

REPUBLIC OF KENYA



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THE AUDITOR-GENERAL

ON

KENYA TOURISM BOARD

**FOR THE YEAR ENDED
30 JUNE, 2019**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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KENYA TOURISM BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

**KENYA TOURISM BOARD
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I. KTB'S INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

KTB is a state corporation established and regulated under the Tourism Act No.28 of 2011, sections 29-39. Prior to enactment of the Tourism Act, KTB (then known as Kenya Tourist Board) operated under Legal Notice No.14 of 1997.

(b) PRINCIPAL ACTIVITIES

The Kenya Tourism Board mandate under the Tourism Act No. 28 of 2011 is to: -

- a) Develop, implement and co-ordinate a national tourism marketing strategy;
- b) Market Kenya at local, national, regional and international levels as a premier tourist destination;
- c) Identify tourism market needs and trends and advise tourism stakeholders accordingly; and
- d) Perform any other functions that are ancillary to the object and purpose for which the Tourism Board is established.

OUR CUSTOMERS

Local

- Employees
- Government
- The Tourism Private Sector
- Suppliers
- The General Public
- Local & International media correspondents in Kenya
- Domestic Tourists

International

- Kenya Missions Abroad
- Market Development Representatives (MDRs)
- The Travel Trade in various source markets
- The International Media
- International Suppliers
- Foreign Tourists

OUR SERVICES

We strive to provide our customers with:

- Destination Marketing Services
- Tourism Marketing Information Services

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- Tourism Statistics, Research and Information Services
- Media liaison and Tourism Sector Crisis Management Services
- Web Advertising Services
- Collateral Materials/Promotional Materials Services
- Exhibitions, Road shows and Stand Design Services
- Destination Training Services for Source Market Travel Trade
- Product Value Added Advisory Services
- Tour Operator Partnership Support
- General Industry Marketing Services

OUR STRATEGIC PARTNERS

Our key strategic partners include the following:

- Kenya Airways(KQ)
- Kenya Wildlife Services(KWS)
- Kenya Railways (SGR)
- Kenya Tourism Fund (KTF)
- Kenya Association of Tour Operators (KATO)
- Kenya Association of Hotelkeepers& Caterers (KAHC)
- Eco Tourism Kenya(EK)

(c) KEY MANAGEMENT

The KTB's day-to-day management is under the following key organs

- Board of Directors
- Chief Executive Officer
- Executive management

(d) FIDUCIARY MANAGEMENT

The key management personnel who held office during the year ended 30th June 2019 and show had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO	Dr. Betty Addero Radier
2.	Director of Market Development	Mrs. Jacinta Nzioka- Mbithi
2.	Director Finance & Administration	Mrs. Mary Maina
3.	Company Secretary	Mr. Allan Njoroge
4.	Head of Procurement	Mr. Gerald Omondi
5.	Ag. Human Resources Manager	Dr. Maundu Muli

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(e) FIDUCIARY OVERSIGHT ARRANGEMENTS

KTB's key fiduciary oversight arrangements are as below:

i) Board Audit Committee Activities

The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.

ii) Board Finance & Establishment Committee Activities

The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, human resources and staff affairs.

iii) Ad hoc BOD committee Activities

The BOD appoints ad hoc committees to carry out specific exercises. The ad hoc committees report to the Full Board.

(f) BOARD HEADQUARTERS

Kenya Re Towers, 7th Floor,
Ragati Road, Upper Hill,
P.O Box 30630 – 00100
Nairobi, Kenya.

(g) KTB'S CONTACTS

Telephone: (254) 202711262
E-mail: info@ktb.go.ke

Social Media

Website: www.ktb.go.ke, www.magicalkenya.com

Twitter: @MagicalKenya

Face book: MagicalKenya

Instagram: MagicalKenya

SERVICE DELIVERY CENTRES

NAIROBI Jomo Kenyatta International Airport NAIROBI Tel: 822111 – Ext. 5299/341728	MOMBASA Mombasa International Airport MOMBASA 020 2047370
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MARKET DEVELOPMENT REPRESENTATIVES

<p><u>USA:</u> David DiGregorio Managing Director CornerSun Destination Marketing LLC New York City Telephone: +1 718-635-1252 Fax: +1 815-352-6163 Email: dave@cornersun.com Website: www.cornersun.com</p>	<p><u>INDIA:</u> Blue Square Consultants 901, Ground Floor, Building No. 9, Solitaire Park, Chakala, Andheri (East), Mumbai – 400093 Phone: +91 22 49264904 Email: Neeti.Bhatia@bluesquareconsultants.com</p>
<p><u>CHINA</u> Travel Link Marketing Addr: Room 1512, Shui On Plaza, No. 333 Middle Huaihai Road, Shanghai, P.R.China, 200021 Phone: 8621-6385 8515 Email: gushengyi@tlmchina.com</p>	<p><u>UNITED KINGDOM</u> Hills Balfour Colechurch House 1 London Bridge Walk London, SE1 2SX Phone: +44 020 7367 0931 Fax: +44 020 7407 3810 Email: Kenya@hillsbalfour.com</p>

(h) KTB'S BANKERS

Kenya Commercial Bank Ltd.
Moi Avenue Branch
P.O Box 484 – 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 ADVISERS

Daly & Inamdar
6th Floor, ABC Towers
ABC Place
P.O. BOX 40034
NAIROBI, 00100

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II. THE BOARD OF DIRECTORS

Board Composition

In accordance with the Tourism Act, KTB Board of Directors consists of ten (10) members made up of a non-executive and independent Chairman, one Chief Executive Officer, Principal Secretary-National Treasury, Principal Secretary-Ministry of Tourism & Wildlife, CEO of the Tourism Fund plus five independent and non-executive directors.

The members of the board are as below:

Mr. Jimi Kariuki- reappointed 3 rd May 2019	Board Chairman
Dr. Betty Addero Radier (PhD)- appointed 1 st December 2016	Chief Executive Officer
Mr. Adam Jillo- reappointed 7 th February 2019	Director
Mr. Ken Waibochi - reappointed 7 th February 2019	Director
Dr. Mohanjeet Brar- reappointed 7 th February 2019	Director
Mr. Gabriel Gonzalez Penalver- appointed 6 th March 2017	Director
Mrs. Susan Maina- appointed 3 rd May 2019	Director
PS, Ministry of Tourism& Wildlife	Director
PS, National Treasury	Director
CEO, Tourism Fund	Director
Mr Antony Muigai Muriu	Alternate to PS, National Treasury
Mr. Erick Kiplagat	Alternate to CEO, Tourism Fund
Mr Said Athman	Alternate to PS, Ministry of Tourism& Wildlife
Mr Allan Njoroge	Company Secretary

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THE BOARD OF DIRECTORS' PROFILES



Mr. Jimi Kariuki

Mr. Jimi Kariuki, Chairman of the KTB Board of Directors, born in 1967, holds a Master of Business Administration (MBA) degree from the Graduate School of Business, University of Cape Town, South Africa, and a Bachelor of Science (Bsc) degree in Marketing from Huron University USA, London Campus.

He is the Managing Director of Sarova Hotels, Resorts & Game Lodges, Kenya's leading independent hospitality group and has vast experience in the tourism sector spanning over two decades.

He is also a member of Sarova Hotel's Executive Management Committee and its Board of Directors. He has served on the Kenya Tourism Federation (KTF) Executive Committee (2003-2004), the Board of the Kenya Tourism Board representing KTF (2003-2004) and on the Board of the Kenyatta International Convention Centre (KICC) (2004-2006).



Dr. Betty Addero Radier (PhD)

Dr Betty Addero Radier, Chief Executive Officer of Kenya Tourism Board, born in 1968, holds a Bachelor of Arts (BA) degree, Master of Business Administration (MBA) in Strategy and Finance from the University of Nairobi, and a PhD in Entrepreneurship & Small Business Development from the Graduate School of Business, University of Cape Town, South Africa.




Dr. Betty Radier has over 19 years of senior management experience in marketing, Strategy and Operations.

She has held the position of Managing Director of Scanad Kenya, JWT and Scanad Advertising



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	<p>Tanzania, McCann Kenya Ltd, Lowe Scanad Uganda Ltd. She has also held Regional Leadership positions with Microsoft West East and Central Africa as well as Samsung EA Ltd.</p> <p>Dr. Radier is an Adjunct Faculty at the Strathmore Business School, Nairobi</p>
 <p>Mr. Adam Jillo</p>	<p>Mr Adam Jillo, Vice-Chairman of the KTB Board of Directors, born in 1958, holds a BSc in Tourism and Hospitality Management and Diploma in Strategic Management & Leadership. He is Chairman of KETICO LTD (Kenya Trade & Tourism Investment Company) and a partner at NATURE EXPEDITIONS (dmc) LTD - one of the leading indigenous tour operators in Kenya.</p> <p>He is the past Chairman of KATO (Kenya Association of Tour Operators), past Vice-Chairman of the Kenya Tourism Federation, past Board Director at KEPISA representing the tourism industry, Past Chairman of Ecotourism Kenya and Past Board member at Tourism Trust Fund. He was also a member of the Tourism Recovery Taskforce.</p>
 <p>Dr. Mohanjeet Brar (PhD)</p>	<p>Dr. Mohanjeet Brar, born in 1971, holds a Doctor of Philosophy (PhD) in Plant Science.</p> <p>He is the Managing Director of Gamewatchers Safaris & Porini Camps, a leading safari company and one of the pioneers of establishing and operating community conservancies in Kenya.</p> <p>He is currently on the Board of the Maasai Mara Conservancies Association and the Wildlife Habitat Trust. And recently was the Chairman of Ecotourism Kenya as well as being Board member of the Kenya Tourism Federation, the East African Wildlife Society, the Kijabe Forest Trust and Atta (Advancing Tourism to Africa).</p>



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 <p>Mr. Ken Waibochi</p>	<p>Mr. Waibochi, born in 1966, holds a Bachelor of Science Degree in Mechanical Engineering from Bath University UK.</p> <p>He has been the Managing Director of Aberdare Safari Hotels, a hotel group that manages two properties in the Aberdare region for over 12 years. He has over 20 years of experience in the Hospitality Industry.</p> <p>Prior to joining Aberdare Safari Hotels in an executive position, he was employed for 15 years in the Corporate sector multinational companies including Procter & Gamble (East Africa and Nigeria) for 11 years and Coca Cola Africa.</p>
 <p>Gabriel Gonzalez Penalver</p>	<p>Mr. Gabriel Gonzalez, born in 1961 is a graduate of the Escuela Nacional De Magisterio in Valencia, Spain. He has wide in experience in the tourism sector in Kenya and most of the South African Countries including Namibia, Zimbabwe, Zambia and South Africa. He is the founder of Kobo Safaris Ltd, (1993), a leading tour operator in Kenya and Southern Africa. He served as the Managing Director and is currently the Executive Chairman of Kobo Safaris.</p>
 <p>Susan Maina Appointed 3rd May 2019</p>	<p>Born in 1969, Susan holds a Master of Science (Health Economics and Policy) and a Master of Arts (Medical Sociology) from the University of Nairobi as well as a Bachelor of Arts Degree, Economics and Business Studies, Kenyatta University. She is a highly experienced Program Manager with significant expertise in the development, training and implementation of comprehensive Health Care Programs. She has over 15 years' experience in management of health programs and is equally experienced in developing, cascading, monitoring and evaluating institutions' strategic plans.</p> <p>Susan has worked as a Consultant for Kenyatta National Hospital in developing the hospital's master</p>

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	<p>plan and has also worked as the Head of College at the Nairobi Women's Hospital (NWH) Medical Training College. Susan is a Board Member of the JM Kariuki Hospital, Nyandarua County and Chair of the Health Quality Committee.</p>
 <p>Mr Joe R. Okudo ,CBS</p>	<p>Mr. Joe R. Okudo, the Principal Secretary of the State Department of Tourism, Ministry of Tourism & Wildlife. Born in 1967, Mr. Okudo has vast working experience in various sectors including Government and Private Industry Sectors.</p> <p>He was also the Principal Secretary for Sports responsible for Arts and Culture in Kenya. He previously worked with the Danish Embassy in Kenya (DANIDA) from 2002 – 2014, where he held several senior positions in the Private and Industry Sectors; in addition to being responsible for DANIDA in the Business, Advocacy Fund and the Climate Innovation Centre.</p> <p>He also sat in the Programme Investment Committee (PIC), the highest decision-making organ within the Trade Mark East Africa group.</p> <p>He holds a Bachelor of Arts degree from the University of Nairobi and a Master's Degree in Business Administration (MBA) from Copenhagen Business School/Inoorero University.</p>
 <p>Dr. Kamau Thugge, CBS</p>	<p>Dr. Kamau Thugge, the Principal Secretary at the National Treasury.</p> <p>He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor.</p> <p>Before joining the Ministry of Finance, he worked with the International Monetary Fund (IMF) as Economist, Senior Economist and Deputy Division Chief.</p> <p>Dr. Thugge has played a major role in influencing the design of Kenya's current fiscal decentralization system and has coordinated the formulation of legislation for implementing devolution, including the Public Finance Management Act, 2012; The</p>

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	<p>Commission on Revenue Allocation Act, 2011; The Independent Officers (Appointment) Act, 2012; The County Government PFM Transition Act 2013; The County Allocation of Revenue Bill 2013; and, The Division of Revenue Bill 2013/2014.</p> <p>Dr. Thugge is widely published and holds a Bachelor of Arts (Economics) degree from Colorado College, USA; Master's degree in Economics from John Hopkins University, USA; and a Doctor of Philosophy (PhD) degree in Economics also from John Hopkins University.</p>
 <p>Mr. Joseph R Cherutoi</p>	<p>Mr. Cherutoi, born in 1967, holds a Master of Business and Administration (MBA) and is currently undertaking his PhD. He is a Certified Public Accountant CPA(K).</p> <p>He is the Chief Executive Officer of the Tourism Fund and sits on the KTB Board as an ex-officio member by virtue of S.32 (1)(d) of the Tourism Act.</p>
 <p>Mr Antony Muigai Muriu</p>	<p>Mr Antony Muigai Muriu, born in 1966, is the Alternate to the Principal Secretary, National Treasury.</p> <p>Mr. Muriu is a Chief Economist and Head of the Central Planning and Project Monitoring Unit of the National Treasury. He is a Career Civil Servant with over 20 years of experience having risen through the ranks to the current position.</p> <p>He holds a Bachelor of Arts in Economics from the University of Nairobi and Masters Degree in International Development Studies from the Graduate Institute of Policy Studies in Tokyo, Japan. He has also attended numerous short training courses both locally and abroad. Over the years, Mr. Muriu has worked in many Ministries and served in numerous Committees and Taskforces of the Government of Kenya.</p>

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Mr. Said Athman Mtwana, EBS

Said Athman is Tourism Secretary in the Ministry of Tourism & Wildlife, State Department of Tourism. He is the Alternate to the Principal Secretary, Ministry of Tourism & Wildlife.

