (in collaboration with Kenyatta University). She holds a Bachelor of Arts (Administration) degree from Egerton University and is currently pursuing Master of Art in Gender, Women and Development Studies at the same University.

Mrs. Lang'at has extensive experience in administrative management with particular focus on policy development, analysis and implementation and Human Resource matters. She has attended and participated in various trainings and seminars: Corporate Governance, Intensive Entrepreneurship Seminar by UNDP, Total Quality Management, among others. In service to community, she is the Vice Chair of Transformation Compassion Network (TCN) Kericho Chapter and served as a member of various schools boards including Alliance High School and Moi Girls Eldoret among others.

Mrs. Lang'at has served as Board Member of Kericho Water & Sewerage Company (KEWASCO) and she is currently General Assembly Member of Action Aid Kenya (AAK).



**Mr. Peter Leitoro, OGW, NDC (K)
Alternate Director
Ministry of Environment and Natural
Resources**

Mr. Peter Leitoro is Alternate to the Principal Secretary, State Department of Environment, Ministry of Environment and Natural Resources. Mr. Leitoro is Deputy Director in Charge of Reforms in the Ministry of Environment and Natural Resources.

Mr. Leitoro has expertise and wide experience in conservation, management and law enforcement. The Director's academic credentials include MSc. in Security and Risk Management, MBA in Strategic Management, Diploma in Wildlife Conservation and Diploma in International Studies. He has also attended many management courses and workshops.



**Mr. Paul Leringato, HSC
Independent Board Member**

Born in 1968, Leringato is from Samburu County. He holds a B.Ed from Moi University, Eldoret and MSc in Conservation and Tourism from Kent University, Canterbury.

Mr. Leringato is certified professional and manager with extensive trainings in governance and management both locally and abroad including MDF Training in Netherlands, Kenya Institute of Management (KIM), Centre for Governance among others and a Member of Institute of Directors of Kenya,.

Paul has over 20 years of extensive work experience in community based conservation and development, having worked at a senior management level with multiple conservation stakeholders. During the period, Paul gained experience serving as member to various boards including KWS Game Bird Management Committee, schools' boards and recently as chair of Action Aid International Kenya Board.

Due to his enormous contributions in local development, Paul was awarded Head of State Commendation (HSC) and recognized by Transform Kenya Award as the Tourism Award Winner in 2014. He joined Tourism Regulatory Authority as Director in 2015.



**Margaret M. Byama (Mrs.), HSC,
Alternate, Principal Secretary,
Ministry of Tourism**

Mrs. Margaret M Byama holds a Bachelor of Arts Degree from University of Nairobi and a Certificate in Public Financial Management from Manchester University. She is the Chief Finance Officer in the Ministry of Tourism with over 24 years' wealth of experience in public financial management.

Mrs. Margaret M Byama was a Director of the Board of Centum Investment Company Limited for seven years and its subsidiaries since January 2009, Alternate Director to the Bomas of Kenya Board, Chairperson of the Wildlife Clubs of Kenya and was the first Chief Executive Officer of the National Humanitarian Fund for IDP's in 2008.

Mrs. Byama joined the Board of Tourism Regulatory Authority in 2016



**Mr. Jamshed A. Abubakar
Alternate Director to PS State
Department of Planning and Statistics**

Mr Jamshed Ali Abubakar is the Alternate Director to PS State Department of Planning and Statistics. He serves as a Chief Economist and Head Macro Economic Planning Division in the State Department of Planning, Ministry of Devolution and Planning. He holds a Bachelor of Arts Degree (Economics and Government) from University of Nairobi, Diploma Certificate in Economics and Statistics from University of Colorado at Boulder (USA), Masters in Development Economics from Williams College (Massachusetts USA) and Diploma Certificate in Regional Development Kushiro Public University of Economics (Hokkaido, Japan). He has been involved in research/publications with various research institutions including: World Institute of Development Economics Research (WIDER), United Nations Conference on Trade and Development (UNCTAD), Harvard Institute for International Development

(HIID) and African Economic Research Consortium (AERC)



Ms. Caroline Akinyi Bello
Independent Board Member

Ms. Caroline Bello is a seasoned community development practitioner with a specialized leaning to mainstreaming gender in development processes both in the public and private sector. She has previously served as the In-Country Representative of the American Jewish World Service and as Gender Specialist working with CARE International, MEDA, Child Fund, Technoserve Inc, amongst other International development agencies. She holds a Bachelor's degree in Education from Egerton University and has further training in Enterprise Development, Microfinance, Governance and Conflict Management from New Hampshire University, Marquette University(Milwaukee), and the Les Aspin Centre of Governance, Washington D.C. respectively. She is a

contributor to national policies on gender and girl child protection. She is founder and trustee of SWIPE Kenya where she is furthering the growth of sustainable and profitable enterprises for women and young entrepreneurs.



Mr. Mike Macharia
Independent Board Member

Mr. Macharia is a professional in the hospitality industry with over 20 years' experience having held various positions in the Kenyan Hospitality Industry including the Hilton, Sarova, as well as serving as General Manager of the prestigious Windsor Golf Hotel & Country Club . A former Chairman of Nairobi Water Company, he is currently the Chief Executive Officer of the Kenya Association of Hotelkeepers and Caterers and sits on various boards including the Federation of Kenya Employers (FKE), Clique Ltd. and Tourism Regulatory Authority (TRA) among others.

Macharia is the holder of a BSc. in Tourism including other professional qualifications attained over the years. These include certificates in corporate governance and marketing. He is also recently enrolled for a degree in law at the London University and will commence studies later in the year.

At a personal level, Macharia is involved in several community development initiatives that include supporting the sick and less fortunate such as the Nairobi and Coast Hospice, the Society for the Blind, Starehe Girls and the Kianda Foundation.



