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**REPORT  
OF  
THE  
AUDITOR-GENERAL**

**ON**

**FINANCIAL STATEMENTS  
OF TOURISM TRUST FUND FOR YEAR  
ENDED 30 JUNE 2009**



**TOURISM TRUST FUND**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**1<sup>ST</sup> JULY 2008**

**TO**

**30<sup>TH</sup> JUNE 2009**

**TOURISM TRUST FUND  
TRUSTEES' REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD 1<sup>ST</sup> JULY 2008 TO 30<sup>TH</sup> JUNE 2009**

CONTENTS	PAGE
Trust Information	1
Report of the Trustees	2
Statement of Trustees' Responsibilities	3
Report of the Auditor General	4
Balance Sheet	5
Income and expenditure Account	6
Cash Flow Statement	7
Notes to the Financial Statements	8 - 14

**TOURISM TRUST FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD 1<sup>ST</sup> JULY 2008 TO 30<sup>TH</sup> JUNE 2009**

PRINCIPAL PLACE OF BUSINESS

British American Centre  
Mara/Ragati Roads  
P. O. Box 5018- 00200  
00200 NAIROBI

REGISTERED OFFICE

British American Centre  
Mara/Ragati Roads  
P. O. Box 5018- 00200  
00200 NAIROBI

BANKERS

Commercial Bank of Africa Limited  
Mara & Ragati Roads, Upperhill  
P. O. Box 30437 - 00100  
NAIROBI