He holds a Masters in Regional and Urban Planning, University of Nairobi and an Honorary Building Economics degree from University of Nairobi and studied at the Starehe Boys Centre. He is a Quantity Surveyor, Planner, and Associate Arbitrator, Institute of Arbitrators of Kenya. He has a distinguished career in private, public and development sectors leaving legacy footprints in his contribution. He has previously served in various positions as Advisor to the Cabinet Secretary, Mining Secretary in the Ministry of Mining, Housing Secretary in the Ministry of Housing and Culture Secretary in the Ministry of National Heritage and Culture. He has also served as Chief Executive of the Consortium for the Empowerment and Development of Marginalised Communities (CEDMAC) and Director of Association of the St. John Ambulance in Kenya amongst other senior positions of several organisations.



Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Affairs, born in 1976, holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.

He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.

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BOARD COMMITTEES

During the period under review, the following Committees were in place.

Board Marketing Committee

The Board Marketing Committee is chaired by a non-executive director (Dr Mohanjeet Brar) and meets on quarterly basis. Other Members are Mr. Gabriel Gonzalez, Mr Richard Kimenyi (retired 1st October 2018), Susan Maina (appointed 20th June 2019), Adam Jillo (appointed 20th June 2019), Principal Secretary - Ministry of Tourism & Wildlife (State Department of Tourism) and the KTB Chief Executive Officer. The committee's responsibilities are to provide marketing strategies to the board and approve marketing plans, activities and budgets. The committee also constitutes the technical team on behalf of the Board in the event of extraordinary circumstances such as crisis.

Board Finance and Establishment Committee

The Board Finance and Establishment committee is chaired by non-executive director (Mr Ken Waibochi) and meets on a quarterly basis. The other members are Mr Richard Kimenyi (retired 1st October 2018), Susan Maina (appointed 20th June 2019), the Chief Executive Officer - Tourism Fund, Principal Secretary - National Treasury, Principal Secretary - Ministry of Tourism & Wildlife (State Department of Tourism) and the KTB Chief Executive Officer. The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, establishment and staff affairs.

Board Audit & Risk Committee

The Board Audit Committee is chaired by a non-executive director (Mr Adam Jillo) and meets on quarterly basis. Other members who are non-executive directors are Mr. Gabriel Gonzalez, Dr Mohanjeet Brar, Principal Secretary - National Treasury and an independent Ag. Internal Audit Manager (Mr. Onesmus Karanja). The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.



Ad Hoc Committees

The Board of Directors may appoint ad hoc committees to carry out specific assignments as and when needed. The ad hoc committees report to the Full Board. In 2018/19, an ad hoc Recruitment Committee was constituted to carry out recruitment of senior managers on behalf of the Board. The membership of the Committee was Jimi Kariuki, the Principal Secretary - National Treasury, the Principal Secretary - Ministry of Tourism & Wildlife (State Department of Tourism) and the KTB Chief Executive Officer.

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III. MANAGEMENT TEAM

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

NAME	PROFILE
 <p>Chief Executive Officer Dr. Betty Addero Radier</p>	<p>Dr Betty Addero Radier, born in 1968, holds a Bachelor of Arts (BA) degree, Master of Business Administration (MBA) in Strategy and Finance from the University of Nairobi, and a PhD in Entrepreneurship & Small Business Development from the Graduate School of Business, University of Cape Town, South Africa.</p> <p>Dr. Betty Radier has over 19 years of senior management experience in marketing, Strategy and Operations.</p> <p>As the CEO of the Board, she responsible for operational running of the Board to ensure that its mission and objectives and agreed performance targets are achieved. The CEO is accountable for the Board's actions, security of resources as well as ensuring execution of the Board strategy. In addition to representing the management position on the Board, the CEO chairs and supervises the Executive Committee (Exco).</p>
 <p>Director of Market Development Jacinta Nzioka- Mbithi (Mrs)</p>	<p>Mrs. Jacinta Nzioka, born in 1974 is the Director of Market Development (DMD) at the Kenya Tourism Board (KTB). She has over 16 years of experience in Tourism Marketing and has led several initiatives and projects to turn around the sector working closely with other government agencies and strategic partners both locally and abroad.</p> <p>She holds an MBA in Strategic Management and a Bachelor's degree in Tourism Management from Moi University and a post graduate Diploma in Marketing of Services from Maastricht School of Management in the Netherlands besides other project management and transformational leadership courses. Currently studying PhD on Responsible Tourism at the Leeds-Beckett University.</p> <p>At KTB, she is responsible for providing strategic direction and leadership in the management of KTBs</p>

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NAME	PROFILE
	<p>marketing function and entrenching Kenya as the preferred tourist destination both locally and internationally; with a view to optimize the contribution of the tourism sector to the national economy.</p> <p>She oversees the execution of the approved marketing strategy and work plans.</p>
 <p>Company Secretary Mr. Allan Njoroge</p>	<p>Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Affairs, born in 1976, holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.</p> <p>He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.</p> <p>He is also responsible for legal matters pertaining to KTB, provide legal services to KTB to ensure that it is legally protected and that it adheres to all legal requirements.</p> <p>He has held similar positions in Bata Shoe Co. Ltd and Bidco Oil Refineries Ltd.</p>
 <p>Director Finance and Admin Mary G. Maina (Mrs)</p>	<p>Mary Maina, born in 1975, holds an Executive MBA from Kenyatta University, Bachelor of Commerce (Accounting major) 1st class degree from the Catholic University of Eastern Africa. She is a certified public Accountant (CPA), a certified Information Systems auditor (CISA) and a certified Internal Auditor (CIA).</p> <p>Mary has 20 years of experience, 6 in external audit and 10 in internal audit and 4 years in financial and accounting experience.</p> <p>She is responsible for effectively and efficiently managing all financial and human resources of KTB in order to achieve its goals and objectives.</p>

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NAME	PROFILE
 <p>Ag. Human Resource Manager Dr Maundu Muli</p>	<p>Dr Maundu, born in 1976, holds PhD, MBA (Strategy Management), B.A (Economics) and HND – IHRM, Dr. Muli has 17 years of experience in Human Resources Management and Administration. He is a member of Institute of Human Resources Management & KIM.</p> <p>He is responsible for human capital; planning, recruitment, development and performance management. Responsible for harmonious employee relations. Also responsible for management of the Board’s logistic and administrations.</p>
 <p>Ag. Internal Audit Manager Mr Onesmus Karanja</p>	<p>Onesmus Karanja, born in 1980, holds a Masters of Commerce postgraduate degree (Forensic Accounting) from Strathmore University, Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is a certified public Accountant (CPA), a Certified Information Systems Auditor (CISA) and a Certified Fraud Examiner (CFE).</p> <p>Onesmus has 14 years of experience in the areas of Audit Assurance, Risk Management and Investigations.</p> <p>He is responsible for the quality and performance of internal auditing within KTB. He provides independent and objective assurance and consulting activity of KTB’s operations to the Audit Committee and the CEO on the overall adequacy and effectiveness of KTB’s arrangements for governance, risk management, and internal controls and their impact on the operations of the organization.</p>

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IV. CHAIRMAN'S STATEMENT



On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for the Kenya Tourism Board for the year ended 30th June 2019.

Overview

During the year under review, international arrivals by air and sea into Kenya recorded growth to reach 1,531,761 as at the close of the 2018/19 FY. Additionally, total arrivals including cross-border arrivals closed at 2,027,223 which was an increase of 36.2% over the previous year's figure of 1,488,370. Growth was also recorded in the number of domestic bed-nights which grew by 15.8% as well as tourism revenue to the destination which closed at KSh. 151.9 Billion, an increase of 29.2% over the previous year.

As a Board, we are pleased to note that the tourism arrivals crossed the 2 million mark for the first time in Kenya's history which is attributable to the concerted efforts by KTB and other players in the sector to position Kenya as a premier tourism destination. The significant jump in tourism's contribution to the exchequer also underlined the sector's importance to the country's economy and underscored the need for all involved to support the growth of the sector through adequate funding of marketing programmes.

During the year, the collection and dissemination of tourism performance statistics was also handed over to the Tourism Research Institute (TRI). Through their ongoing collaboration with the Department of Immigration, the collection of arrivals data was revamped and KTB, as a key consumer of this data, continues to support TRI in their bid to put in place a robust and well-functioning data collection framework for the sector.

Operating Environment

The financial year 2018/19 was characterized by a calm and peaceful operating environment in the country devoid of terrorism attacks and political uncertainty. Indeed, the "handshake" between the country's political leaders and the formation of the Building Bridges Initiative saw the country benefit from a long unprecedented period of political calm which continues to be felt to date. The Government's efforts to contain insecurity in the country and also to secure the country's borders and territorial waters continued to pay dividends as no major insecurity or piracy incidents were witnessed during the period.

During the year, the Government continued to lay emphasis on its Big Four Agenda which outlined the country's key priorities for the next five years. As was the case in the year before,

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the tourism sector continued to be a key cog in the achievement of these Big Four goals by generating forex revenues to the destination. Indeed, the increase in forex earnings from the sector from Ksh. 117.6 billion in 2017/18 to Ksh. 151.9 billion in 2018/19 significantly contributed to the Government's ability to avail funds to implement the Big Four priority areas of growing the manufacturing sector, providing affordable healthcare, housing and ensuring food security.

As was the case the previous year, new hotel properties including well-known hospitality chains continued to create a presence in the destination thus contributing to the growth of the manufacturing sector in Kenya and in particular in the areas of construction materials, industrial kitchen supplies, linen manufacturing amongst many others. Worth mentioning also is tourism's contribution to reducing unemployment in the country as a result of new properties being developed and increased bookings experienced by existing properties.

The year under review also saw the national carrier, Kenya Airways commence direct flights to and from the United States of America which is Kenya's top tourism source market. This development opened up the destination for travellers from the North American market by solving the twin pain-points experienced by American consumers i.e. expensive airfares and long travel times.

As KTB, our mission is firmly anchored in enriching the lives of Kenyans and, as a Board, we were gratified to note that the growth experienced in the sector contributed significantly in enriching the lives of farmers, tour guides, hotel staff, taxi drivers and many more Kenyans who derive their livelihood directly or indirectly from tourism.

Strategy

During the FY 2018/19, KTB laid significant emphasis on implementation of the new destination marketing strategy developed in the previous financial year by an international tourism marketing consultancy firm, THR Asesores En Turismo, Hoteleria Y Recreacion from Spain. With the renewed strategic focus, the Board focused on implementation of programmes in key Priority A and B markets as well as the domestic and regional markets. As a key strategic decision, the Board prioritized the implementation of digital marketing programmes in all source markets to align with the shift in consumer purchasing behaviours.

In 2018/19, KTB successfully launched a revamped new and exciting destination brand that showcases the destination in a new vibrant and fresh light and that will help to position Kenya in the source markets as an attractive tourism destination.

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In view of the huge importance of stakeholder relations, the Board continued to undertake regular engagements with partner agencies, tourism associations, tourism trade as well as the national and county governments. In addition, KTB supported the formation and proceedings of the private sector –led African Safari and the Kenya Coast Working Groups that were set up by the parent ministry.

During the year, the Board undertook the exercise of development of the KTB Corporate Strategic Plan which built upon the marketing strategies contained in the THR report and ensured that the necessary supporting framework across other departments was put in place to ensure successful implementation of the organization's strategic plan. From a strategy perspective, the organization is now well placed to drive its core mandate and achieve the targets set by the Board.

Corporate Governance

During the year, the Board continued to rely on strong and effective corporate governance framework as the foundation for its activities, processes and programmes. To this end, the Board of Directors as well as the KTB Management ensured that this remained a key area of focus during the year. Through the various KTB board committees as well as the Full Board, KTB's board of directors successfully executed their role of providing policy, oversight and strategy to the corporation. During the financial year, several Board members were re-appointed to continue to serve the organization and to oversee the implementation of strategies put in place during their previous term. The Statement of Corporate Governance included in this report sets out in greater detail the various measures that the Board has put in place to ensure a robust corporate governance environment.

Risk Management

KTB continued to ensure that risk management was done on a continuous basis within the organization and that the Board received regular assurance from Management on the implementation of the risk management framework approved by the Board. This was with the recognition that the Board carried the responsibility to ensure that KTB has adequate systems and processes of accountability, risk management and internal controls.

Future Outlook 2019/20

The new year 2019/20 promises to be yet another year of growth anchored by a stable and peaceful political climate, secure and safe environment as well as focused and impactful marketing campaigns across all our key markets.


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During the coming year, we intend to build upon the awareness campaigns rolled out in all source markets to drive conversion and thus increase arrivals and revenues. From a product perspective, we will also continue with the roll out of the signature experiences programme so as to ensure alignment of the product with the destination promise to consumers. In addition, we expect that growth in scheduled and charter flights into the destination as well as growth in cruise arrivals after completion of the cruise berth and terminal will significantly contribute to the ease of access to the destination for local, regional and international tourists. For these reasons, our outlook for the coming financial year is positive.

Acknowledgement

On behalf of my Board as well as the staff of KTB, I wish to thank the Government of Kenya, our parent Ministry of Tourism & Wildlife, the various county governments, our sister parastatals, the tourism private sector as well as our various other stakeholders for their support and partnership during the year. We remain cognizant at all times of the role that they play in helping KTB to successfully execute its mandate.

Lastly, as Chairman of the Board, I also wish to thank my fellow directors for their dedication and their diligent service during the year. Additionally, my sincere appreciation goes to the Management and staff of the organization who put in great effort towards the realization of KTB's goals and objectives. Together, we confidently look forward to even greater success in the new financial year 2019/20.



**JIMI KARIUKI
CHAIRMAN, KTB**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



Tourism is one of Kenya's major industries with strong connection in transport, food production, retail and entertainment. Besides being one of the most important sectors in the country, it has placed Kenya among the world's most popular business and leisure destinations.

Revenues

In the year ended June 30th, 2019, the country earned KSh 151.9 billion in revenues from tourism, compared to the previous period when it earned KSh 117.6 billion. The revenues grew by 29.2%.

The growth can be attributed to the support towards improving security and increase in air connectivity with major overseas markets.