Mr. Edward Wamweya,
Alternate Director to the
Cabinet Secretary the National
Treasury

CPA Edward Wamweya is the Alternate Director to the Cabinet Secretary, the National Treasury and has a vast experience in Public Sector Financial Management.

He holds a Masters of Business Administration (Finance), Bachelor of Commerce (Finance) Certified Public Accountant (CPA-K), Certified Investment and Financial Analyst (CIFA-K). He is a member of Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Investment and Financial Analyst of Kenya (ICFIFAK).



Mr. Kipkorir Lagat
Director General &
Secretary to the Board

Mr. Lagat previously served as the Director of Tourism at the Ministry of Tourism, Kenya. Mr. Lagat holds MSc. in International Marketing from the University of Strathclyde, Glasgow, Scotland. He also holds an MBA and Bachelors of Commerce from the University of Nairobi. He has done postgraduate training in the Environmental Management in Moi University and the University of Strathclyde. Prior to joining the Civil Service in 2003, he was a Lecturer in Business Management and Marketing, Technology and Management Studies Department (now School of Business and Economics), Moi University. He has extensive experience in policy development, analysis and implementation, with particular focus to tourism and wildlife conservation and management mainly in Kenya and within East African Community.

N/B

The Authority does not have a company secretary

III. MANAGEMENT TEAM

Management

Professional / Academic Qualification



Mr. Kipkorir Lagat
Director General

- MSc. in International Marketing
- Masters of Business Administration (MBA)
- Bachelor’s degree in Commerce
- Postgraduate training in the Environmental Management
- Born in 1967



Mr. Moses Lesaibile
Ag. Manager Regulatory & Corporate Affairs

- MSc.(Hospitality & Tourism Management) Ongoing
- Bachelor of Science (Hons) Hospitality Management from Strathmore University.
- Diploma in Hotel Management from Kenya Utalii College.
- Advance Tourism Management, Chinese Government Sponsored.
- Member of the Kenya Institute of Management.
- Born in 1967



Mr. Fredrick J. Omondi
Ag. Manager, 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.
- Born in 1967



Mr. Willis Otieno
Ag. Manger Standards

- Master in Business Administration from Moi University
- BSc in Tourism Management from Moi University
- EAC Classification criteria Trainer
- Has wealth of experience in tourism policy, planning, regulation and standards gained in twenty years work career with Ministry of Tourism, Tourism Fund and TRA
- Born in 1972



Ms. Wilda Ombongi
Ag Regional Manager, Nairobi
Rep. Regional Offices

- Masters of Business Administration from University of Nairobi.
- BSC Tourism Management from Moi University.
- Member of the Institute of Directors.
- Over 20 years in tourism policy, regulation and standards gained from previous work in the Ministry of Tourism and TRA
- Born in 1972



Mr. Simon Kiarie
Ag. Manager, Trade Support
Services

- Pursuing PhD in Tourism Management in Kenyatta University
- Awarded Young Professional Capacity Building on public policy research and analysis in KIPPRA
- Holds MSc. IN Tourism Management from Surrey University, UK through British Chevening Scholarship Award
- Bachelor of Science in Tourism Management from Moi University
- Has twenty years' experience in tourism policy development, regulation and research under the Ministry of Tourism and TRA.
- Born in 1973



Mr. Mathuva, Ernest Sila
**Ag. Manager, Corporate Strategy,
Planning and Coordination**

- 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.
- Born in 1972



Ms. Nkatha Mugambi
Ag. Manager Finance

- Bachelor of Commerce degree – Finance Option
- Certified Public Account of Kenya , CPA(K)
- Post graduate Training in Tax Administration from Kenya School of Revenue Administration (on-going)
- Member of the Institute of Certified Public Accountants, ICPAK
- Diploma in Public Relation
- Certificate in Front Office Operations from Kenya Utalii College
- Born in 1980



Ms. Lucy Serem
Ag. Manager Human Resource

- Master's in Business Administration (Human Resource Management option) from Moi University.
- Bachelor of Commerce Degree (Business Administration and Management) from Daystar University.
- Higher Diploma in Human Resource Management from CHRM.
- Certificate in Counselling from CHRM.
- Member of the Institute of Human Resource Management.
- Born in 1969



Mr. Samson Ogwel
Ag. Head of Supply Chain
Management

- Masters of Science in Procurement & Logistics
- Bachelor of Arts in Economics
- Member Kenya Institute of Supplies Management (KISM)
- Diploma in Supplies Management.
- Born in 1974



Mr. Evan Gichuki
Ag. Head of ICT

- Masters of Science in Information Technology Management (on going)
- Bachelor of Information Technology
- Diploma in Computer Studies
- Born in 1979

IV. CHAIRMAN'S STATEMENT

This 2016/2017 Annual Report and Financial statements for Tourism Regulatory Authority comes at a time when the international tourism performance is showing signs for continued robustness that was recorded in 2016. International tourist arrivals worldwide grew by 6% in January-April of 2017 compared to the same period last year, with business confidence reaching its highest levels in a decade. Sustained growth in most major destinations and a steady rebound in others drove results. Prospects for May-August 2017 remain high. In Kenya, tourism sector had a remarkable recovery because of improved security and successful conference tourism in 2016. In addition, the sector benefited from aggressive marketing in the domestic and international markets.

During the 2016/2017 financial year, Tourism Regulatory Authority continued to implement programmes in line with its strategic plan and work plan. The activities have been aligned to UNWTO Year of Sustainable Tourism for Development as well as the national tourism aspirations in Vision 2030. Under the Vision, Tourism is an important pillar to attain the economic aspirations of 10 per cent per annum. In this respect, the sector aspires to be among the top ten long haul destinations globally offering consistent service to its customers.