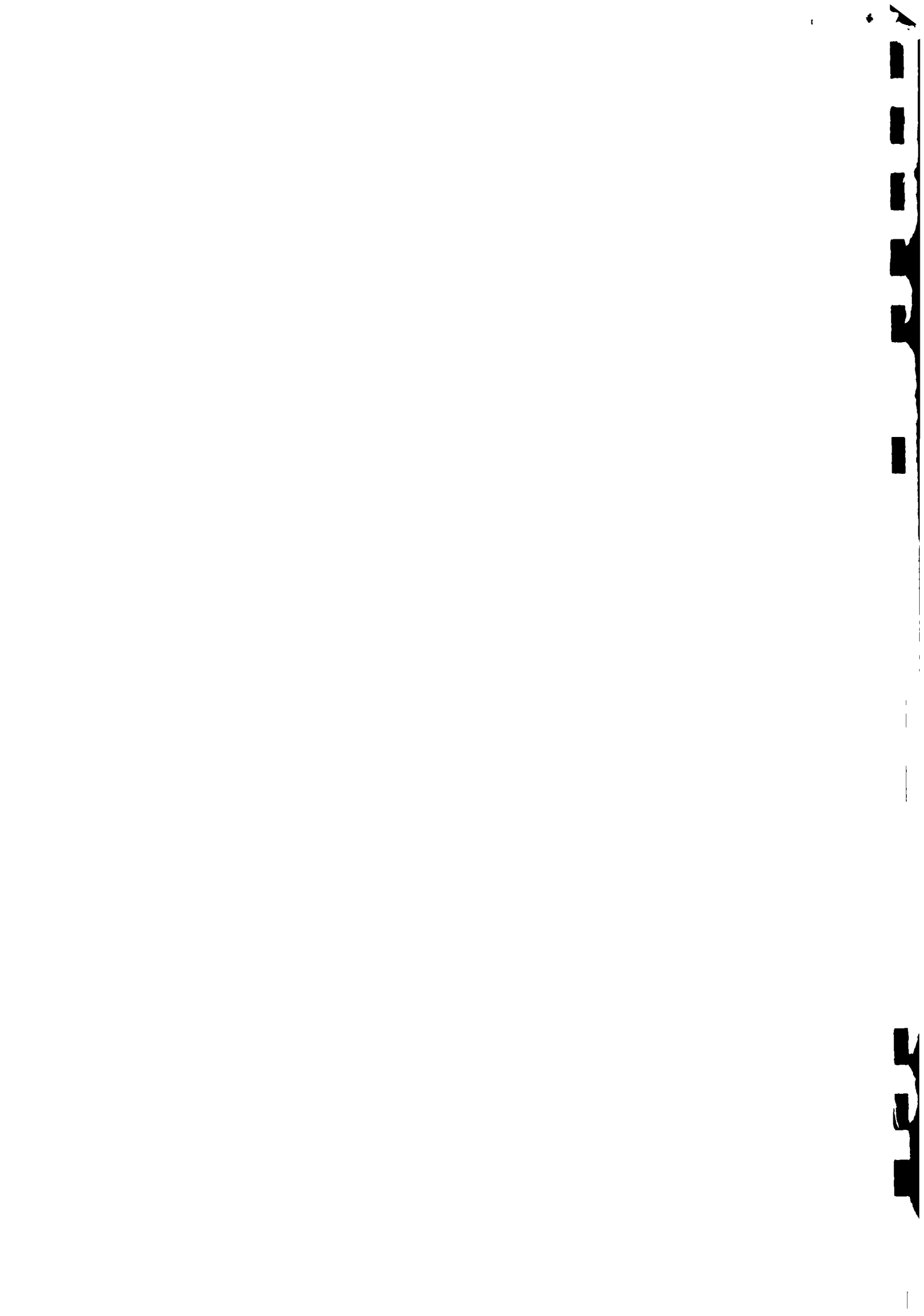
AUDITORS

Auditor General  
Kenya National Audit Office  
P. O. Box 30084 - 00100  
NAIROBI

MANAGEMENT

Sammy Kibet  
Lucy Getange  
Catherine Mwaura - Muya  
Caroline Gaita  
  
Jacqueline Ouko

Chief Executive  
Finance Manager  
Head of Tourism Development  
Head of Administration and Corporate  
Affairs  
Head of Business Advisory Services



**REPORT OF THE TRUSTEES  
FOR THE PERIOD 1<sup>ST</sup> JULY 2008 TO 30<sup>TH</sup> JUNE 2009**

The Trustees submit their report and the audited financial statements for the period 1<sup>st</sup> July 2008 to 30<sup>th</sup> June 2009 which show the state of the Trust's affairs.

**1. PRINCIPAL ACTIVITIES**

The Trust was set up with the objective of contributing towards poverty reduction and private sector growth in Kenya through the maximisation of the economic and social benefits of tourism, while ensuring a sustainable use of natural resources and optimisation of tourist satisfaction.

**2. RESULTS**

The results for the year are set out on page 4.

**3. TRUSTEES**

The Trustees who served during the year and to the date of this report were:-

Ms Lucy Kambuni	- Chairperson & Trustee representing Legal Sector
Mr. J Bogonko	- Trustee, representing PS, Ministry of Tourism
Mr. David Komen	- Trustee, representing PS, Ministry of Finance
Ms Lucy Karume	- Trustee, representing Kenya Tourism Federation
Mr. James Ndung'u	- Trustee, representing Sector related NGOs
Mr. Douglas Pinto	- Trustee, representing Financial Sector
Ms. Jane Kiringai	- Trustee representing the EU (up to 30 <sup>th</sup> Dec. 2008)

**4. AUDITORS**

The Auditor General is responsible for the statutory audit of the Fund's books of account in line with the Public Audits Act 2003.

By Order of the Board



Trust Secretary

17/12/2012 ..... Date

**TOURISM TRUST FUND  
STATEMENT OF TRUSTEES' RESPONSIBILITIES  
ON THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1<sup>ST</sup> JULY 2008 TO 30<sup>TH</sup> JUNE 2009**

The Board of Trustees is required to prepare financial statements for each financial year which, give a true and fair view of the state of affairs of the Trust as at the end of the financial year and of its operating results for that year. The Board is also required to ensure the Trust keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust. They are also responsible for safeguarding the assets of the Trust.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Act. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Trust and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The EU funding term, which ran for a period of five years (2002 - 2007 with a one year extension to December 2008) came to an end. The period under review therefore runs through six months during which TTF was funded by both EU and Treasury (July to December 2008) and six months when TTF received funds solely from Treasury.

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

  
.....  
TRUSTEE

  
.....  
TRUSTEE

20/12/10 ..... Date





## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TOURISM TRUST FUND FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accompanying Financial Statements of the Tourism Trust Fund as set out at pages 5 to 14, which comprise the Balance Sheet as at 30 June 2009, the Income Statement and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Section 7 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Responsible of the Auditor General**

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with the a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. An audit also include evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by the Management as well as evaluating the overall presentation of the financial statements.

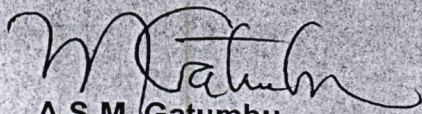
I believe the evidence obtained is sufficient and appropriate to provide a basis for my opinion.

### **Late Submission of Financial Statements**

The financial statements of the Tourism Trust Fund for the year ended 30 June 2009 were submitted on 19 May 2010, over seven (7) months after the due date of 30 September 2009, contrary to the Public Audit Act, 2003. No reason has been provided for the delay in submission of the statements.

### **Opinion**

Except for the foregoing reservation, in my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Exchequer and Audit (Tourism Trust Fund) Regulations, 2001.