The country received highest number of arrivals from USA which is the leading source market. The total number of arrivals from the North American country was 232,703, contributing 11.5% of the total arrivals. Regional countries Uganda and Tanzania took the second and the third position respectively. The number of arrivals from Uganda was 213,789 while the number of arrivals from Tanzania was 207,361. Arrivals from both countries stood at 10.5% and 10.2% respectively. UK and India took the 4th and 5th positions. The number of arrivals from UK was 179,384 with a share of 8.8% while those from India was 126,628, closing at 6.2%

Purpose for visit

The major reason for traveling to Kenya was listed as holiday. Other reasons given were business and conferencing, visiting family and friends, religion, volunteering, sports and study. Out of the total number of arrivals, holiday (at 71.2%), took the lion's share. Business and conferencing contributed 14.4 % while visit to family and friends contributed 6.4%. The percentage of transit passengers was 4.4% while those who visited the country for other purposes was 3.6%.

Domestic tourism

Looking at the performance of domestic tourism, the number of domestic bed-nights occupied increased from 4.04 million in the previous year to 4.68million in the 2018/2019 Financial Year. This translated to 15.8% increase. Domestic tourism has the potential of cushioning the sector during low seasons when number of international tourists decline.

Given the potential in domestic tourism, this is an area that KTB is keen on harnessing. The rapid growth therefore provides stakeholders in the sector with opportunity to develop strategies and packages targeted at domestic travelers.

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Performance by regions

	Jul- Dec	Jan	Feb	Mar	Apr	May	Jun	Total	% Share
ASIA	146,515	21,664	17,922	18,530	19,579	21,431	23,510	269,151	13.28
MIDDLE EAST	8,384	1,423	1,481	1,290	1,459	1,165	1,733	16,935	0.84
AFRICA & INDIAN OCEAN	445,428	68,277	55,834	62,092	67,528	64,882	65,187	829,228	40.90
AMERICAS	154,019	23,253	20,420	20,748	17,337	24,066	33,702	293,545	14.48
OCEANIA	18,053	2,938	1,874	1,727	1,693	1,797	2,906	30,988	1.53
EUROPE	325,262	54,862	54,505	42,143	38,931	31,561	40,112	587,376	28.97
TOTAL	1,097,661	172,417	152,036	146,530	146,527	144,902	167,150	2,027,223	100.00

As demonstrated in the table above, during the year under review, 40.9% of the number of arrivals were from the African continent. Kenya received 829,288 visitors from the region owing to the recent government foreign policy towards African countries. Currently, there are on-going deliberations to speed up ratification process and protocol relating to the African Union (AU) Protocol on Free Movement of Africans. Free movement of Africans is instrumental in building intra-Africa trade, and Kenya is among the countries in the continent pushing to have the protocol actualized before the end of the year 2020. This is an area with great potential and also likely to grow further in the coming years.

In the 2018/19 Financial Year, the European market contributed 586,376 arrivals or 29% of visitor numbers, which was a significant growth in that market.

Europeans prefer to travel to Kenya to enjoy the year-round weather, beautiful beaches, rich cultural history and authentic African experiences. The top 5 source markets from Europe are UK, Germany, Italy, France and Netherlands. These five countries contributed 68% of total arrival from Europe.

The Americas, comprising US & Canada recorded 293,545 arrivals, to become 3rd with a share of 14.5%. This was followed by Asia at 13.3% with the number of visitors closing at 269,151. Kenya received a total of 47,923 from Middle East and Oceania which translated to 2.4% of the total arrivals. Travelers from Australia accounted for 1.3% of the total arrivals to close at 25,846.

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Outlook for 2019/2020

Considering the foregoing performance we believe the tourism sector has the potential to register continued growth and we have initiatives in place such as our refreshed magical Kenya destination brand in a move aimed at repositioning the country as a top and diverse destination in the local, regional and global tourism stage.

The refreshed brand which involved incorporation of new Magical Kenya logo is geared towards growing the brand equity and also raise brand awareness of the country. According to the QRi 2018 research, brand awareness of Kenya as a tourist destination stands at 62% globally. The refreshed Magical Kenya logo takes into account the warmth of the Kenyan people, the cultural values of the destination and the splendour of Kenya's diversity of tourism ranging from wildlife and beaches to other experiences including culture and adventure.

KTB is leveraging on the country's tourism diversity by establishing signature experiences by working with all the 47 counties in improving quality of existing tourism circuits as well as augmenting tourism products. In doing so, KTB has taken notice of the changing desires of travellers who now want authentic and memorable experiences even as they seek more value for money.

In addition to the above, KTB is re-engineering its business by leveraging more on digital marketing and communication as it takes advantage of the large number of travellers who are now available online.

KTB will continue collaborating with the private sector on packaging the destination. Some of the programmes in the pipeline include; training of tour operators and having feedback sessions that are geared towards creating synergies that further build the brand quality and value.

Conclusion

I take this opportunity to express my gratitude to our stakeholders whose continuous patronage has enabled us to grow in all aspects.

Let me thank the KTB board and our line Ministry of Tourism and Wildlife for providing us with support and policy guidance towards achievements of our Mandate. A lot that we have achieved has been realised under your leadership.

To KTB staff, thank you for the hard work and commitment with which you execute your role, always remember all that you do is indeed appreciated.

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To the industry players, thank you for working with us and enabling us to position the country as one of the world's sought-after destinations. We are where we are because of you all.

Let us continue working together, knowing that all our efforts are bearing fruit as we work for the good of the sector and Kenya.



**DR. BETTY ADDERO RADIER
CHIEF EXECUTIVE OFFICER**

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

The KTB Board of Directors is responsible for the governance of the Corporation and recognizes that corporate governance is an essential framework for the achievement of KTB's objectives as well as measurement of corporate performance and as a critical means of ensuring that KTB is effectively directed, controlled and held accountable

To this end, the Board has put in place measures and processes to ensure that high standards of corporate governance are maintained at all levels of the corporation.

The Board recognizes that for governance to be effective, it must be realized through leadership and collaboration, with the Board at the helm leading by example and complementing the senior management. This enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of KTB while taking into account the interest of stakeholders.

This Corporate Governance Statement provides the necessary information to enable all stakeholders to evaluate the application of KTB's governance and ethical obligations and to satisfy themselves that KTB has satisfied its obligations there under.

The Board of Directors

The Board of Directors has a formal schedule of matters reserved for it. The directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters.

Ultimately, the Board of Directors determines KTB's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of KTB to the Chief Executive Officer. However, it retains overall responsibility for KTB's financial performance, compliance with laws and regulations and monitoring of its operations.

Under the leadership of the Chief Executive Officer, the role of management is to conduct the day-to-day operations of KTB in a way that is consistent with the strategic plans, business plans and budgets approved by the Board. In this context, the Chief Executive Officer makes recommendations to the Board with respect to matters of corporate strategy and policy.

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The Board then makes the decisions which it deems appropriate and supervises the execution of such decisions and reviews.

In line with its role to set and oversee the overall strategy of the organization, during the year the Board rolled commenced the process of development of the organization's Corporate Strategic Plan 2018 - 2023. This overarching strategy took into consideration the National Tourism Blueprint 2030 rolled out by the parent ministry and also anchored itself of the marketing strategy developed through THR in the previous financial year. Consequently, all budgets, workplans and human resources have been realigned to the new corporate strategy that will guide the organization's operations going forward.

Board Size, Composition and Appointment

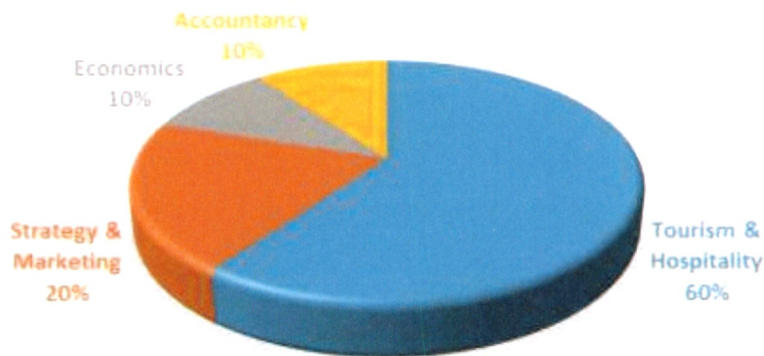
The Board comprises of six (6) independent non-executive directors including the Board Chairperson as well as three (3) other ex-officio members drawn from the central government and a sister parastatal in addition to the Chief Executive Officer.

The public sector representatives are the permanent secretaries or their designated alternates from the National Treasury and also the parent ministry. The Chief Executive Officer of the Tourism Fund is also a member of the Board by virtue of the fact that KTB is partly funded by the tourism levy administered by the Tourism Fund. As required by MWONGOZO, the Board brings together members from different professional backgrounds with diverse skills and competencies as shown in Pie Chart 1. The representation of the respective genders on the Board is shown in Pie Chart 2.

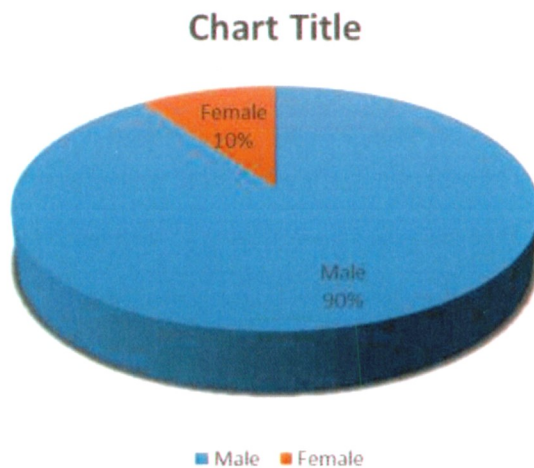
During the year, the terms of the Board Chairman as well as three independent directors came to an end. The Board Chairman was subsequently reappointed in May 2019 for a further three (3) year term. Three independent directors were also reappointed for a further three (3) year term while a new director was also appointed during the year.

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Pie Chart 1: Board Competencies



Pie Chart 2: Board gender representation



The position of the Chief Executive Officer is filled through public advertisement and competitive recruitment. The appointment is done by the Cabinet Secretary, Ministry of Tourism & Wildlife in consultation with the Board. The Chief Executive Officer is an ex-officio member of the Board but has no voting right at any meeting of the Board.

The independent directors who are representatives from the private sector are appointed by the Cabinet Secretary in the Ministry of Tourism & Wildlife. These comprise of five members, not being public servants, appointed by the Cabinet Secretary taking into account regional balance and gender parity, of whom two are nominated by the registered national tourism associations and three are persons with knowledge or experience in matters relating to international tourism, finance, business administration, law, marketing or a related discipline.

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The directors' abridged biographies appear on pages VII to XII of this Annual Report.

The Board membership is shown on page VI.

Independence, Separation of Roles and Responsibilities

All Directors except the Chief Executive Officer are non-executive. The non-executive directors are independent of Management, they establish a framework for the delegation of authority and ensure succession planning for the Chief Executive Officer and senior management is in place. Their role is to advise, constructively challenge and monitor the implementation of the agreed corporate strategy within the risk appetite and control framework that is set out by the Board.

The roles and responsibilities of the Chairman of the Board, the Chief Executive Officer and non-executive directors remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

On the other hand, the Chief Executive Officer is responsible to the Board and takes the overall responsibility for the management of organization and takes responsibility for the effective and efficient day to day running of the affairs of the organization. The Chief Executive Officer recommends the strategy to the Board and implements it and makes operational decisions. The Chief Executive Officer also ensures appropriate and timely information flows within the Board, its committees and management.

Oversight Role of the Board

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the organization.

The responsibilities of the Board are clearly spelt out in the Tourism Act No. 28 of 2011, MWONGOZO Code of Governance and the Board Charter. The Board defines the purpose of the organization, its strategic intent, objectives and its values. It ensures that procedures and practices are in place to protect KTB's assets and reputation.

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The Board retains full and effective control over KTB and monitors Management's implementation of the plans and strategies set by the Board. It ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

The Directors Code of Conduct and Ethics defines the governance parameters within which the Board exists and operates. In accordance with the principles of good corporate governance, each director undertakes to always act in the best interest of KTB and exercise his/her power in the execution of duties in good faith and acts with care and prudence.

Board Meetings

The Board of Directors normally meets at least once every quarter and is chaired by a non-executive Chairman. The Board, including the Board Committees, holds regular scheduled meetings throughout the year and special meetings are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the Board/Committee chair, through the Corporation Secretary, prior to the date of the scheduled meeting. A summary of Full Board meetings attendance by the Board of Directors is shown below.

Board Meeting Attendance from 1st July 2018 to 30th June 2019

Board Member	Position	31st July 2018	21st Sept 2018	29th Jan 2019	12th March 2019	3rd May 2019	10th June 2019	20th June 2019
Jimi Kariuki	Chairman	✓	✓	✓	✓	N/A	-	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓	✓	✓	✓	✓
Adam Jillo	Vice-Chairman	✓	✓	N/A	✓	✓	✓	✓
Dr. Mohanjeet Brar		✓	✓	N/A	✓	✓	-	✓

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Board Member	Position	31 st July 2018	21 st Sept 2018	29 th Jan 2019	12 th March 2019	3 rd May 2019	10 th June 2019	20 th June 2019
Ken Waibochoi		✓	✓	N/A	✓	✓	✓	✓
Gabriel Gonzalez		✓	-	✓	-	-	✓	-
Richard Kimenyi		✓	-	N/A	N/A	N/A	N/A	N/A
Susan Maina		N/A	N/A	N/A	N/A	N/A	✓	✓
Joe Okudo	Alternate is Said Athman	-	-	-	-	-	✓	-
Dr. Kamau Thugge	Alternate is Anthony Muriu	-	-	✓	✓	✓	✓	✓
Joseph Cherutoi	Alternate is Eric Kiplagat	✓	✓	✓	✓	-	✓	-

Board Committees and Responsibilities

The Board delegates certain functions to well structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities.

The Committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience. Each Committee is guided by the individual

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Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board.

The Committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board. Matters deliberated on by the Committees are presented to the Board by the respective chairmen during the next Board meeting. Ad Hoc Committees are also constituted by the Board on a need basis as and when required. During the year, an Ad Hoc Committee on recruitment was appointed to conduct the recruitment of officers in senior management positions.

Board Marketing Committee

The Board of Directors has delegated to the Board Marketing Committee the authority to undertake the following functions:

1. To provide input from the private sector to KTB's marketing strategies and plans
2. To undertake proactive crisis management on behalf of the Board and constitute the technical team in the event of a crisis.
3. To provide strategic direction for KTB's marketing policies
4. To deliberate on cross-cutting issues that impact on tourism development and growth in co-operation with Government and other institutions.
5. To provide input in the selection and recruitment of senior staff within the marketing department by reviewing job specifications and providing representation during the interview process.
6. To engage with strategic partners such as KWS, KQ, KTF among others
7. Any other matters assigned to the Committee by the Full Board.

A summary of Board Marketing Committee meetings attendance by the committee members is shown below.