TRA has played its role to ensure that the destination offers quality and consistent service through sector regulation. This has involved aggressive quality assurance measures to ensure improved and consistent service provision through regular inspections and classification of tourist establishments. To ensure inclusive and sustainable employment for poverty eradication, the Authority has continued to pursue several workforce improvement initiatives as well as facilitating duty waivers to attract tourist investments, vetting of work permit applications in the tourism sector, development of guidelines and standards for improvement of quality service delivery.

Tourism Regulatory Authority operated for sometime without a fully constituted board of Management and staff which slowed the Authority achievement of intended activities. TRA Board was fully constituted in 2016/17 financial year and acquired its own staff towards the end of the year.

I wish to thank the Director General and his team for their dedication, Ministry of Tourism for their support and cooperation, clients, stakeholders and other partners for their input towards achievement of TRA. My colleagues in the Board of Directors for the important and selfless input that has seen the organization grow to current levels.



.....
Sanel Nyule Ngumbao
CHAIRMAN

V. REPORT OF THE DIRECTOR GENERAL

Tourism has been identified as one of the major economic activities that will assist the Country to become a newly industrialized, middle income country providing a high quality of life to all its citizens in a clean and secure environment by 2030. Tourism Regulatory Authority (TRA) is a relatively new state corporation established under Tourism Act No. 28 of 2011 to regulate tourism industry in Kenya. The Authority was made operational in 2014 but initially operated without all the necessary structures that would ensure optimal operations prior to the 2016/17 financial year. The Authority operated under facilitation of the Ministry of Tourism in 2015/16. In 2016/2017, the Authority undertook various activities that led to full operationalization. These include operationalization of Corporate Support services of accounts and finance, human resource, audit and risk and procurement; development of the human resource policy and procedures manuals; developed and implemented the finance manuals and audit charter; developed the organizational structure, staffing levels and career progression guidelines and had them approved by State Corporation Advisory Committee (SCAC) and reviewed and finalized the Authority's Strategic Plan, 2014 – 2018. Towards the end of the financial year, the Authority employed its first batch of 51 staff by absorbing most of the deployed staff.

TRA mandate is in the core to achieving tourism sector's aspirations of providing quality and consistent tourism product and services that satisfy expectations of both internal and external guests. The Authority has also been working on programmes to ensure the product meet the ever changing tourist tastes and preferences and ensuring the destination remains competitive in the international arena. In this regard, Tourism Regulatory Authority implemented programmes in line with its strategic plan and work plan. Tourism is an important pillar to attain the economic aspirations of 10 per cent per annum. In this respect, the sector aspires to be among the top ten long haul destinations globally offering consistence service to its customers. TRA has played its role to ensure that the destination offers quality and consistent service through sector regulation. This being the first year the Authority is operating independently, there have been major achievements in this endeavour as well as challenges which have provided an important lesson as the Authority positions itself for its role in the tourism sector.

During the period, the Authority ensured prudent management of available financial resources and in facilitation of smooth operation of all departments/Units of the Authority. The Authority complied with set budgetary levels by ensuring that funds were applied to the programmes for which they were appropriated and planned. The Authority utilized 71.0 % of the funds allocated. This low absorption could be attributed to delayed commencement of activities due to late disbursement of first and fourth quarters and delay in absorption of deployed staff.

During the 2016/17 FY, TRA targeted to collect Kshs. 100 Million as revenue from license fees and penalties. The Authority collected Kshs. 94.3 Million through TRA account representing 94.3 % of the set target and additional Kshs 9.3 Million that was deposited in the Ministry Account.

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

To ensure the sector offers quality tourism product, the Authority inspected 3,622 establishments out of the targeted 3,500 facilities nationwide. The Authority also conducted national classification exercise of tourism accommodation and catering establishments in Greater Nairobi and Lower Eastern Tourism Regions of the Country. This concluded the national classification exercise within the East Africa Community (EAC) deadline of October 2016. A total of 162 hotels and restaurants are now classified and graded in an exercise which involved public and private sector collaboration. To ensure consistency in service delivery, TRA has sensitized, educated and consulted stakeholders in development of various standards. During the financial year, the Authority developed the Tourism Sector Associations Regulations and presented a draft to the Cabinet Secretary for consideration and signing for gazettment. The Authority also developed Workforce Development and Training Accreditation Regulations and Guidelines; initiated the development of entertainment Standards, developed draft curriculum, examination and certification guidelines and Tour Guides Competency and Registration. The Authority also engaged industry stakeholders to improve on quality systems and consolidate classification experiences for the review of EAC classification criteria and Grading System.

The Tourism Act requires that an Annual Tourism Sector Status Report be prepared every year and presented to the Cabinet Secretary every year. TRA prepared and finalized the 2016 through multi-sectorial committee and had input of all main stakeholders in the sector.

To facilitate ease of doing business, the Authority had committed to process applications and recommendations forwarded to the Department of Immigration Services within three (3) days of approval by the Vetting Committee. A total of 483 applications were processed between July 2016 and June 2017 out of which 334 were for employees (class D) and 149 were for investors (Class G). During the year, a total of 225 applications were renewals while 248 were new.

The Authority processed a total of 88 applications for recommendations for custom duty exemptions in accordance with the EAC Custom Management Act 2004 between July 2016 and June 2017. The total cost of items exempted was KShs.485m with an approximated value of exemption of KShs. 97 Million.

During the year, the Authority commenced refurbishment of TRA offices and purchase of motor vehicle. This was however not finalized in time due to delay in disbursement of funds. The Authority also implemented the procurement budget, undertook inventory of Tourism Regulatory Authority's assets and property.

To enhance the use of ICT management and regulation of the tourism sector the Authority is on course in Enterprise Resource Planning (ERP) implementation. In this regard, we have procured the application infrastructure and engaged a ERP consultant to guide in automating all the Authority operations including facilitating online licensing and development of an online tourism enterprises directory. The Authority will continue to implement various activities and strategies initiated in the financial year. We will continue to engage stakeholders to develop and implement industry friendly regulations that will improve the destination competitiveness.