  
**A.S.M. Gatumbu**  
**AUDITOR GENERAL**

**Nairobi**

**11 January 2011**



Tourism Trust Fund

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2009**

<b>INCOME</b>	<b>Notes</b>	<b>2008/9</b>
GOK Development Fund	9	40,000,000
European Development Fund (EDF)	10	25,840,936
Other Income	11	<u>465,437</u>
<b>Total Income</b>		<b><u>66,306,373</u></b>
 <b>EXPENDITURE</b>		
Staff Costs	12	39,729,748
Administrative Costs	13	10,613,882
Enabling Framework	14	8,994,456
Product Quality, Sustainability & Market Acceptability	15	<u>19,242,918</u>
<b>Total Expenditure</b>		<b>78,581,004</b>
Surplus/(Deficit)		(12,274,631)
Depreciation Charge for the year		(1,441,950)
Provision for Audit fee		(200,000)
<b>Net Surplus/(Deficit) for the year</b>		<b><u>(13,916,581)</u></b>

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

	Note	<b>2009 Kshs</b>
Net surplus		(13,916,582)
Adjustments for:-		
Depreciation		1,441,950
Interest received		(465,437)
Operating profit before working capital changes		(12,940,068)
Increase in trade and other debtors		(129,090)
Increase in trade creditors and accruals	16	(21,643,980)
<b>Net cash from operating activities</b>		<b>(34,713,138)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property, plant and equipment		(123,890)
Interest income		<u>465,437</u>
Net cash flow from investing activities		<u>341,547</u>
Net increase in cash and cash equivalents		(34,371,590)
Cash and cash equivalents at the beginning of the year	17	<u>61,933,723</u>
Cash and cash equivalents at the end of the year		<u>27,562,133</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**1. GENERAL INFORMATION**

Tourism Trust Fund (TTF) is a body corporate established under the Exchequer and Audit Act, Cap 412 through Legal Notice No. 47 of 21 February 2001.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting.

**b) Income**

Grants are recognised as income in the year received.

**c) Fixed assets and depreciation**

Fixed assets are stated at cost, less accumulated depreciation.

Depreciation is calculated on reducing balance basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Computers	33⅓%
Other office equipment	12½%
Furniture & fittings	12½%
Motor vehicles	25%

**d) Retirement benefit costs**

The Trust contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs 200 per employee per month.

The Trust's contributions to the above scheme are charged to the income and expenditure account in the year to which they relate.

**e) Employee entitlements**

Employee entitlements to gratuity are recognised when they accrue to employees and are paid at the end of the contract period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
FOR THE YEAR ENDED 30 JUNE 2009

3. **FIXED ASSETS**

	Land Kshs	Vehicles KShs.	Computers KShs.	Other Office Equipment KShs.	Furniture and Fittings KShs.	Total KShs.
Cost						
Acquisitions/donations As at 30 <sup>th</sup> June 2009	<u>45,000,000</u>	<u>6,760,000</u>	<u>4,116,717</u>	<u>1,474,778</u>	<u>3,238,519</u>	<u>60,590,014</u>
Depreciation	-	4,663,750	2,432,900	458,776	1,401,146	8,956,572
Brought forward						
Charge for the year	-	524,063	561,216	127,000	229,671	1,441,951
Total to 30 June 2009	=	<u>5,187,813</u>	<u>2,994,116</u>	<u>585,776</u>	<u>1,630,818</u>	<u>10,398,525</u>
<b>Net Book Value</b>						
At 30 June 2009	<u>45,000,000</u>	<u>1,572,187</u>	<u>1,122,601</u>	<u>889,002</u>	<u>1,607,701</u>	<u>50,191,491</u>

All the assets, other than land were acquired using funds received from the European Commission during the period under which TTF received EDF (European Development Fund) funds. The NBV of the total assets has been taken as part of the Capital Fund at the beginning of the period.

According to the rules under the Practical Guide to Procedure For Programme Estimates financed by the European Development Fund (EDF) and General General Budget of the European Communities (project approach), materials and Equipment financed by the EDF resources over successive programme Estimates remain the property of the project throughout its life and they must be used exclusively for carrying out activities provided for in the programme estimates.

In June 2008, TTF purchased two pieces of land in Mombasa, title numbers Sub-Div No 2119 (original no.1669/13) Section IMN (C.R. No. 14801) and Sub-Div No. 2120 (Original No. 1669/14) section IMN (C.R. No. 14802) whose acreage is 0.4974 and 0.5080 respectively. The cost of the land was Kshs. 45,000,000 (Kshs. 25,000,000 for division number 2120 and Kshs. 20,000,000 for division number 2119). The purpose of buying the land was for the development of a formal beach traders market in order to curb insecurity faced by the tourists, and to ensure only activities that are environmentally friendly take place along the beach thus ensuring conservation of the environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

4. **DEBTORS**

The amount of Kshs. 129,090 is made up of staff related travel imprests due as at June 30<sup>th</sup> 2009.