Board Marketing Committee Meeting Attendance from 1st July 2018 to 30th June 2019

Committee Member	Position	18th July 2018	14th Sept 2018	25th April 2019
Dr. Mohanjeet Brar	Chairman	✓	-	✓
Dr. Betty Radier	Chief Executive	✓	✓	✓

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Committee Member	Position	18th July 2018	14th Sept 2018	25th April 2019
	Officer			
Richard Kimenyi		✓	✓	N/A
Gabriel Gonzalez		-	✓	✓
Joe Okudo	Alternate is Said Athman	-	-	✓

Board Finance & Establishment Committee

The Board of Directors has delegated to the Board Finance & Establishment Committee the authority to undertake the following functions:

1. To deliberate on all financial matters presented by management and make recommendations to the Full Board, including reviewing of the KTB budgets and annual financial statements, among others
2. To deliberate on all matters relating to human resources including staff emoluments and benefits, organizational structure, recruitment, appraisals and termination, among others
3. To deliberate on legal matters affecting the organisation and to receive updates on legal issues that the organisation may be party to.
4. To deliberate on procurement matters including receiving of procurement plans and reports
5. To deliberate on Performance Contracting matters including reviewing of the draft annual performance contract and receiving quarterly PC reports.
6. To deliberate on any other matters that may be delegated to the Committee by the Full Board

A summary of Board Finance & Establishment Committee meetings attendance by the committee members is shown below.

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Board Finance & Establishment Committee Meeting Attendance from 1st July 2018 to 30th June 2019

Committee Member	Position	19th July 2018	13th Sept 2018	15th April 2019
Ken Waibochi	Chairman	✓	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓
Richard Kimenyi		✓	✓	N/A
Joe Okudo	Alternate is Said Athman	✓	-	✓
Dr. Kamau Thugge	Alternate is Anthony Muriu	✓	✓	✓
Joseph Cherutoi	Alternate is Eric Kiplagat	-	-	✓

Board Audit & Risk Committee

The Board of Directors has delegated to the Board Audit & Risk Committee the authority to undertake the following functions:

1. To assist the Chief Executive Officers in enhancing internal controls in order to improve efficiency, transparency and accountability
2. To review audit issues raised by both internal and external auditors
3. To resolve unsettled and unimplemented PAC/PIC recommendations
4. To enhance communication between management, internal and external auditors and foster an effective internal audit function
5. To be responsible for governance and compliance and to receive reports on the level of adherence to the code of conduct and ethics by members of the organisation
6. To establish and maintain an effective Board risk management process and framework

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A summary of Board Audit & Risk Committee meetings attendance by the committee members is shown below.

Board Audit & Risk Committee Meeting Attendance from 1st July 2018 to 30th June 2019

Committee Member	Position	19 th July 2018	15 th April 2019
Adam Jillo	Chairman	✓	✓
Dr. Mohanjeet Brar		✓	✓
Gabriel Gonzalez		-	-
Dr. Kamau Thugge	Alternate is Anthony Muriu	✓	✓

Remuneration of the Board

The non-executive directors are paid a taxable sitting allowance as approved by the State Corporations Advisory Committee. The Chairman is paid a monthly honorarium at a rate approved by the Government.

Transport expenses incurred by directors in respect of travel for Board business are reimbursed at the prevailing AA rates. The independent directors are also entitled to outpatient and inpatient medical cover and a personal accident cover as approved by the Government.

Directors Induction and Training

The Board develops an induction program designed to introduce new directors to the operations of the Board and also organizes corporate governance trainings at different times during the year. The programs are aimed at deepening the boards' understanding of the changes in risks, laws and business and political environment in which the Board operates.

During the year, the Board Finance & Establishment Committee members attended a course on "Finance for Non-Finance Directors" conducted by the Strathmore Business School in August 2018. Key learnings from the training included an appreciation of modern trends in preparation of corporate financial reports including the triple bottom line approach and acting for the greater

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good of society. In addition, members were taken through a detailed practical analysis of key ratios from the KTB financial statements so as to build the directors capacity to interrogate financial reports and provide adequate oversight.

Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is normally scheduled in accordance with the widely accepted principles of corporate governance. The self-evaluation is intended to review the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and its Committees jointly and individual members of the Board, including the Chief Executive Officer.

In July 2018, the Board undertook a self-evaluation exercise in respect of the FY 2017/18 that was facilitated by the State Corporations Advisory Committee and thereafter received findings from the same. The Board performed very well having attained a combined score of 86.8%. Meetings of the Board continued to be managed effectively and efficiently through the use of a fully paperless electronic board management solution.

Code of Conduct and Ethics

The directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on an ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

The Board has in place a Code of Conduct and Ethics whose aim is to define the Board's commitment to the highest standards of behaviour and to build respect, confidence and credibility with its stakeholders. The Code provides guidance to its members regarding ethical and behavioural considerations as they address their duties and obligations during their appointment and their term in KTB. The Board has also put in place a corruption prevention framework to ensure the highest standards of ethical behaviour are maintained.

Accountability & Audit

The Board is required to present an objective and understandable assessment of the organizations' operational position and prospects. To this end, the Board ensured that accounts were presented in accordance with the International Public Sector Accounting Standards (IPSAS).

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(i) External Auditors

Kenya Tourism Board accounts are audited by the Office of the Auditor-General. The Office of the Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

(ii) Internal Auditors

The Board in furtherance of its duties to ensure that the process, structure and internal controls are maintained and adhered to has recruited qualified and experienced in-house internal audit staff to carry out such functions and present reports on compliance.

Internal Controls and Risk Management

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of systems of internal controls. The Board ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, the Board has in place a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. The Board recognizes that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

In September 2018, the Board reviewed and approved various organizational policies and procedures to align them with current legislation, Government circulars and directives as well as modern best practices in management of corporations. The Board has delegated the day to day management of risks to management through systems and processes carried out on a day to day basis.

Relationship with Stakeholders

The Board appreciates that stakeholder perception affects the organization's reputation. Therefore, the Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organization by taking into account their legitimate interests and expectations in decision making.

The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns whilst having regard to legal and strategic considerations.

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The main avenues through which the board communicates with stakeholders are through press statements, stakeholder forums, courtesy calls as well as annual reports and financial statements. During the year, the Board held various stakeholder forums to engage its key stakeholders including retreats with the National Assembly Departmental Committee on Sports, Culture and Tourism where matters relating to growth of the tourism sector were discussed.

The Board has continued to encourage electronic communication through publishing documents on the corporate website www.ktb.go.ke and on the destination website www.magicalkenya.com and has endeavoured to ensure that the two websites are highly interactive and contain all the relevant information that stakeholders may require.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A- KTB'S OPERATIONAL AND FINANCIAL PERFORMANCE

Overview

Total Arrivals

The total international arrival by air and sea for the FY 2018/19 closed at 2,027,223 up from 1,488,370 in FY 2017/18, indicating a growth of 36.2%.



- JKIA recorded arrivals for the period closed at 1,376,263 up from 848,521 illustrating a growth of 62.2%
- MIAM recorded arrivals for the period closed at 129,346 up from 119,910 in FY 2017/18 illustrating a growth of 29.6%
- Other Airports arrivals recorded in the period was 26,152.

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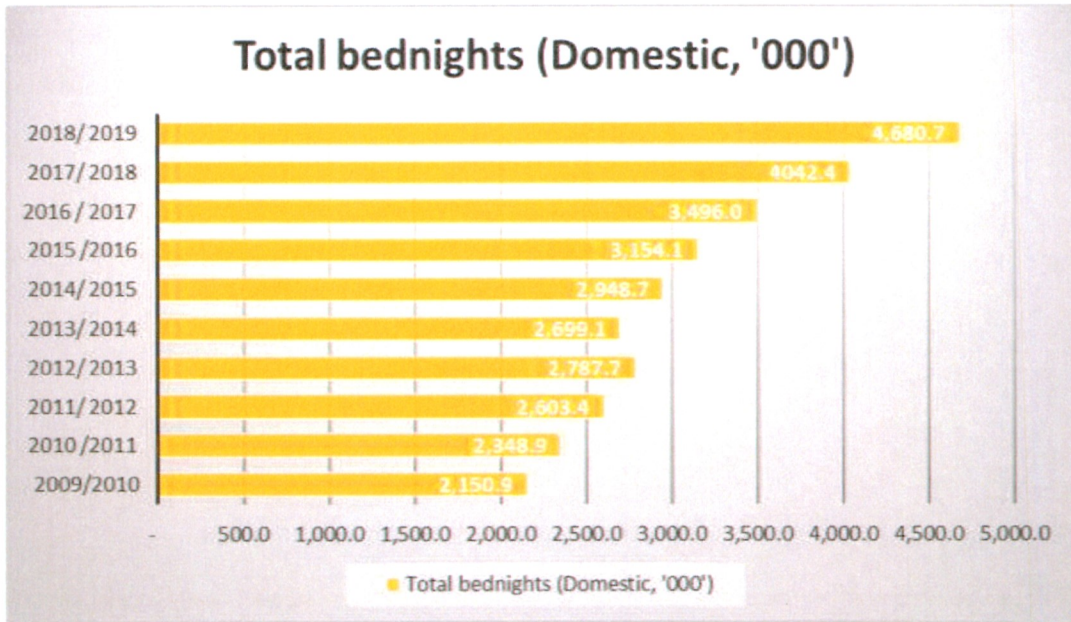
- The Cross Border figures for FY 2018/19 closed at 495,462 down from 517,157 indicating a decline of -4.2%.



Domestic Bed Occupancy

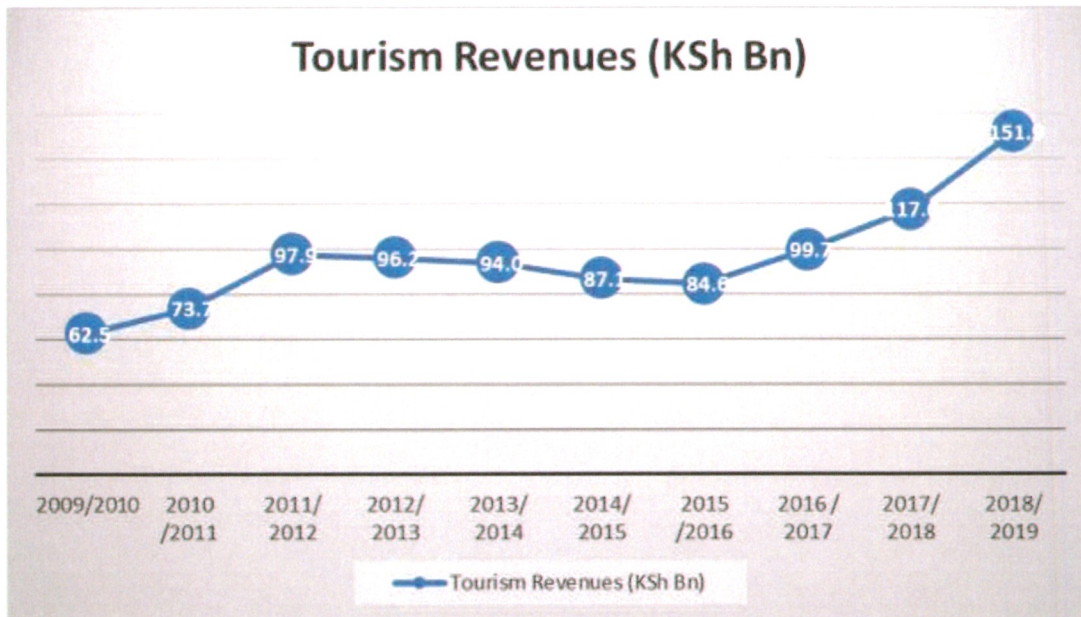
The number of domestic bed-nights occupied in the period rose by 15.8% from 4.04 million in FY 2017/18 to 4.68 in FY2018/19.

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Tourism Revenue

Tourism receipts for the FY 2018/19 are estimated to have closed at Kshs.151.9 Billion, this is a growth of 29.2% compared to KShs. 117.6 Billion recorded in FY 2017/18



What Is Being Done to Attract More Tourists to Visit Kenya:-

1. Global/International above the line (ATL) Online consumer campaigns on Google, Online Travel agencies such as Travel Zoo., on Aljazeera and CNN Online
2. Continuous Digital consumer advertising campaigns on Expedia and Tripadvisor as well as on Facebook, Instagram, LinkedIn, Twitter, Google search.

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3. Joint trade marketing campaigns with the travel trade including trade associations such as Association for Promotion of Tourism to Africa (APTA), SATOA, ATTA, etc in priority A markets.
4. Travel trade road shows in the UK, India, USA and China as Priority markets. These present an opportunity to showcase the experiences and conduct business by our local private sector players.
5. Global travel trade exhibitions including MKTE in Nairobi, ITB Germany & ITB Asia in Singapore, OTM (India), and USTOA (USA)
6. Promotion (both trade and consumer) of niche products alongside the core safari & beach products. These are Sports, MICE, Culture, Adventure, Luxury and Special interest. Themed campaigns and presentations e.g India MICE forums, China Luxury roadshow, etc.
7. In market sales calls and trade forums to engage the trade in new strategic direction, assessment of ongoing joint campaigns and educate in a bid to grow product offering.
8. At least two (2) Trade and media educational/familiarization programmes from all regions two per market region – that have funding.
9. Domestic Campaigns themed “TembeaKenyaNaMimi” through TV, digital platforms, radio encouraging Kenyans to tour their country and sharing their experiences through various platforms.
10. Destination Profiling events for global PR campaign to leverage on positives around the destination and global events that profile the destination e.g Kenya Open, NY Marathon
11. Launch of a new inspiring Brand with a rebrand campaign of “EmbraceMoreMagic” highlighting deeper engagement with the diversity of the destination.
12. Deeper media engagements to increase positive coverage through one on one meetings, media forums in source markets, and media interviews and appearances on both local and international media.
13. Digital PR aimed at managing destination reputation and enhanced user generated content interactions.
14. Implementing the top tourist experiences of Kenya through consultations with key stakeholders such as Counties, Hotels, and Product Owners among others.
15. Initiation and identification of Signature experiences through the private sector for launch and promotion of unique experiences.
16. County engagement forums in all regions to align strategy, and support in product development and packaging.
17. Support for cultural festivals to enhance inter county visitation and visibility of unique cultures to enhance the experience for a Kenyan traveller
18. Mall activations around the country aimed at enhancing product access and offers for locals

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19. Non Tourism Corporate engagements with other sectors in order to encourage increased demand for Bleisure to grow the value of Business Travel.
20. Implementing the Safari Innovation & Development Program
21. Implementing Magical Kenya's brand initiative by creating territorial and regional brand architecture.
22. Deploying a holistic 360 degrees' communication plan.
23. Implementing a global Digital marketing program
24. Implementing a customer relationship management initiative.
25. Joint travel trade campaigns focusing on the new product experiences in priority A markets
26. Trade educational programmes including launch of a global travel agents training programme.
27. Set up strategic partnerships and alliances aimed at leveraging on premium brands for enhanced brand health.