In conclusion, I wish to thank the stakeholders for their unwavering support during the time when TRA is putting up systems to serve them even better and the staff for their hand work to achieve the planned targets. I also wish to appreciate the Ministry of Tourism for their guidance and direction. I also wish to appreciate the Board of Directors for their support and guidance that has seen the Authority establish this far. I wish to assure our stakeholders and clients of our support and engagement as we endeavour to sustainably develop the tourism sector.



.....
Kipkorir Lagat

DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

Tourism Regulatory Authority has endeavoured to incorporate public sector values and ethics including shareholders views in its policies, practices and strategies. TRA governance policies have seen the re-focusing on a governance framework to ensure commitments to good corporate governance, strengthening of board and management accountability with the aim of building the public confidence. To incorporate stakeholder views, the Authority has incorporated both private and public stakeholders in its committees and functions. This includes work permit vetting committee, Annual Status Report Compilation Committee as well as adhoc Committees on regulations and standards development among others.

The Authority is governed by a Board of the Authority. The Chairperson of the Board was appointed in October 2016 making the Board fully constituted after the other members were appointed in 2015. The Board's main objective is to establish and monitor the strategic direction of the entity in ensuring competent management of the business by establishing and overseeing that there are adequate internal control systems. They also monitor compliance with laws and regulations. All directors have a fixed tenure of office and are required to retire at least every three years with a provision for re-appointment.

The TRA Board signed Board Charter which defines the Board's roles and responsibilities as well as functions and supports the directors in carrying out their strategic oversight function. The key components of the Board Charter are terms of reference of the Board; Independence of Directors; Authorities of the Board and its' structure; the Terms of Reference of the Chairman of the Board and those of the Director General; procedures for dealing with related Authority issues and Board committees and their Terms of Reference.

During the year under review, the Board held four regular and four (4) special board meetings. The board operated with four Board Committees in line with the Mwongozo Guidelines. The Committees of the board met a total of 17 times during the financial year distributed as follows: Finance and Administration Committee (5); Licensing Committee (5); Standards and Quality Assurance (4) and Audit Committee (4). The Board participated in the following activities:-

- Breakfast meeting with Cabinet Secretary, 21st July 2016;
- Tourism stakeholders consultative forum and issue of classification plaques in North Rift and western Region, 18th and 19th October 2016;
- Retreat on operationalization of Human resource manuals, 4th and 5th November 2016;
- Board inaugural meeting with Cabinet Secretary, 14th November 2016;
- Board Chairman staff meeting and briefing sessions, 14th and 16th November 2016;
- Board/management retreat for review of the TRA strategic plan; 21st – 25th November 2016;
- Induction for Boards of state corporation on Mwogonzo code of governance, 6-8th February 2017;
- Job evaluation clinics for service and regulatory state corporations, 13th February 2017;
- Corporate governance course, 20th -24th February 2017
- Signing of performance contract, 27th March 2017.

The Authority became fully operationalised after securing autonomy in support services in finance, accounts, procurement and human resource management in the second quarter of the year under review. It also acquired the first lot of its own staff in June 2017, after absorption of 53 of the deployed staff.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Overview Performance

During the F/Y 2016/2017, the Authority implemented programmes in line with its strategic plan and work plan that was in line with the national tourism aspirations as envisaged in Vision 2030. Under the Vision, Tourism is an important pillar to attain the economic aspirations of 10 per cent per annum. In this respect, the sector aspires to be among the top ten long haul destinations globally offering consistence service to its customers.

In this regard, TRA has played its role to ensure that the destination offers quality and consistent service through sector regulation. This has involved aggressive quality assurance measures to ensure improved and consistent service provision through regular inspections and classification of tourist establishments.

To ensure inclusive and sustainable employment for poverty eradication, the Authority has continued to pursue workforce improvement initiatives that are geared to achieving competent work force by regulation of curricula, tourism training and certification in collaboration with the Ministry of Education. To improve the product quality, the Authority continued to facilitate duty waivers for tourist investments. To ensure employment opportunities for locals, the Authority has been implementing government policies to ensure employment opportunities are available to locals through vetting of work permit applications in the tourism sector before recommending the applications to the Department of Immigration for consideration.

Operational and Financial Performance

TRA operations and financial responsibilities are overseen by the Board of Directors. The operations are guided by an approved annual budget that is based on programs whose performance is monitored through key outputs / outcomes and the performance Contract. The budget is informed by detailed work plans that translate into annual procurement plan.

The operational performance is monitored on a quarterly basis through the quarterly reports. These helps with continuous evaluation of the overall financial performance and achievement of its general mandate.

Entity Compliance with Statutory Requirements

TRA endeavour's in adhering to all statutory requirements. Currently the Authority has complied with filling its monthly statutory obligations in relations to PAYE and WITHOLDING TAXES. Also under the PC, its complied with the reporting as required such as declaration of Assets to Unclaimed Financial Asset Authority. The Authority has no outstanding statutory obligation.

Key Projects and Investment Decision the Entity Is Planning/ Implementing

During the F/Y 2016/2017 TRA has implemented one project on Refurbishment of Offices and Procurement of Motor Vehicles. The project was 100% funded by the National Treasury. Refurbishing of the offices was key for the Authority in creating a sustainable working environment for its staff and clients while the purchase of vehicles will help in execution of its core mandate which has enhanced quality of service among tourism facilities and wide coverage across the country. During F/Y 2017/18 the Authority has planned to carry out a project on Tourism Enterprise wide Management System. This project will improve the ease of doing business in the tourism sector and enhance revenue management process.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

TRA CSR responsibility is based on the best interest of the society at large. TRA recognizes that organizations need to go beyond their private interests to the communities they serve. The corporate social responsibility framework targets the employees, clients, shareholders and society at large in regard to the TRA's efforts towards giving back to the communities in which we serve. The CSR activities of the Authority entailed strategies in building of relationships and partnerships through working together with the aim of building a healthier well-being Kenya. Tourism Regulatory Authority being at its inception CSR programmes targeted mainly stakeholder activities that could be afforded by the available resources.