5. **BANK & CASH BALANCES**

This relates to the balance in the 2 bank accounts held at Commercial bank of Africa as follows:

Account No.	6534570016	26,819,655.95
	6534570021	<u>742,477.34</u>
<b>Total cash &amp; Bank Balance</b>		<b><u>27,562,133.29</u></b>

6. **CAPITAL FUND**

Since TTF has previously operated on a cash basis whereby any balance of funds at the end of the year were refunded back to the donor EDF, the Capital Fund of Kshs. 86,443,276 relates to Net Assets at the beginning of the year (1<sup>st</sup> July 2008) and the balance of funds as at that date as follows:

Bank balances in TTF bank accounts	36,163,854
Fixed Assets (Land)	45,000,000
Assets Other Equipment(NBV)	6,509,552
Creditors (Balance on land purchase)	(27,000,000)
Fund Balance on European Development Fund	<u>25,769,870</u>
<b>Total Capital Fund</b>	<b><u>86,443,276</u></b>

The amount of Kshs. 27,000,000 under creditors within the capital fund relates to balance payable for the purchase of land (beach plots). These plots were acquired in during the period 2007/8 and a down-payment of Kshs. 18,000,000 paid through the lawyers, Gor & Gor Advocates. The balance of Kshs. 18,000,000 was paid during the year under review.

7. **CREDITORS & OTHER ACCRUALS**

The amount of creditors and other accruals (Kshs. 5,012,977) is made up of Kshs. 1,848,174 being amounts due to former TTF staff members who left the organisation in September 2008, Kshs. 3,102,303 relates to amounts due relating to the EDF fund while Kshs. 62,500 relates to a stale cheque reversed.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
FOR THE YEAR ENDED 30 JUNE 2009

**8. STAFF ADVANCES**

This is made up of amounts due to staff members to whom reimbursement had not been made at the year end.

**9. GOK DEVELOPMENT FUND (40,000,000)**

This was the amount allocated and received by TTF from Treasury during the financial year 2008/9 under the Development Budget support, being contribution towards the annual Tourism Diversification and Sustainable Development Programme.

**10. EDF FUND INCOME (Kshs. 25,840,630)**

During the period January – December 2008, TTF received Kshs. 154,054,630. Kshs. 126,213,694 was received between January and June 2008 while the Kshs. 25,840,936 reflected in the current year's statement was received between July and December 2008 thus taken as income relating to the year under review.

**11. OTHER INCOME (Kshs. 465,437)**

This is made up of interest paid on the current account held at the Commercial Bank of Africa.

**12. STAFF COST**

The total staff cost of Kshs. 39,729,748 is made up of th following:

	<b>Total</b>	<b>EDF</b>
Salaries	24,808,811	15,133,221
Gratuity	9,918,363	9,084,706
Performance Bonus	3,537,781	3,537,781
Group personal Accident Insurance	132,153	-
Group Life Insurance	285,609	-
Medical Insurance	926,428	-
Other staff costs	53,200	40,000
Casual Wages	37,500	37,500
Employer NSSF contribution	<u>29,900</u>	<u>16,700</u>
<b>Total Staff Cost</b>	<b><u>39,729,748</u></b>	<b><u>27,849,908</u></b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

Of this total amount, Kshs, 27,849,909 relates to expenditure incurred using the European Development Fund for the period July – December 2008.

**13. ADMINISTRATIVE COSTS:**

Administrative costs include:-

Office running expenses	5,670,448
Vehicle repairs & Maintenance	1,505,155
Travel	1,243,009
Board meetings	269,491
External Communication	743,044
ICT & MIS Support	287,863
Training & Consultancies	841,879
Bank charges	<u>52,993</u>
<b>Total Administrative Costs</b>	<b><u>10,613,882</u></b>

**14. ENABLING SECTORAL ENVIRONMENT**

Under this budget line, TTF seeks to ensure the maintenance of a cohesive, functional and supportive Tourism sector environment and provide up to date information and statistics for planning purposes. The total expenditure includes:-

Legislation & Regulation	2,717,999
Institutional Reforms	4,709,323
Information & Statistics	<u>1,567,134</u>
<b>Total Enabling Environment</b>	<b><u>8,994,456</u></b>

**15. PRODUCT QUALITY, SUSTAINABILITY & MARKET ACCEPTABILITY**

TTF, under this budget line seeks to ensure that the country's physical assets which are it's main capital base are strengthened and enhanced, and that new tourism