Strategy

During the year, KTB undertook the exercise of development of the KTB Corporate Strategic Plan which built upon the marketing strategies contained in the THR report and ensured that the necessary supporting framework across other departments was put in place to ensure successful implementation of the organization's strategic plan. The strategic plan is also aligned to the tourism sector objectives in the Vision 2030 master plan and the Medium Term Plan III.

Marketing Strategies

- I. To offer a collection of highly satisfying, diverse and genuine Kenyan experiences.
- II. To excel in Digital Marketing
- III. To Improve the participation, collaboration and marketing performance of the Kenyan industry

Financial performance

KTB received KShs 567.38 Million from Gok grants; Kshs 430.02 Million from Tourism Fund and earned KShs 143.19 Million from Appropriation in Aid and Strategic partnership of KShs 9.26 Million in FY 2018/19.

SECTION B- KTB'S COMPLIANCE WITH STATUTORY REQUIREMENTS

KTB is committed to comply with all statutory requirements. During the year, there were no major non-compliance that may expose KTB to any liabilities.

VIII. CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABILITY REPORTING

The World is increasingly embracing sustainability in business more than ever before. The Tourism sector, a major contributor to the economy of the country, is focusing and identifying viable ways of making the tourism business sustainable.

Aligned to the UNWTO theme on sustainability of 2018, Kenya's tourism has the potential of being a significant driver of the Sustainable Development Goals(SDGs) more specifically SDG 8,12,and 14.A targeted and strategic approach of sustainable tourism practises is being implemented to deliver on the SDGs.

As the Government marketing agency, KTB developed a policy that is intended to meet the needs of present tourists and host destinations (Communities and environment) while protecting and enhancing opportunities for future generations. It also focuses on KTB's wider social and environmental obligations that are in line with its core mandate.

During the period under review, the sustainability and programs approach combines Corporate Social Responsibility, Environmental conservation and destination marketing. The sustainability programmes evolve with the changes in the environment.

The initiatives that were earmarked affects Kenya's tourism directly and indirectly in relation to marketing Kenya as the preferred tourism destination. Among the activities that were executed includes;

1. Sustainable themed media fam trips to Amboseli and also helping sensitizing the public on the importance of Mau Forest to the Mara River which is a key resource to the Mara River and also feeds in to one of the water towers – The Aberdare. This initiative helped to drive our sustainability story to the community
2. Issuance of water bottles to staff with the aim of reducing use of plastic cups in the office
3. As part of promoting sustainability of our key resources the annual Magical Kenya Travel Expo for 2018 was themed "Protecting Culture and Heritage" with the objective of stimulating conversations and practices that would protect these base resources among our local and international partners.
4. KTB collaborated with key national players such as the National Tree Planting Committee that has been tasked to increase forest. Kenya's tourism is highly dependent on our natural resources hence the need for their conservation. The future of tourism is dependent on such initiatives.

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5. The organization is in the process of innovating its processes and structure to ensure its long terms sustainability while creating opportunities and platforms that support the sustainability of the destination and the respective tourism businesses. As a result, some these initiatives include:-

- a) **The Digital Content Communities:** KTB has launched “Kenya Content Community” which is new strategic shift in sourcing, managing and curating market and using our digital marketing channels to reach out its ideal clients. This project is based on global best practice as now used by leading destinations including Canada and Australia and reflects the trend towards experiential marketing and use of online channels to share authentic content. We have invested in technological resources and partner platforms to support this.

- b) **Sustainability Awareness programs and education:** KTB embarked on creating awareness and educating stakeholders through presenting sustainability themed fam trips with an aim of telling sustainable narratives to the world. The familiarization trips showcased some of the facilities, attractions and activities that has best practices in sustainability matters.

- c) **Product Diversification:** Although Kenya is diverse, the diversity is still unknown in regional and international markets. Providing diversity is a sure way to sustainability in tourism business. KTB has put in place a framework for the destination to cascade a strategy that offers a differentiated products and experiences across the country. KTB has facilitated and continue to facilitate product development and value creation through capacity building to ensure that nationally and regionally, Kenya provides experiences that meet customer needs and therefore sustaining tourism business.

KTB works with partners to implement sustainable initiatives which will ensure that the visitor experiences are enriched while tourism resources are available for the sustenance of current and future generations.

Promotion of education, sports, healthcare, labour relations, staff training and development

KTB’s HR Policies have been designed to reflect equity, development and well-being of staff. This is done through provision of a comprehensive medical cover, exposure and training opportunities as well as payment of gym membership to encourage staff to keep fit.

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Below is a list of ongoing or potential court cases, the claim and the current case status:

	CASE	CASE NO.	PLACE	CLAIM FOR:	AMOUNT	STATUS
1	Godfrey Musaina –vs- KTB and others	Petition No. 495 of 2016	High Court of Kenya – Constitutional and Human Rights Division	Challenge to the legality of the appointment of board members of the various state corporations	N/A	KTB has applied to have the petition dismissed for lack of prosecution by the Petitioner. On 30 th May 2019, the court ruled that the Parties submit their written submissions on 18th September 2019.
2	Council of Governors – vs- KTB & Others	Petition No. 278 of 2017	Constitutional & Human Rights Division – NBI	Court to declare certain matters relating to tourism as devolved	N/A	The petition has been stayed pending the outcome of an appeal filed on a similar case.

SECTION C- KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/ IMPLEMENTING

Key projects

In FY 2019/20, KTB will be implementing various marketing programs in order to increase arrivals from the various markets and thereby grow tourism revenues. These programs include:

- a) Advertising campaigns
- b) Integrated Consumer campaign
- c) Joint marketing campaigns with travel trade
- d) Strategic partnerships with premium brands
- e) Travel trade exhibitions
- f) Implementation of the recommendations of the destination marketing strategy review

These programs are funded from grants from the Government, transfers from Tourism Fund and appropriation in aid.

KTB continues to play its part towards promoting and implementing best practice in conservation and sustainable tourism through different initiatives.

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Investment decisions

Where KTB finds itself with funds in its Bank Accounts not required for immediate operating needs, the surplus funds shall be placed invested in line with National Treasury Circular No. 4/2017, no investment were done during the year. Interest income was earned on current account balances at the rates negotiated with the bank.

SECTION D- MAJOR RISKS FACING KTB

KTB has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. KTB reviews and monitors the development and implementation of systems of internal controls. KTB ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, KTB has developed a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. KTB recognizes that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

During the year, the Board reviewed the internal controls, policies and procedures and was satisfied that appropriate controls and procedures were in place. The Board has delegated the day to day management of risks to management through systems and processes carried out on a day to day basis.

SECTION E- MATERIAL ARREARS IN STATUTORY/ FINANCIAL OBLIGATIONS

During the FY 2016/17, KRA carried out an assessment and in August 2017, gave a demand notice of KShs 187,014,569; of this amount, KShs 182,568,010 related to withholding tax on the Marketing Development Representatives appointed to represent KTB in the various markets. KTB have made an appeal on the tax assessment. This amount was not provided in the FY 2018/19 and will be reviewed through the appeal process in 2019/20.

SECTION F- KTB'S FINANCIAL PROBITY & SERIOUS GOVERNANCE ISSUES

Strong and effective corporate governance is integral to the KTB's long-term success and is essential in delivering KTB's overall strategy. The various board committees continue to serve a vital tool for the discharge of the Board's functions.

KTB Board and management ensure financial probity and there have been no serious governance issues during the period.

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IX. REPORT OF THE DIRECTORS

The Board of the Directors submits their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the KTB's affairs.

Principal activities

The principal activity of the Tourism Board is marketing Kenya as a tourist destination.

Quality Policy

Kenya Tourism Board is committed to supporting and serving the tourist industry through marketing Kenya's unique physical and non-physical attractions with diligence, dedication and professionalism for the benefit of all stakeholders.

In pursuit of this commitment, quality objectives that have been established and communicated to all employees are being implemented and monitored. KTB is in the transition stage from ISO 9001:2008 to ISO 9001:2015.

KTB Employees

KTB employees exhibit the highest levels of integrity and professionalism. In meeting the service needs of our customers, our employees "get it right the first time, every time".

Customer Focus

We are a customer driven organization that views every customer contact as an opportunity to add value and enhance our relationship. We listen to our customers, learn and understand their needs thereby enabling us to anticipate and pro-actively offer attractive solutions.

We continuously strive to offer the best services for our customers.

Communication

We offer open, honest and constructive communication throughout the organization by supporting healthy debate and personal participation on issues affecting our business. We communicate with our customers in a fresh and informative way.

Service

We optimize the use of relevant technology to deliver attractive customer solutions, increase efficiency and minimize cost base.

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We offer reliable service delivery channels that provide a comfortable, secure and user-friendly environment for both customers and employees alike.

We constantly seek ways to improve the delivery of service to our customers.

Results

The results of the Kenya Tourism Board for the year ended June 30, 2019 are set out on page 1-32.

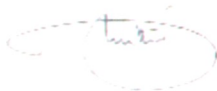
Directors

The present members of the Board of Directors are shown on page VI. During the year, three of the previous Board members were re-appointed to the Board on 7th February 2019. One new member, Mrs. Susan Maina was appointed on 3rd My 2019. Mr Jimi Kariuki was reappointed chairperson of the Board on 3rd May 2019.

Auditors

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

By Order of the Board



Allan Njoroge

COMPANY SECRETARY

DATE: 26th September 2019

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X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and The Tourism Act No.28 of 2011 Section 32(4) require the Directors to prepare financial statements in respect of KTB, which give a true and fair view of the state of affairs of KTB at the end of the financial year and the operating results of KTB for that year. The Directors are also required to ensure that KTB keeps proper accounting records which disclose with reasonable accuracy the financial position of KTB. The Directors are also responsible for safeguarding the assets of KTB.

The Directors are responsible for the preparation and presentation of KTB's financial statements, which give a true and fair view of the state of affairs of KTB for and as at the end of the financial year ended on June 30, 2019. 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 KTB'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). The Directors are of the opinion that KTB's financial statements give a true and fair view of the state of KTB's transactions during the financial year ended June 30, 2019, and of KTB's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KTB, which have been relied upon in the preparation of KTB's financial statements as well as the adequacy of the systems of internal financial control.

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STATEMENT OF DIRECTORS' RESPONSIBILITIES- Continued


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

Approval of the financial statements

KTB's financial statements were approved by the Board on 26th September 2019 and signed on its behalf by:



Dr. Betty Addero Radier
CHIEF EXECUTIVE OFFICER



Jimi Kariuki
CHAIRMAN

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Tourism Board set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Tourism Board as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No.28 of 2011.

Basis for Qualified Opinion

1. Long Outstanding Receivables

The statement of financial position reflects receivables from non-exchange transactions balance totalling Kshs.107,318,449 as at 30 June, 2019. As similarly reported in the previous year, the balance includes bad debts totalling Kshs.7,920,538 out of which a sum of Kshs.6,154,642 arose in the course of business and Kshs.1,765,896 was owed by former staff of the Board. Audit review on efforts made to recover the bad debts indicated that only one debtor had paid despite Management having hired the services of a debt collector.

In the circumstance, it has not been possible to confirm the recoverability of the bad debts totalling Kshs.7,920,538 included in the receivables from non-exchange transactions

balance totalling Kshs.107,318,449 reflected in the statement of financial position as at 30 June, 2019.

2. Unrecovered Prepayments on Terminated Digital Contract

The trade and other receivables totalling Kshs.107,318,449 includes a prepaid sum of Kshs.54,203,103 which relates to services outstanding as at 30 June, 2019 under a contract with a private firm for the provision of digital marketing services. However, available records indicated that the contract was terminated on 14 December, 2018. At the time of audit in March 2020, the level of completion of the activities, if any, executed under the contract could not be confirmed.

As a result of premature termination of the contract, the recoverability of the prepayment amounting to Kshs.54,203,103 made to the firm is doubtful.

Emphasis of Matter

Contingent Liability

Note 29 to the financial statements discloses a tax assessment for unpaid taxes totalling Kshs.187,014,569 that the Kenya Revenue Authority(KRA) notified the Board through a Demand Notice made in August, 2017. Of this amount, Kshs.182,568,010 related to withholding tax payable by tourism marketing agencies appointed by the Board to market Kenya in various tourist markets. Although the Board has filed an appeal on the tax assessment, the liability has, as in the previous year, not been disclosed in the financial statements. The appeal made by the Board had not been determined as at 30 June, 2019.

My opinion is not qualified in respect of this matter.

Key Audit Matters

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

Other Matter

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Board or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 July, 2021

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XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 KShs	2018 Restated KShs	2018 Reported KShs	2017 Restated KShs	2017 Reported KShs
Revenue from non-exchange transactions						
	3	117,799,060	115,096,281	115,096,281	82,410,539	82,410,539
	4	914,679,525	915,148,127	977,647,152	1,840,323,598	1,840,323,598
		1,032,478,585	1,030,244,408	1,092,743,433	1,922,734,137	1,922,734,137
Revenue from exchange transactions						
	5	-	-	-	11,954,914	11,954,914
	5	44,127,350	40,241,837	56,651,365	9,538,900	9,538,900
		44,127,350	40,241,837	56,651,365	21,493,814	21,493,814
Total revenue		1,076,605,934	1,070,486,245	1,149,394,798	1,944,227,951	1,944,227,951
Expenses						
	6	615,489,160	747,074,147	823,278,681	1,488,934,053	1,488,934,053
	7	255,501,501	269,484,538	269,484,538	261,325,552	261,325,552
	8	8,369,741	6,409,965	6,409,965	14,064,054	14,064,054
	9	18,103,316	13,809,826	13,809,826	9,974,411	9,974,411
	10	2,144,404	4,493,626	4,493,626	5,614,298	5,614,298
	11	75,029,979	82,030,300	82,030,300	117,830,858	134,240,386
	12	1,199,594	1,313,451	1,313,451	1,543,204	1,543,204
		975,837,694	1,124,615,852	1,200,820,386	1,899,286,429	1,915,695,957
Other gains/(losses)						
	13	-	166,652	166,652	-	-
	14	(13,259,484)	1,579,188	1,579,188	(22,444,318)	(22,444,318)
		87,508,756	(52,383,767)	(49,679,748)	22,497,204	6,087,676

The notes set out on pages 7 to 32 form an integral part of these Financial Statements.