Tourism Regulatory Authority has incorporated public sector values and ethics including shareholders views in its policies, practices and strategies. To incorporate stakeholder views, the Authority has incorporated both private and public stakeholders in its committees and functions. This includes work permit vetting committee which involved monthly stakeholder meetings to deliberate the applications with a view of giving recommendations to only deserving applicants. Similar approaches were applied in Annual Status Report Compilation as well as other Committees on regulations and standards development among others. These committees includes stakeholder classification and standardization committee that among others held meetings to

To ensure well informed and supportive public and private sector stakeholders, the Authority has engaged stakeholders various issues relating to tourism regulation in the country. Some of these include Stakeholder workshops held in North Rift and Western Circuits to educate stakeholders on quality management systems. During the events, classified establishments in the region were also offered classification plaques and certificates as a mark of quality and service level procured by the Authority. Other stakeholder forums organised in the year include regional workshops to review of classification criteria that were held in all major tourist regions in the country. The Authority also organised a week long stakeholder sensitization and education forums in Lamu and Garissa Counties on classification and quality assurance in hospitality industry.

The Authority in the year under review undertook customer satisfaction survey with a view to identifying areas in which to undertake the CSR for F/Y 2017/2018 and continues to pass information to the stakeholders through regular update of information in its website www.tourismauthority.go.ke

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2017 (first year of operations) which show the state of the *entity's* affairs.

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.

Results

The results of the entity for the year ended June 30, 2017 are set out on page 1 to 4.

Directors

The table below summarises the members of the Board of Directors who served during the year under review.


No	Name	Position	Date
1.	Mr. Sammy N. Ngumbao	Chairman	21 st Oct 2016 – to date
2.	Mrs. Joyce M. Nderitu	Independent Director	2 nd Oct 2015 – to date
3.	Ms. Caroline Bello	Independent Director	2 nd Oct 2015 – to date
4.	Mr. Paul Leringato, HSC	Independent Director	2 nd Oct 2015 – to date
5.	Mrs. Roselyn C. Lang'at	Independent Director	2 nd Oct 2015 – to date
6.	Mr. Mike Macharia	Independent Director	2 nd Oct 2015 – to date
7.	Dr. Modercai Ogada	Independent Director	2 nd Oct 2015 – to date
8.	Margaret M. Byama (Mrs.), HSC	Alternate to PS, Tourism	8 th Aug. 2016 – to date
9.	Mr. Jamshed Ali	Alternate to PS, Planning and Statistics	17 th March 2016 to date
10.	Mr. Kinyumu Mutinda	Alternate to CS, National Treasury	Nov 2015 to 5 th Jan 2017
11.	Mr. Edward Wamweya	Alternate to CS, National Treasury	5 th Jan 2017 – to date
12.	Mr. Peter L. Leitoro, OGW	Alternate to PS, Environment & Natural Resources	20 th Nov 2015 to date

During the period, Mr. Mutinda Kinyumu was replaced by Mr. Edward Wamweya with effect from 5th January 2017 as Alternate to Cabinet Secretary, National Treasury

Auditors

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

By Order of the Board.



Kipkorir Lagat
Director General

Date: 21/03/2018

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, Cap. 446 require the Directors/Accounting Officer / CEO to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) which ended on June 30, 2017. This responsibility includes:

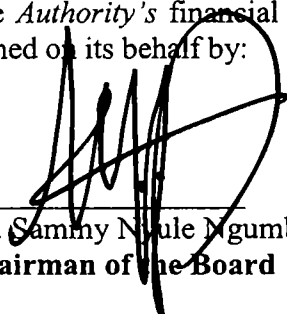
- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the *entity*;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Section 14. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Authority's* financial statements were approved by the Board on 27th September, 2017 and signed on its behalf by:


Mr. Sammy Njule Ngumbao
Chairman of the Board


Kipkorir Lagat
Director General

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TOURISM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Tourism Regulatory Authority set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tourism Regulatory Authority as at 30 June, 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act, No.28 of 2011.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Emphasis of Matter section of my report, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Tourism Regulatory Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Resource Enterprise Management System

Revenue reports availed for audit review indicate that there is no standard method of reporting for revenue collected in regional offices as some regional offices report monthly and others quarterly. The license fees are deposited directly into the Kenya Commercial Bank (KCB) account by the clients and the slips forwarded to various regions for receipting

Report of the Auditor-General on the Financial Statements of Tourism Regulatory Authority for the year ended 30 June 2017

and license issuance. With the current system it is difficult to determine which client has deposited funds in the KCB Account unless the bank slip is availed in the regional office.

This, therefore, leads to the Authority having an unaccounted for deposits in the KCB account. For instance, the bank reconciliation statement for KCB Revenue Account as at 30 June 2017 reflects an amount of Kshs.2,707,058 debits in bank statement not in cashbook. This amount relates to deposits made by clients for licenses but have not presented their deposit slips to the TRA Regional offices. This amount was, therefore, not accounted for in the books of the Authority because the source was not known.

Consequently, the Authority should invest in an integrated resource enterprise management system where all the establishments are listed and license records updated to know establishments which have paid or not, and penalties regularly updated.

My opinion is however not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current year. Except for the matters described in the Emphasis of matter section of my report, there were no Key Audit Matters to report in the year under review.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 sustaining 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 sustaining 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 control that are identified during the audit.