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019


	Note	2019 KShs	2018 Restated KShs	2018 Reported KShs	2017 Restated KShs	2017 Reported KShs
Assets						
Current assets						
Cash and Cash equivalents	15	539,614,325	445,183,152	404,381,914	1,302,531,109	1,302,531,109
Receivables from non-exchange transactions	16	107,318,449	171,890,696	198,986,424	31,255,560	31,255,560
Inventories	17	6,053,777	7,393,266	7,393,266	8,551,265	8,551,265
		652,986,551	624,467,113	610,761,604	1,342,337,934	1,342,337,934
Non-current assets						
Property, plant and equipment	18	51,641,179	43,679,781	43,679,781	29,716,235	29,716,235
Intangible assets	19	4,100,673	304,855	304,855	770,114	770,114
		55,741,851	43,984,636	43,984,636	30,486,349	30,486,349
Total assets		708,728,402	668,451,750	654,746,240	1,372,824,283	1,372,824,283
Liabilities						
Current liabilities						
Trade and other payables from exchange transactions	20	236,207,733	363,419,455.49	425,918,480	850,507,361	866,916,889
Provisions	22	16,680,305	18,780,376	18,780,376	18,781,142	18,781,142
Deferred income	21	272,079,734	219,215,790	156,716,764	412,600,771	412,600,771
Payments received in advance	20	103,247	748,034	748,034	-	-
		525,071,018	602,163,655	602,163,654	1,281,889,274	1,298,298,802
Total liabilities		525,071,018	602,163,655	602,163,654	1,281,889,274	1,298,298,802
Accumulated surplus	24	136,948,119	33,336,047	19,630,537	73,909,988	57,500,460
Capital Fund	25	32,709,265	20,952,049	20,952,049	7,025,021	7,025,021
Sinking Fund	26	14,000,000	12,000,000	12,000,000	10,000,000	10,000,000
Net assets		183,657,384	66,288,096	52,582,586	90,935,009	74,525,481
Total net Assets and liabilities		708,728,402	668,451,751	654,746,240	1,372,824,283	1,372,824,283


The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:


Dr. Betty Addero Radier
Chief Executive Officer

Mary Maina
Director Finance & Admin
ICPAK Member No: 4589

Jimi Kariuki
Chairman of the Board

Signature: 

Signature: 

Signature: 

Date: 26/9/2019

Date: 26/9/2019

Date: 26/9/2019

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XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Sinking Reserves Kshs	Accumulated Reserves Kshs	Capital Fund KShs	Total Kshs
Balance as at 30 June 2016	8,000,000	43,438,373	-	51,438,373
As at 1st July 2016	8,000,000	43,438,373	-	51,438,373
Surplus /Deficit for the period	-	22,497,204		22,497,204
Capital/Development grants received during the year	-		16,999,432	16,999,432
Transfer of depreciation/amortisation from capital fund to retained earnings	-	9,974,411	(9,974,411)	-
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2017	10,000,000	73,909,988	7,025,021	90,935,009
As at 1st July 2017	10,000,000	73,909,988	7,025,021	90,935,009
Surplus/(Deficit) for the period	-	(52,383,767)	-	(52,383,767)
Capital/Development grants received during the year	-	-	27,736,855	27,736,855
Transfer of depreciation/amortisation from capital fund to retained earnings	-	13,809,826	(13,809,826)	-
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2018	12,000,000	33,336,047	20,952,050	66,288,097
As at 1st July 2018	12,000,000	33,336,047	20,952,050	66,288,097
Surplus/(Deficit) for the period	-	87,508,757	-	87,508,757
Capital/Development grants received during the year	-	-	29,860,530	29,860,530
Transfer of depreciation/amortisation from capital fund to retained earnings	-	18,103,315	(18,103,315)	-
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2019	14,000,000	136,948,119	32,709,265	183,657,384

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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 KShs	2018 KShs Restated	2018 KShs Reported	2017 KShs
Net cash flows from operating activities	23	124,291,702	(830,206,497)	(871,007,735)	606,760,114
Cash flows from investing activities					
Purchase of property, plant, equipment and intangible assets	18/19	(29,860,530)	(27,736,855)	(27,736,855)	(16,999,432)
Proceeds from sale of Property, Plant and Equipments		-	595,394	595,394	-
Net cash flows used in investing activities		(29,860,530)	(27,141,461)	(27,141,461)	(16,999,432)
Net increase/(decrease) in cash and cash equivalents		94,431,173	(857,347,958)	(898,149,196)	589,760,682
Cash and cash equivalents at 1 July 2018	15	445,183,152	1,302,531,109	1,302,531,109	712,770,426
Cash and cash equivalents at 30 June 2019	15	539,614,325	445,183,152	404,381,914	1,302,531,109

Kenya Tourism Board presents its cash flow statement using the indirect method as allowed in IPSAS 2.

For the purposes of these financial statements, cash and cash equivalents also includes amounts of GOK grants that had not been received as at 30th June 2019 and accrued bank interest income. The comparative information have also been amended to conform to the required changes in presentation.

The notes set out on pages 7 to 32 form an integral part of these Financial Statements.

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	Original Budget 2018/19 Kshs	Adjustments 2018/19 Kshs	Final Adjusted Budget 2018/19 Kshs	Actual on		Performance Difference Under/(Over) Kshs	Variance Explanations
				Comparable basis Kshs	Kshs		
Revenue							
GOK - Recurrent	270,800,800	(43,416,616)	227,384,184	135,658,030	91,726,154.00	40%	a) Budget cut of KShs 43.4M was effected during the year. (b) 2 marketing projects were deferred to Q1 of 2019/20. (c) Also, staff mortgage fund deferred to 2019/20 awaiting approval to open a new bank account to operationalize the benefit.
GOK-Deferred income 2018/19	-	156,716,764	156,716,764	141,074,880	15,641,884.00	10%	2 projects including the charter incentive programme (CIP) which was extended to June 2020. Also implementation of the e-HR system and electronic data management system that were ongoing at year end.
GOK-Development	315,000,000	-	315,000,000	207,926,615	107,073,385.36	34%	Some marketing programs funded from the development fund were deferred to Q1 of FY 2019/20. Disbursements was KShs 340M out of which KShs 25M was allocated to capex therefore adjusted to capital fund.
Tourism Fund Grant	430,000,000	-	430,000,000	430,020,000	(20,000.00)	0%	
Industry contribution/Strategic Partnership/Web income	124,500,000	-	124,500,000	117,799,060	6,700,939.89	5%	Some of the strategic partnerships did not materialize by year end.
Finance Income	20,000,000	-	20,000,000	30,006,478	(10,006,478.15)	-50%	KTB earned more interest income on the current account arising from higher negotiated rates and available bank balances.
Other Income	8,000,000	-	8,000,000	14,120,871	(6,120,871.42)	-77%	The high amount of other income resulted from write back of a previous contract amount that had been provided for inclusive of VAT reverse charge and withholding tax. These taxes did not apply due to double tax agreement.
Total Income	1,168,300,800	113,300,148	1,281,600,948	1,076,605,934	204,995,014		

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019- Continued

Expenses	Original Budget	Adjustments	Final Adjusted	Actual on	Performance	Variance Explanations
	2018/19	2018/19	Budget 2018/19	Comparable basis	Difference	
	Kshs	Kshs	Kshs	Kshs	Under/(Over)	Kshs
Marketing Expenditure	683,499,110	141,108,215	824,607,325	615,489,160	209,118,165	25%
Personnel Emolument	296,145,883	(43,416,016)	252,729,867	229,856,140	22,873,727	9%
Rent Paid	32,556,178	-	32,556,178	32,225,713	330,465	1%
Other Operational Expenses	156,099,629	15,607,949	171,707,578	111,526,166	60,181,412	35%
Total Expenditure	1,168,300,800	113,300,148	1,281,600,948	989,097,178	292,503,770	
Surplus/ (Deficit) for the Year	-	-	-	87,508,756	(87,508,756)	

The under spend is explained by the deferred marketing activities and also ongoing activities that had not been completed at year end who funds were deferred.

a) The full budget cut on the recurrent grant was applied on this vote (b) Recruitment to fill vacant positions was only completed in June 2019 hence the savings. The staff reported in July 2019.

Budget underspend due to various reasons including (i) operationalization of the staff mortgage fund (ii) Savings on operational activities arising from cost control measures.

Budget Variances (Performance difference)

The material variances are explained above alongside each budget line category.

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XVII. ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Tourism Board is established by and derives its authority and accountability from Tourism Act No.28 of 2011, sections 29-39. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to effectively market Kenya's tourism products.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying KTB's accounting policies.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

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ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

KTB receives some of its marketing budget from the development grant. The budget vote “Developing new markets and Sitting Booths” is a strategic intervention that was approved by the National Treasury in 2015 as part of tourism recovery programs. The strategic intervention was approved under the development grant. These specific marketing activities are treated as projects. For financial reporting, the total marketing expenditure including marketing project expenses are reported in the Statement of Financial Performance.

Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Industry Contributions

KTB recognizes revenue from industry contributions by reference to the stage of completion of the exhibition/ event. The stage of completion is measured by reference to whether the event had been completed.

Where the event has not been implemented, the industry contribution is reported as liabilities.

Sale of goods

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly and Ministry of Tourism & Wildlife on 4th July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations/ revisions are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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ACCOUNTING POLICY AND 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 XVI of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on the straight line basis at annual rates to write off the cost of assets over their estimated useful lives by equal annual instalments at the following rates: -

(I)	Motor vehicles	25%
(II)	Office equipment	12.5%
(III)	Furniture	12.5 %
(IV)	Computers	33.3 %

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

The depreciation charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and depreciation in full in the month of acquisition.
- No depreciation is charged in the month the asset is boarded for disposal.
- No depreciation is charged on work-in-progress.

d) Intangible Assets

KTB's intangible assets comprise of software that are in use including the SAP accounting system.

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

The useful life of the intangible assets is assessed as either finite or indefinite. The SAP/ ERP system shall be classified as indefinite useful life. It shall not be amortized but tested for impairment on an annual basis

Amortization is calculated on the straight line basis at annual rates to write off the cost of assets over their estimated useful lives by equal annual instalments at the rate of 33.3%.

The amortization charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and amortization in full in the month of acquisition.
- No amortization is charged in the month the asset is boarded for disposal.
- No amortization is charged on work-in-progress.

e) Work in Progress on Assets

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

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ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

f) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables as appropriate. KTB determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when KTB has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

KTB assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

g) Receivables from non-exchange transactions

Where an item of revenue from non-exchange transactions is not received at year end, the same is recognised as a receivable from non-exchange transactions.

h) Inventories

KTB maintains inventories mainly promotional materials for its marketing activities. Other inventories include printing and stationery materials, office utilities etc.

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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.

The inventories are recognized as expenses in the period they are issued out from the stores for use in the marketing activities in the case of promotional materials or other operational use in the case of stationeries and office utilities.

i) Trade and Other payables from exchange transactions

In the course of its operations, KTB enters into exchange transactions and events through purchase of goods, works or services. Trade and other payables for KTB arising from exchange transactions include: trade and other payables and customer deposits.

Recognition of expense and/ or payable:

From the purchase of goods: When significant risks and rewards have been transferred to KTB, amount of expense can be reliably measured and it is likely that the economic benefits or service potential associated with the transaction will flow to KTB, and the costs incurred or to be incurred in respect of the transaction can be measured reliably; then an expense is recognized

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ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

From the purchase of services: This is recognized in reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably.

The expense is measured at the fair value of the consideration paid or payable. Where the expense from exchange transaction is not paid for at the reporting date, it is recognised as a payable from exchange transaction.

j) Provisions

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

Where KTB expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

k) Contingent liabilities

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

l) Nature and Purpose of Reserves

KTB creates and maintains reserves in terms of specific requirements. KTB maintains a sinking reserve, accumulated Reserve and Capital Fund.

The Sinking fund reserve is a fund set aside for future replacement of assets as required in the State Corporations Act; section 16(1) requires that state corporations shall make provision for the renewal of depreciating assets by the establishment of sinking funds and for contributions to such reserve and stabilization funds as may be required. KTB provides for Kshs. 2M annually for this fund. The amount is provided from the accumulated surplus reserves. The current balance as at June 2019 is KShs 14Million.

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ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

KTB also maintains accumulated reserve where all surpluses net of deficits from previous year are accumulated. The fund is also net of any transfers from/ to the accumulated surplus fund.

KTB maintains capital fund for grants received for the acquirement of assets net transfer of depreciation/ amortization of the assets that have been acquired using such funds.

m) Changes in accounting policies and estimates

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

n) Retirement benefit plans

KTB provides retirement benefits for its pensionable employees at the rate of 15% of basic pay and to the National Social Security Fund (NSSF). Contributions to NSSF are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. 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 and Expenditure in the year in which they become payable.

o) Employee Entitlement

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual/reversal. Employee entitlements to gratuity are recognized when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the Financial Position date.

p) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

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ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

q) Related Parties

KTB 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 KTB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Balances and transactions between Kenya Tourism Board and its related parties have been disclosed as per IPSAS 20 in note 27 of the accounts.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include amounts of GOK grants that had not cleared at the bank at 30th June 2019.

s) Comparative figures

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

t) Subsequent events

There are no materials adjusting events after the reporting 30th June 2019.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of KTB'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.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by KTB
- 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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16 and 22.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

KTB estimated the following provisions as 30th June 2019:

- Provision for bad debts based on the recoverability of the amounts. KTB makes provisions for all receivables outstanding over 365 days where recovery is doubtful.
- Provisions for staff leave balances- estimated based on the basic salaries in line with the approved terms and conditions of services
- Provision for gratuity for staff on contracts- estimated based on the basic salary in line with the approved terms and conditions of service
- Provision for audit fees based on uncharged audit fees.

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	2019 KShs	Restated 2018 KShs	Reported 2018 KShs
3. Industry Contributions and Donations			
Industry Contribution	108,538,393	96,478,548	96,478,548
Partnership and Donations	9,260,667	18,617,733	18,617,733
Total transfers and sponsorships	117,799,060	115,096,281	115,096,281

Industry contribution relates to industry partner's contributions for the tourism events. The contribution is both in cash and in kind.

Partnership revenue are sponsorship in kind by strategic partners to participate in joint events for example co-branded activities and joint marketing campaigns.

	2019 KShs	Restated 2018 KShs	Reported 2018 KShs
4 (a). Transfer from Government & other agencies**			
Unconditional grants			
Recurrent Grant	135,658,030	498,998,020	498,998,020
Tourism Fund	430,020,000	264,000,000	264,000,000
	565,678,030	762,998,020	762,998,020
Conditional grants			
Development Grant	349,001,495	152,150,107	214,649,132
	349,001,495	152,150,107	214,649,132
Total	914,679,525	915,148,127	977,647,152

4 (b): Grants Reconciliations

	2019 Recurrent KShs	2018 Recurrent KShs	2018 Recurrent KShs
**Transfers from Government & other Agencies FY 2018/19			
Government Grant in 2018/19	227,384,184	360,500,000	360,500,000
Deferred revenue from 2017/18	-	138,498,020	138,498,020
Deferred Revenue to 2019/20	(91,725,970)	-	-
Transfer to capital Grant	-	0	0
Recognized Revenue	135,658,214	498,998,020	498,998,020

	2019 Development KShs	2018 Development KShs	2018 Development KShs
**Transfers from Government & other Agencies FY 2018/19			
Government Grant in 2018/19	340,000,000	125,000,000	125,000,000
Deferred revenue from 2017/18	219,215,790	274,102,751	274,102,751
Deferred Revenue to 2019/20	(180,353,764)	(219,215,790)	(156,716,764)
Transfer to capital Grant	(29,860,530)	(27,736,855)	(27,736,855)
Recognized Revenue	349,001,496	152,150,106	214,649,132

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4 (c): TRANSFERS FROM MINISTRIES & AGENCIES

Name of the Entity Sending the Grant	Amount Recognized in the statement of Financial Performance	Amount Deferred under deferred Income	Amount Recognized in Capital Fund	Total Income During the Year	2018
	KShs	KShs	KShs	KShs	KShs
Ministry of Tourism & Wildlife	484,659,710	52,863,944	29,860,530	567,384,184	485,500,000
Tourism Fund	430,020,000	-	-	430,020,000	264,000,000
TOTAL	914,679,710	52,863,944	29,860,530	997,404,184	749,500,000

The details of the reconciliation of the GOK grants is shown in 4(b) above.

5. Other income	2019	Restated 2018	Reported 2018
	KShs	KShs	KShs
Website	289,200	216,000	216,000
Miscellaneous Income-interest	30,006,478	35,536,345	35,536,345
Miscellaneous Income-other	13,831,671	4,489,492	20,899,020
Total other income	44,127,350	40,241,837	56,651,365

Miscellaneous income consists of website advertising, tender fees, credit notes/ write backs of creditors' invoices for previous and provisions write backs.

6. Marketing Related Costs	2019	Restated 2018	Reported 2018
	KShs	KShs	KShs
United States & Canada	38,777,082	32,356,084	32,356,084
United Kingdom	51,565,544	26,253,280	26,253,280
China	18,586,241	22,361,227	22,361,227
India	10,687,870	23,984,071	23,984,071
Germany & Switzerland	-	26,117,125	26,117,125
Italy	-	15,023,219	15,023,219
France	-	417,667	417,667
Kenya	8,207,002	31,091,547	31,091,547
Uganda/Rwanda/Ethiopia/Tanzania	-	3,856,797	3,856,797
South Africa	-	9,099,879	9,099,879
Nigeria	-	8,628,055	8,628,055
Business Development	17,225,112	24,135,122	24,135,122
Special Projects	6,633,133	115,239,143	115,239,143
Public Relations & Communications	32,133,284	35,242,068	35,242,068
Online Marketing/ Global Online campaigns	159,230,411	66,666,116	126,095,256
Exhibitions & Events	175,966,548	165,079,175	178,784,684
Agency Management	62,606,995	82,869,913	82,869,913
Customer Relationship Managements	19,482,077	20,713,833	20,713,833
Research & Strategy	12,031,084	36,362,036	39,431,921
Tactical Marketing- General	2,356,777	1,577,790	1,577,790
Total-Marketing Related Costs	615,489,160	747,074,147	823,278,681

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KTB's core activity is to market Kenya as the preferred destination of choice. Various marketing activities are implemented in both local, regional and international markets to market the destination to potential tourists with the objective of increasing tourist arrivals and therefore tourism revenue to the economy. The presentation of the marketing costs has been amended in line with the restructured marketing activities and corresponding budget lines. The comparatives amounts have also been aligned to this format.

7. Employee costs	2019 KShs	2018 KShs
Employee related costs - salaries and wages	158,006,620	173,762,168
Housing benefits and allowances	47,811,256	48,570,455
Employee related costs - contributions to Pensions and NSSF	19,746,525	21,188,837
Provision for Gratuity	4,291,738	4,031,855
Staff Group Life Policy	1,775,033	1,921,669
Staff Medical Insurance (In & Out Patient)	23,318,175	19,246,571
Group Personal Accident	552,154	762,983
Employee costs	255,501,501	269,484,538
8. Remuneration of Board Members	2019 KShs	2018 KShs
Honorarium	838,304	960,000
Sitting Allowances	4,128,000	4,070,000
Travel and Accommodation	3,013,717	918,313
Medical and other Insurances	389,720	461,652
Total	8,369,741	6,409,965
9. Depreciation and amortization expense	2019 KShs	2018 KShs
Property, plant and equipment	17,734,444	13,344,567
Intangible assets	368,872	465,259
Total Depreciation and Amortization	18,103,316	13,809,826
10. Repairs and maintenance		
Motor Vehicle	836,504	1,249,192
Office Furniture and Equipment	449,330	559,417
Computers	858,569	2,685,016
Total repairs and maintenance	2,144,404	4,493,626

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	2019	2018
	KShs	KShs
11. General expenses		
Audit fees	700,000	700,000
Bad debts Expense- Industry Debtors	1,713,703	0
Staff welfare	1,264,437	1,349,562
Team Building	0	929,967
Hiv aids/Positive living	354,200	0
Subscription and Memberships	1,167,282	1,440,199
Staff Training	5,058,308	6,781,209
Recruitment	0	7,603,105
Insurance for Motor Vehicle, Computers & Office Equip.	1,479,369	753,058
Rent	32,225,713	27,183,266
Telephone, postal & Directories	3,801,546	4,090,429
Printing & Stationery	1,991,065	2,292,051
Entertainment	1,214,368	1,215,934
Local Traveling & Accomodotation for Product fam trips	3,406,013	2,979,175
Parking	536,497	457,120
Legal fees & Consultancies	3,359,000	4,737,824
ICT Software licences/ Support fees & ERP Programmes	9,176,568	7,223,135
Corporate governance for Senior Management	1,610,362	3,798,624
Procurement Management	1,311,757	3,027,070
Motorvehicle fuel	556,669	543,180
Office general expenses	4,103,123	4,925,394
Total General expenses	75,029,979	82,030,300
12. Finance Cost		
	2019	2018
	KShs	KShs
Bank charges	1,199,594	1,313,451
	1,199,594	1,313,451
13. Gain on sale of assets		
Property, plant and equipment	-	166,652
Total gain on sale of assets	-	166,652
14. Loss on foreign exchange transactions		
	2019	2018
	KShs	KShs
Forex(Loses)Gain	(13,259,484)	1,579,188
	(13,259,484)	1,579,188

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15. Cash and cash equivalents	2019	Restated 2018	Reported 2018
	KShs	KShs	KShs
Bank	527,728,455	404,333,695	404,333,695
Cash-on-hand and in transit	152,310	48,219	48,219
GoK	9,000,000	38,000,000	0
Accrued Interest Income on Current Account	2,733,560	2,801,238	0
Total cash and cash equivalents	539,614,325	445,183,152	404,381,914

Bank and Account Number	KSh Equivalent	KSh Equivalent	KSh Equivalent
KCB Moi Av. EURO A/C 1101689846	19,644,467	21,692,231	21,692,231
KCB Moi Av . USD A/C 1101660066	4,270,915	14,809,878	14,809,878
KCB Moi Av .GB P A/C 1101636912	29,418,239	31,826,036	31,826,036
KCB Moi Av. KES A/c 1108980457	474,394,834	336,005,550	336,005,550
	527,728,455	404,333,695	404,333,695

16. Receivables from non exchange transactions

	2019	Restated 2018	Reported 2018
	KShs	KShs	KShs
Current receivables			
Exhibition debtors	6,345,427	7,104,999	7,104,999
MKTE organiser Receivable	33,689,359	25,734,511	12,029,002
Prepaid Media Buying	54,203,103	120,707,895	120,707,895
GOK & Tourism Fund	4,000,000	4,000,000	42,000,000
Prepayment	7,635,989	7,496,885	7,496,885
Other deposits/receivables	8,365,274	11,496,603	14,297,841
Staff Advances and Perdiem	3,800,886	4,365,576	4,365,576
Imprest	1,198,949	2,140,253	2,140,253
	119,238,987	183,046,722	210,142,451
Less Provisions:			
Bad Debt- Industry	6,154,642	5,390,131	5,390,131
Provision TF	4,000,000	4,000,000	4,000,000
Bad Debt- Staff	1,765,896	1,765,896	1,765,896
Sub Total- Provisions	11,920,538	11,156,027	11,156,027
Total current receivables	107,318,449	171,890,696	198,986,424

17. Inventories

Consumable stores	6,053,777	7,393,266	7,393,266
Total Inventories	6,053,777	7,393,266	7,393,266

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18. PROPERTY, PLANT & EQUIPMENT

Cost	Office	Computer	Furniture &	Motorvehicle	Capital Workin	Total
	Equipment	Hardware	Fittings		Progress	KShs
As 1st July 2017	KShs 17,145,865	KShs 45,563,335	KShs 26,182,830	KShs 25,872,969	KShs 0	KShs 114,764,999
Additions	603,275	4,248,978	5,700,060	8,674,282.80	8,510,261.00	27,736,856
Disposals	(971,160)	(1,428,750)	(1,596,695)	(1,602,075)	-	(5,598,680)
As 30th June 2018	16,777,979	48,383,563	30,286,195	32,945,177	8,510,261	136,903,175
Additions	3,003,896	3,492,266	24,000	14,791,000	4,384,678	25,695,840
Transfer/adjustments	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As 30th June 2019	19,781,875	51,875,828	30,310,195	47,736,177	12,894,939	162,599,014
Depreciation and impairment						
As at 1st July 2017	11,453,169	32,907,873	22,846,184	17,841,538	0	85,048,764
Depreciation	1,055,277	6,118,749	1,174,156	4,996,386	-	13,344,567
Disposals	(940,945)	(1,428,750)	(1,198,168)	(1,602,075)	-	(5,169,938)
At 30 June 2018	11,567,501	37,597,872	22,822,172	21,235,849	-	93,223,393
Depreciation	1,224,902	7,137,929	1,262,656	8,108,956	-	17,734,443
Disposals	-	-	-	-	-	-
As At 30 June 2019	12,792,403	44,735,800	24,084,828	29,344,805	-	110,957,836
Net book values						
At 30 June 2019	6,989,472	7,140,028	6,225,367	18,391,372	12,894,939	51,641,179
At 30 June 2018	5,210,478	10,785,691	7,464,023	11,709,328	8,510,261	43,679,782

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19. Intangible assets - software

Cost	KShs
At 1st July 2017	34,086,484
Additions – internal development	-
At 30 June 2018	34,086,484
Additions – internal development	4,164,690
WIP	-
At 30 June 2019	38,251,174

Amortization and impairment

At 1st July 2017	33,316,370
Amortization	-
Impairment loss	-
At 30 June 2018	33,781,629
Amortization	368,872
Impairment loss	-
At 30 June 2019	34,150,501

Net book values

At 30 June 2019	4,100,673
At 30 June 2018	304,855

	2019	Restated 2018	Reported 2018
20.Trade and other payables from exchange transactions	KShs	KShs	KShs
Trade payables	219,746,439	317,827,804	380,326,829
Payments received in advance- Exhibitions	103,247	748,034	748,034
Accruals	1,414,423	30,714,015	30,714,015
Other payables	15,046,872	14,877,637	14,877,637
Total trade and other payables	236,310,981	364,167,490	426,666,515

	2019	Restated 2018	Reported 2018
21. I)Deferred Income	KShs	KShs	KShs
GOK Grants	272,079,735	219,215,790	156,716,764

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The deferred income movement is as follows:

	2019	2019	Restated 2018	Reported 2018
ii) Deferred Income	KShs Recurrent	KShs Development	KShs Development	KShs Development
Balance Brought Forward	-	219,215,789.70	249,286,040	249,286,040
Additions/ Deferred to 2019/20	91,725,970.00	180,353,764.00	219,215,790	156,716,764
Transfer to Income Statement	-	(212,491,168.00)	(92,569,276)	(92,569,276)
Transfer to Capital Grants	-	(6,724,621.00)	(6,863,100)	(6,863,100)
Balance Carried Forward	91,725,970.00	180,353,764.70	219,215,790	156,716,764

The deferred income relates to funds transferred from the income statement under government grants to the deferred income accounts. These grants relates to funds received in the year but for which the specific marketing projects had not been implemented and/or were ongoing. The deferred recurrent grant also includes funds allocated for the staff mortgage for which approval to open the bank account is awaited.

22. Current provisions

	Leave Liability Shs	Gratuity Shs	Audit Fees Shs	Total Shs
Balance as at 30 June 2018	10,648,099	7,432,277	700,000	18,780,376
Additional provisions raised	-	4,291,738	700,000	4,731,855
Over provision reversed	(1,530,983)	-	-	(1,530,983)
Provision utilized	-	(5,560,826)	-	(5,560,826)
Balance as at 30 June 2019	9,117,116	6,163,189	1,400,000	16,680,305

23. Cash generated from operations

	2019	Restated 2018	Reported 2018
	KShs	KShs	KShs
Surplus for the year before tax	87,508,756	(52,383,767)	(49,679,749)
Adjusted for:			
Depreciation	17,734,444	13,344,567	13,344,567
Amortisation	368,872	465,259	465,259
Gains and losses on disposal of assets	-	(166,652)	(166,652)
Working capital adjustments:			
(Increase)Decrease in inventory	1,339,488	1,158,000	1,158,000
(Increase)/Decrease in receivables	64,572,247	(140,635,136)	(167,730,865)
(Increase)/Decrease in deferred income	52,863,944	(193,384,981)	(231,067,296)
(Increase)/Decrease in capital grants	29,860,530	27,736,855	27,736,855
Increase(Decrease) in payables	(129,956,579)	(486,340,641)	(465,067,854)
Net cash flows from operating activities	124,291,702	(830,206,497)	(871,007,735)

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	2019	Restated	Reported
	KShs	2018	2018
		KShs	KShs
24. Accumulated Surplus			
Balance b/f	33,336,047	73,909,988	57,500,460
Surplus/ (Deficit)	87,508,757	(52,383,767)	(49,679,748)
Transfer of depreciation/amortisation from capital fund	18,103,315	13,809,826	13,809,826
Transfers to Sinking Fund	(2,000,000)	(2,000,000)	(2,000,000)
Total Accumulated Surplus	136,948,119	33,336,047	19,630,538

	2019	2018	2018
	KShs	KShs	KShs
25. Capital Fund			
Balance b/f	20,952,050	7,025,021	7,025,021
Capital/Development grants	29,860,530	27,736,855	27,736,855
Transfer of depreciation/amortisation from capital fund to retained earnings	(18,103,315)	(13,809,826)	(13,809,826)
Total Capital Fund	32,709,265	20,952,050	20,952,050

The amounts transferred to capital fund relates to capital expenditure for which the projects were ongoing and capital items which procurement had not been completed as at 30th June 2019.