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



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

Nairobi

27 March 2018

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017

REVENUE	Note	2016/2017	2015/2016
		Kshs.	Kshs.
Revenue from non-exchange transactions			
License Fees	4	103,697,237	-
Governments - grants	5	<u>211,000,000</u>	-
Total Revenue		<u>314,697,237</u>	-
Revenue from exchange transactions			
Rendering of services (Grading of establishments)	6	<u>500,000</u>	-
Total revenue		<u>315,197,237</u>	-
EXPENSES			
Employee costs	7	20,412,968	-
Board Expenses	8	16,284,563	-
Depreciation & Amortization expense	9	421,374	-
Repairs and maintenance	10	2,273,787	-
General expenses	11	97,081,766	-
Finance costs	12	<u>142,131</u>	-
Total expenses		<u>136,616,589</u>	-
 Surplus for the period		 178,580,678	 -

The notes set out on pages 7 to 20 form an integral part of these Financial Statements

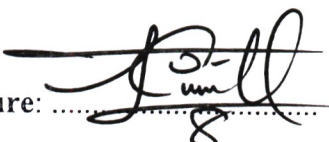
**XII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2017**

ASSETS	Note	2016/2017 Kshs.	2015/2016 Kshs.
Current assets			
Cash and cash equivalents	13	164,183,213	-
Receivables from non - exchange transactions	14	864,023	-
Inventories	15	969,929	-
Accrued Income	16	<u>9,342,796</u>	-
Total Current Assets		<u>175,359,961</u>	-
Non-current assets			
Property ,plant and equipment	18	19,989,743	-
Intangible assets	19	<u>22,400</u>	-
Total Non-current assets		<u>20,012,143</u>	-
Total Assets		195,372,104	-
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	17	11,629,466	-
Deferred Income	20	133,781,831	-
Employee benefit obligation	21	<u>5,161,990</u>	-
Total liabilities		<u>150,573,287</u>	-
Net assets			
Accumulated Fund (surplus)	22	<u>44,798,817</u>	-
Total net assets		<u>44,798,817</u>	-
Total Net Assets & Liabilities		195,372,104	-

The notes set out on pages 7 to 20 form an integral part of these Financial Statements

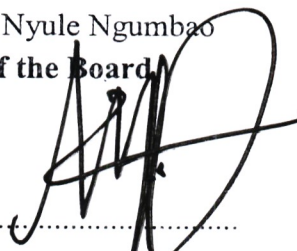
The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

Mr. Kipkorir Lagat
 Director General

Signature: 

Date: 21/03/2018

Mr. Sammy Nyule Ngumbao
 Chairman of the Board

Signature: 

Date: 21/03/2018

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017

	Capital Reserve	Deferred Income	Accumulated Surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1st July, 2016	-	-	-	-
Deferred Income		133,781,831	-	133,781,831
Accumulated fund (Surplus)	-	-	44,798,817	44,798,817
Balance as at 30th June, 2017	-	133,781,831	44,798,817	178,580,648

The notes set out on pages 7 to 20 form an integral part of these Financial Statements

XIV. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2017

STATEMENT OF CASHFLOWS	Note	2016/2017 Kshs.	2015/2016 Kshs.
Surplus (Deficit) for the period		178,580,648	-
<u>Adjustments For:</u>			
Depreciation & Amortization	9	421,374	-
Operating Profit before working capital changes		<u>179,002,022</u>	=
(Increase) Decrease in receivables from non-exchange transactions	14	(864,023)	-
(Increase) Decrease in Inventory	15	(969,929)	-
Increase (Decrease) in Trade and other payables	17	11,629,466	-
Increase (Decrease)Employee benefit Obligation	21	5,161,990	-
Increase (Decrease) in Accrued income	16	<u>(9,342,796)</u>	-
Net Cash used in Operating Activities		<u>184,616,730</u>	=
Cash flow from investigating activities			
Purchases of Fixed Asset (P.P & E)	18	(20,405,517)	-
Purchase of Intangible Asset	19	<u>(28,000)</u>	-
Net Cash flow from investing Activities		<u>(20,433,517)</u>	=
Cash flows from Financing Activities			
Proceeds from borrowings		-	-
Increase in deposits		-	-
Cash flows from investing activities		=	=
Net increase/(decrease) in cash and cash equivalents		164,183,213	-
Cash and cash equivalents at the start of the year		-	-
Cash and cash equivalents at the end of the year	13	164,183,213	-

The notes set out on pages 7 to 20 form an integral part of these Financial Statements

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017

STATEMENT OF BUDGET AND ACTUAL COMPARISON

	ORIGINAL BUDGET 2016-2017 KShs.	ADJUSTMENTS 2016-2017 KShs.	FINAL BUDGET 2016-2017 KShs.	ACTUAL ON COMPARABLE BASIS 2016-2017 KShs.	PERFORMANCE DIFFERENCES 2016-2017 KShs.
REVENUES					
Licenses Fee & Arrears	80,000,000	15,000,000	95,000,000	103,697,237	8,697,237
Government grants and subsidies	181,000,000	30,000,000	211,000,000	77,218,169	133,781,831
Rendering of services	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	
Total income	<u>261,000,000</u>	<u>45,500,000</u>	<u>306,500,000</u>	<u>181,415,406</u>	<u>142,479,068</u>
EXPENSES					
Compensation of employees	65,503,373	30,000,000	95,503,373	20,412,968	75,090,405
Goods and services	110,259,427	15,500,000	125,759,427	75,031,888	49,094,268
Finance cost	1,000,000	-	1,000,000	142,131	857,869
Rent paid	24,237,200	-	24,237,200	23,321,785	915,415
Other payments (Capital Projects)	<u>60,000,000</u>		<u>60,000,000</u>	<u>17,707,817</u>	<u>42,292,183</u>
Total expenditure	<u>261,000,000</u>	<u>45,500,000</u>	<u>306,500,000</u>	<u>136,616,589</u>	
Surplus for the period				<u>44,798,817</u>	

Budget Notes

- i. Under IPSAS 24:14 - The difference between the budgeted and Actual amount of the budget arose as a result of delay in getting approvals for the Authority to recruit its own staff .As a result the absorption of staff was implemented in June, 2017 instead of January 2017 as planned and budgeted . This caused the difference of Kshs. 75,090,405 under P.E vote. The other difference was due to late release of grants hence commitment was not possible. However for the items under which the process of implementation had been initiated, the funds attributable to such items has been accounted for under deferred income.
- ii. Under IPSAS 24:29 – The difference between the original and final budget was as a result of re-allocation of funds under Supplementary 1 budget to cater for the Personnel Emoluments of the Authority by Kshs 30Million and revised A.I.A collection by Kshs. 15.5Million to address the short falls in various votes and also to enhance facilitation for the activities under the regulation and enforcements of the standards.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. ADOPTION OF NEW AND REVISED STANDARDS

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

N/B: TRA is a newly established entity whose first year of operation was F/Y 2016/17

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) The entity adopted IPSAS in the year ended 30 June 2017 being the first financial statements prepared by the entity and therefore provisions of first time adoption of accrual basis applies to the entity.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply/ the entity is a parent company and has prepared consolidated financial statements and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply/ the entity has prepared consolidated financial statements
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) The entity does not have investments in associates or joint ventures
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) The entity does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) The entity does not have an interests in other entities and therefore the standard does not apply.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

- iii. Early adoption of standards

The entity did not adopt any new or amended standards in year 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition IPSAS 23

License Fees

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

Grants from Government of Kenya

This is in respect of assistance from the Government of Kenya through the Ministry of Tourism. It is recognized as revenue when received. Where the fund receives an official commitment from the government or timing differences occur between the time the Government sends the funds and actual receipt, the grants are accrued / deferred.

b) Budget information IPSAS 24

The original budget for FY 2016-2017 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of 45,000,000 on the 2016-2017 budget following the governing body's approval.

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV Page 5 of these financial statements.

c) Taxation

Tourism Regulatory Authority is exempt from income taxes under the income Tax Act.

d) Property, plant and equipment IPSAS 17

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.

Property, plant and equipment are depreciated on a reducing balance basis over their estimated useful lives at the following rates:

Motor vehicles	:	25%
Furniture and Fittings	:	12.5%
Office Equipment	:	12.5%
Computers and accessories	:	33.33%
Motor cycles	:	25%

A full year's depreciation is charged in the year of acquisition and none is charged in the year of disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Intangible assets IPSAS 31

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.

f) Inventories IPSAS 12

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.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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 Entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) 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.

h) Employee benefits IPSAS 25

Retirement benefit plans

The Authority provides retirement benefits for its employees in a Defined Contribution Plan. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), 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.

i) Related parties – IPSAS 20

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 Authority, or vice versa. Members of key management are regarded as related parties and comprise the Director General, Senior Managers, Chairman and Directors. There were no related party transactions for the year under review apart from remuneration for the employment services rendered to the Fund.

j) Cash and cash equivalents

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

k) Comparative figures

This being the first year the Authority is preparing its Financial Statements, there are no comparative figures for comparison.

l) Significant judgments and sources of estimation uncertainty - IPSAS 1

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. No significant judgements have had to be made by the Directors in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Estimates and assumptions IPSAS 1.140

There were no key assumptions concerning the future and any uncertainty circumstance at the reporting date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The entity is estimated and expected to operate into the foreseeable future.

n) Useful lives and residual values

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

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

o) Subsequent events IPSAS 14

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, 2017.

p) Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of Tourism. Its ultimate parent is the Government of Kenya.

q) Currency

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

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Licenses Fees

	2016/2017
Description	Kshs.
License Fees	103,697,237

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. Under this year Kshs. 9,342,796/= was accrued revenue deposited under the Ministry of Tourism Account and transferred to TRA account on 06-07-2017

5. (a) Government Grants

	2016/2017
Description	Kshs.
Recurrent Grant	151,000,000
Development Grants	<u>60,000,000</u>
Total Grants	<u>211,000,000</u>

(b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs.	Amount deferred Kshs.	Total grant income during the F/Y Kshs.	Cumulative transfers to date Kshs.
Ministry of Tourism	77,218,169	133,781,831	211,000,000	211,000,000

6. Rendering of Services

	2016/2017
Description	Kshs.
Grading of establishments	500,000

This is revenue realised from Tourism facilities that requires to be assessed and graded as provided under the EAC criteria. Currently under the 9th schedule of Tourism Act only class A & B facilities are being graded and a fee of Kshs 50,000/= is chargeable as provided under the TRA regulations.

7. Employee Cost

	2016/2017
Description	Kshs.
Salary and Wages	17,860,461
Employee related cost to Pension & Medical	<u>2,552,507</u>
Total Employee Cost	<u>20,412,968</u>

This is the total expenses incurred under PE vote for payments of Top-Up allowances to the Deployed staff up to May, 2017 and Salary for the absorbed staff for the month of June, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Board Expenses

Description	2016/2017 Kshs.
Chairman Honorarium & Airtime	622,000
Directors Emoluments (Sitting All)	7,334,638
Other Allowances	<u>8,327,925</u>
Total Board Expenses	<u>16,284,563</u>

9. Depreciation & Amortization Expenses

Description	2016/2017 Kshs.
Property plant & Equipment	415,774
Intangible Assets	<u>5,600</u>
Total Depreciation & Amortization	<u>421,374</u>

The depreciation for the PPE was provided based on the approved policy rates for the Authority as provided under Page 9 & 10 of the Notes to the Financial Statements and Schedule of the PPE also provided under Page 17 & 18.