	2019	2018
	KShs	KShs
26. Sinking Fund		
Opening Balance	12,000,000	10,000,000
Sinking Fund Provision	2,000,000	2,000,000
Balance as at 30 June	14,000,000	12,000,000

27. FINANCIAL RISK MANAGEMENT

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

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

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FINANCIAL RISK MANAGEMENT (Continued)

i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and their assessment of the current economic environment.

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	119,238,987.05	107,318,448.72	-	11,920,538.33
Bank balances	527,728,454.92	527,728,454.92	-	-
Total	646,967,441.97	635,046,903.64	-	11,920,538.33
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	183,046,722.39	171,890,695.69	-	11,156,026.70
Bank balances	404,333,695.20	404,333,695.20	-	-
Total	587,380,417.59	576,224,390.89	-	11,156,026.70

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FINANCIAL RISK MANAGEMENT (Continued)**

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

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

KTB requires that customers pay for their participation costs before the events thereby minimizing any risk of non-payment of industry contributions. KTB also makes provisions for all receivables outstanding over 365 days where recovery is doubtful. To avoid further loss, KTB does not allow subsequent engagement with a debtor until the previous outstanding amount is fully received.

ii) Liquidity risk management

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

The table below represents cash flows payable by KTB under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	59,887,419	141,928,503	68,703,616	219,746,439
Provisions	700,000	4,346,846	11,633,458	16,680,305
Deferred income	27,207,973	81,623,920	163,247,841	272,079,735
Total	87,795,392	227,899,270	243,584,916	508,506,479

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FINANCIAL RISK MANAGEMENT (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30 June 2018	Kshs	Kshs	Kshs	Kshs
Trade payables	37,152,341	196,562,302	84,113,161	317,827,804
Provisions	700,000	8,755,256	9,325,120	18,780,376
Deferred income	21,921,579	65,764,737	131,529,474	219,215,790
Total	59,773,920	271,082,295	224,967,755	555,823,970

(iii) Market risk

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

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

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

Risk management analysis is done for all major projects (above KShs 5M) at the onset of the projects.

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

a) Foreign currency risk

KTB has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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FINANCIAL RISK MANAGEMENT (Continued)**

The carrying amount of KTB's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets			
Investments	-	-	-
Cash	474,394,834	53,333,621	527,728,455
Debtors	31,346,525	87,892,462	119,238,987
Total financial assets	505,741,358	141,226,084	646,967,442
Financial Liabilities			
Trade and other payables	99,211,108	137,099,873	236,310,981
Borrowings	-	-	-
Total financial liabilities	99,211,108	137,099,873	236,310,981
Net foreign currency asset/(liability)	406,530,251	4,126,210	410,656,461
	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets			
Investments	-	-	-
Cash	336,005,550	68,328,145	404,333,695
Debtors	36,604,317	146,442,406	183,046,722
Total financial assets	372,609,867	214,770,551	587,380,418
Financial Liabilities			
Trade and other payables	145,398,187	281,268,327	426,666,515
Borrowings	-	-	-
Total financial liabilities	145,398,187	281,268,327	426,666,515
Net foreign currency asset/(liability)	227,211,679	(66,497,776)	160,713,903

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Foreign currency sensitivity analysis

The following table demonstrates the effect on KTB's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

b) Interest rate risk

Interest rate risk is the risk that KTB's financial condition may be adversely affected as a result of changes in interest rate levels. KTB's interest rate risk arises from bank deposits and balances. This exposes KTB to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits/ bank balances.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	-	-
Sinking Fund	14,000,000.00	12,000,000.00
Retained earnings	136,948,118.84	33,336,046.96
Capital Fund	32,709,264.79	20,952,048.79
Total Funds	183,657,383.63	66,288,095.75
Total borrowings	-	-
Less: cash and bank balances	539,614,324.60	445,183,152.15
Net debt/(excess cash and cash equivalents)	<u>(355,956,940.97)</u>	<u>(378,895,056.40)</u>
Gearing	-194%	-572%

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28. Related parties

KTB 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 KTB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Government of Kenya

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

- i. The National Government
- ii. Ministry of Tourism & Wildlife
- iii. Tourism Fund
- iv. Board of Directors
- v. Senior Management

Transactions with Related Parties:

(i) Related Parties- Government of Kenya & Tourism Fund	Actual Disbursements in 2018/19	Actual Disbursements in 2017/18
GOK - Recurrent	218,384,184	322,500,000
GOK- Development	340,000,000	125,000,000
Tourism Fund	430,020,000	264,000,000
	988,404,184	711,500,000

A recurrent grant of KShs 9Million was received on 1st July 2019 (in 2017/18, KShs 38Million was received on 9th July 2018). The amounts were accrued in KTB books and reported as due from GOK as at 30th June.

(ii) Expenses incurred on behalf of MOTW	2019 KShs	2018 KShs
Payment for design and printing of GOK Calendars	19,910,240	-
Total	19,910,240	-

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(iii) Key management compensation	2019 KShs	2018 KShs
Directors' emoluments	838,304	960,000
Compensation to the CEO	8,880,000	8,880,000
Compensation to key management	48,199,112	45,806,506
Total	57,917,416	55,646,506
(iv) Related Parties- Staff Advances	3,781,090	3,995,064

29. Contingent Liabilities

During the FY 2016/17, KRA carried out an assessment and in August 2017, gave a demand notice of KShs 187,014,569. Of this amount, KShs 182,568,010 related to withholding tax on the Marketing development agencies appointed to represent KTB in the various markets. KTB have made an appeal on the tax assessment. This amount was not provided in the FY 2016/17, 2017/18, 2018/19 and will be reviewed through the appeal process in 2019/20.

30. EVENTS AFTER THE REPORTING PERIOD

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

31. ULTIMATE AND HOLDING ENTITY

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

32. CURRENCY

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS/OTHER MATTER

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6	<p>Long Outstanding Receivables</p> <p>The receivables from exchange transaction balance of Kshs 214,875,480 as at 30 June 2018 includes an amount of Kshs 6,427,699.83 which has been outstanding for a period of more than one year, of which Kshs 1,765,895 is from former staff. In addition, a review of evidence of follow up on the debts and the effort taken to recover the debts were noted not to be fruitful since only one debtor has paid despite the entity engaging the services of a debt collector.</p>	<p>We agree that debtors above 365 days was KShs 6,427,699.83. Some of these amounts however arose from double postings of invoices, invoices for trade partners that did not attend events and therefore ought to have been reversed in the year the invoice was booked and sponsorships that were not honoured. Some of these amounts were therefore not real debtors.</p> <p>KTB engaged Aegis in to collect the amounts and the company is paid on commission based on collections. In 2018/19, collections were made from KLM Royal Dutch Airlines of Euro 1,500.</p> <p>The amount due from Kenya Wildlife Services of KShs 788,937.36 was negotiated with KWS to be recovered</p>		Not Resolved	December 2019

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		<p>through park fees waivers. This will be achieved fully in 2018/19.</p> <p>Zimbabwe Tourism Authority cleared the amount of USD 5,792 (equivalent to KShs 579,698.69 in 2018/19).</p> <p>We wish to confirm that these amounts are provided for at KShs 5,390,130 as at 30th June 2018, and an additional specific provision in 2018/19 of KShs 764,571.63 was made therefore total provision is KShs 6,154,702. The Board in 2016 sought approval to write off some of the amounts from the books in line with PFM Act section 69 and regulations sections 145-159. The approval from National Treasury is awaited, we have made several follow ups in 2017 and 2018 and will make further follow ups.</p> <p>Ex-Staff Balances</p> <p>The amount due form ex-staff of KShs 1,765,895 relates to imprest and advances amounts that were not paid by</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>former staff members. These cases were forwarded to DCIO and EACC and have been on their follow up since 2007. Management will do further follow up with these institutions for recovery update.</p> <p>We wish to confirm that these amounts are fully provided for at KShs 1,765,895. The Board in 2016 sought approval to write off some of the amounts from the books in line with PFM Act section 69 and regulations sections 145-159. The approval from National Treasury is awaited, we have made several follow ups in 2017 and 2018 and will make further follow ups.</p>	<p>We have noted the observation. We wish to clarify that there were six (6) officers who were acting as at 30th June 2018.</p> <p>KTB did not have a Board of Directors from July 2012 to October 2015 after the terms of the previous board members were revoked. Accordingly, KTB was unable to fill positions at senior level that required recruitment by the Board. Positions falling vacant during this time (Exhibitions</p>	CEO /Board	not resolved	November 2019
<p>Staff on Acting Appointment</p> <p>As per section C.14(1) of Human Resource policies and procedure manuals of May 2016, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. However , it was observed that</p>	<p>Emphasis of the matter</p>				

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	<p>twelve(12) members of staff have been acting in their current positions with some of them having acted for more than a year contrary to section.14(1) of the Human Resource policies and procedure manual of May 2016.</p>	<p>Manager and Head of Human Capital & Admin) were filled by officers in acting positions.</p> <p>Upon appointment of a new board, the process of filling the positions in Grades 2-3 was commenced. However, the same had not been concluded by the time of the audit due to the following reasons:</p> <p>The recruitment process undertaken through Manpower Services Ltd was not successful as the candidates did not meet the 70% pass mark and the exercise was commenced afresh.</p> <p>The second recruitment process was completed upto negotiation with successful candidates but was however stopped after concerns by the parent ministry and the National Cohesion & Integration Commission (NCIC) that the selection of candidates did not fulfil the constitutional requirement to ensure adequate representation of all ethnic communities in the workforce. After consultation with SCAC, the process was kept on hold pending guidance from SCAC after the KTB Board demonstrated</p>			

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		<p>that the constitutional principles of recruitment on the basis of meritocracy as well provision of fair opportunity to all Kenyans to apply had been observed.</p> <p>Recruitment Update We wish to update the audit team that the recruitment exercise has since been completed and most of the positions have now been filled with substantive officers except for Internal Audit Manager and Research Manager. Management is in the process of filling all vacant positions, advertisement will run in August 2019.</p> <p>The recruited officers took appointments effective 22nd July 2019; the acting appointments for the officers who were acting in these positions ceased effective 21st July 2019.</p> <p>We have noted your comments and the amendments have been made to the manual.</p> <p>These amendments were approved by the BOD.</p>	HR Manager	Resolved	
10.1.1	<p>Career Progression Guidelines for Records Management Officers</p> <p>The Career guideline establishes two grades, Records Management Assistant and two grades of Records Management</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Officers who will be designated and graded as Records Management Assistant at job grade KTB 8 and Senior Records Management Assistant at job grade KTB 7. On further perusal of KTB documents a contradictory grading pattern is encountered with the same jobs having been given different grades as Records Management Assistant at grade KTB 7 and Senior Records Management Assistant at grade KTB 6.</p>				
10.1.2	<p>Advancement within the Career The Career Guidelines sets out the minimum qualifications and/or experience required for advancement from one grade to another. However, it was observed that some job cadres did not have room for advancement since there were some grades that were not included.</p>	<p>Your observations are noted. However, as explained during the audit, KTB's organization structure was designed to ensure optimal utilization of human resources without unduly creating a heavy workforce especially in non-core functions. Accordingly, some positions were deemed unnecessary as the department functions could adequately be performed by the officers in the grades established. Therefore, these are not reflected in the structure. Examples of missing positions include Asst. ICT Manager (Grade 4), Finance Manager (Grade 3), Asst.</p>		Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Legal Services Manager (Grade 4), Legal Officer (Grade 5), Manager - Quality Management (Grade 3). However, the officers within these departments are able to advance career-wise to the next available grade in their departments by acquiring the requisite number of years of experience and obtaining additional academic and professional qualifications.</p> <p>For example, an Assistant Finance Manager in Grade 4 who possesses Six (6) years relevant experience, a Bachelor's Degree in a relevant field and has attended a certificate in Senior Management Course lasting not less than four (4) weeks can advance career-wise to the position of Director Finance & Admin in Grade 2 if, in addition to their existing qualifications, they obtain a Masters Degree in a relevant field, Twelve (12) years relevant experience with five (5) years in a senior Management position and obtain a certificate in Leadership Course lasting not less than six (6) weeks from a recognized institution.</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.2	<p>Organization Structure</p> <p>The Human resource policy of the Kenya Tourism Board give provision for the Director of Human and Administration. However, it was noted that the Organization and Grading Structure dated June 2017 does not have the rank of Director Human Resource and Administration thereby contravening the Human resource policy.</p>	<p>The draft HR Instruments, including the organizational structure and HR Policy and Procedures Manual, were prepared by Management with the guidance of SCAC during a retreat held in July 2017 and were thereafter tabled before the Board for approval. These draft instruments provided for the position of Director – Human Resources and Administration.</p> <p>The Board however noted the need to take into consideration the proposals made by THR in regards to the organization’s operational model with more emphasis being placed on the core mandate of the organization rather than support services and thus the need to review the proposed structure to ensure a greater alignment towards the core mandate of the organization. Accordingly, a new position of Director – Finance & Administration was approved within which the human resource function was placed, headed by a Manager – Human Resources & Administration. The HR Instruments were thus revised to capture this change.</p> <p>Management have noted the audit observations in respect</p>			

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		<p>of instances where there is still reference to the position of Director – Human Resources and Administration and has drafted the amendments to the HR manual to reflect the correct position.</p> <p>The revised manual shall be presented to the BOD for approval in the next board meeting.</p>			
10.3	<p>Employment on Contract Terms The Human Resource Policy of the Board stipulates that, Officers in Grade KTB 2 & 3 shall be appointed on contract of five (5) years renewable subject to satisfactory performance.</p> <p>A review of sampled personal files indicate that there is only one officer whose appointment is on contract terms that is the Director of Marketing. Other officers mainly in grade 3 are still on Permanent and Pensionable status thus going against the stipulations of their own Human Resource</p>	<p>The HR Policy and Procedures Manual approved by the Board in 2017 provided that positions in Grades 2 & 3 will be appointed on renewable contract terms for a period of 5 years. KTB has implemented this policy in respect of all unfilled positions in Grades 2 and 3 which will be filled as contract positions upon conclusion of the recruitment process. Officers currently in these grades have continued on their existing employment terms on the basis that policy cannot take effect retroactively but will, upon exit, be replaced by officers on contract terms.</p> <p>We have amended the HR manual to read as follows: 2.5.3 Officers who join KTB in Grade KTB 2 & 3 from the approval date of this Manual shall be appointed on</p>			

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	Policy.	<p>contract of five (5) years renewable subject to satisfactory performance.</p> <p>The amendment shall be tabled to the BOD for approval in the next board meeting.</p>			

**CHIEF EXECUTIVE OFFICER
26th SEPTEMBER 2019**