10. Repair & Maintenance

Description	2016/2017 Kshs.
Property	163,785
Equipment	295,280
Vehicles	<u>1,814,722</u>
Total Repairs & Maintenance	<u>2,273,787</u>

The Authority inherited various asset from the Ministry of Tourism, most of which their useful lives have been exhausted and due to the insufficient budget allocations, the Authority is currently servicing these assets to enable it carry out its operations as mandated.

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General Expenses

Description	2016/2017 Kshs.
Utilities	181,277
Communication Expenses	892,670
Travelling & Subsistence	30,309,325
Advertising & Publicity	1,020,215
Corporate Expenses	4,689,000
Newspapers & Periodicals	462,319
Tourism Standards	10,461,050
Rent & Rates	23,321,784
Printing & Stationery	2,389,217
Hospitality Services	1,855,781
Temporary Committee	530,000
Cleaning Services	203,525
Internet Services	549,575
Quality Assurance	12,071,115
Fuel, Oil & Lubricants	252,362
TRA Automation Expenses	290,400
Annual Tourism Status Report	3,430,650
Staff Development & Welfare	1,302,500
Professional Services	1,862,000
Insurances	<u>1,001,000</u>
Total General Expenses	<u>97,081,766</u>

12. Finance Cost

Description	2016/2017 Kshs.
Bank Charges & Commissions	142,131

13. (a) Cash & Cash Equivalents

Description	2016/2017 Kshs.
Current Accounts	163,927,352
Other (Cash in Hand)	<u>255,861</u>
Total Depreciation & Amortization	<u>164,183,213</u>

(b) Current Accounts

Financial Institution	2016/2017 Kshs.
Kenya Commercial Bank	3,854,440
Co-operative Bank of Kenya Ltd	<u>160,072,912</u>
Total Depreciation & Amortization	<u>163,927,352</u>
Cash in Hand	255,861

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Receivable from Non- Exchange Transactions

	2016/2017
Description	Kshs.
Deposits with National Oil (Prepaid Fuel Cards)	773,023
Prepaid Airtime for Chairman	<u>91,000</u>
Total Current Receivables	<u>864,023</u>

15. Inventories

	2016/2017
Description	Kshs.
Consumable Stores	969,929

16. Accrued Income

	2016/2017
Description	Kshs.
Accrued Revenue (From Licenses)	9,342,796

This relates to licence fees deposited in the Ministry of Tourism bank account for the FY 2016/17

17. Trade & Other Payables from Exchange Transaction

	2016/2017
Description	Kshs.
Trade Payables (Merchants)	5,554,070
Accruals	<u>6,075,396</u>
Total Trade & other Payables	<u>11,629,466</u>

Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Property Plant & Equipment's

	Computers	Plant and Equipment	Capital Work In Progress	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2015	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At June 2016	-	-	-	-
Additions	377,700	2,320,000	17,707,817	20,405,517
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
At end of year - June 2017	377,700	2,320,000	17,707,817	20,405,517
Depreciation and impairment				
At 1 July 2015	-	-	-	-
Depreciation	-	-	-	-
On Disposals	-	-	-	-
Impairment	-	-	-	-
At 30 June 2016	-	-	-	-
Depreciation	125,774	290,000	-	415,774
On Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
At 30 June 2017	125,774	290,000	-	415,774
Net book values				
At 30 June 2017	251,926	2,030,000	17,707,817	19,989,743

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Intangible Asset

Description	2016/2017 Kshs.
Cost At the beginning of the year	-
Additions	<u>28,000</u>
At the end of the year	<u>28,000</u>
Amortization & Impairment	
At the beginning of the year	-
Amortization	<u>5,600</u>
At the end of the year	<u>5,600</u>
Net Book Value	<u>22,400</u>

20. (a) Deferred Income

Description	2016/2017 Kshs.
National Government Grants	133,781,831

(b) Deferred Income movement is as follows;

	National Government	International Funders	Contributions & Donations
Balance b/f	-	-	-
<u>Additions</u>			
Transfer from Income Statement	133,781,831	-	-

The Deferred Income relates to fund transferred from the Income statement under government grants to the Deferred Income Account. These grants relate to money received in the financial year under review, where by utilization was not possible due to the late release of the funds and also the necessary approvals such as recruitment.

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Employee Benefit Obligation

	Define Benefit Plan	Post Employments	2016/2017 Others Kshs.
Salary for June 2017	-	-	3,488,162
Top Up Allowance	-	-	<u>1,673,828</u>
Total Current Benefit Obligation			<u>5,161,989</u>

22. Accumulated Fund

Description	2016/2017 Kshs.
Balance b/f	
Add Surplus (Deficit) for the year	44,798,817
Prior Year Adjustments	-
Total Accumulated Fund	<u>44,798,817</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XVII. RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Break down of Transfers from the Ministry of Tourism FY 2016/17

ENTITY NAME: TOURISM REGULATORY AUTHORITY

a. Recurrent Grants

	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate.</u>
1 st Quarter Grants	19-09-2016	30,250,000	2016/2017
2 nd Quarter Grants	09-11-2016	30,250,000	2016/2017
3 rd Quarter Grants	12-04-2017	30,250,000	2016/2017
4 th Quarter Grants	23-06-2017	60,250,000	2016/2017
	Total	151,000,000	

b. Development Grants

	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate.</u>
1 st Quarter Grants	14-10-2016	15,000,000	2016/2017
2 nd Quarter Grants	09-11-2016	15,000,000	2016/2017
3 rd Quarter Grants	19-04-2017	15,000,000	2016/2017
4 th Quarter Grants	23-06-2017	15,000,000	2016/2017
	Total	60,000,000	

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