

REPUBLIC OF KENYA



**REPORT**

THE NATIONAL ASSEMBLY  
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**THE AUDITOR-GENERAL**

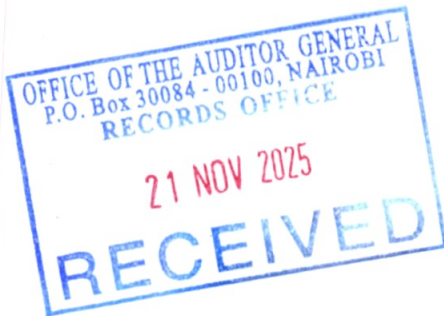
**ON**

**STATE DEPARTMENT FOR TOURISM**

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

ANNEX 1



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**MINISTRY OF TOURISM AND WILDLIFE**

State department for tourism

VOTE 1202

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

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

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**1. Acronyms and Definition of key terms**

AIE	Authority to Incur Expenditure
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
SAATM	Single Africa Air Transport Market
FITs	Free Independent Travelers
SAGAs.	Semi-Autonomous Government Agencies

**B: Definition of Key Terms**

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

**2. Key State department for tourism Information and Management**

**(a) Background information**

The State Department for Tourism was formed vide Executive Order No.1 of 2023. The Cabinet Secretary who is responsible for the general policy and strategic direction of the State Department, represents the State Department at Cabinet Level.

The Vision of the State Department for Tourism is to make Kenya “A vibrant, innovative and resilient tourism industry supported by sustainable resource” while the Mission is “To facilitate good governance for sustainable development, management and marketing of tourism”. The mandate of the State Department of Tourism is Tourism Policy and Standards, Development, Promotion and marketing of Tourism, Tourism Research and Monitoring, Protection of Tourism and Regulation, Tourism Financing and Tourism Training.

**(b) Mandate**

The Vision of the State Department for Tourism is to make Kenya “An innovative and sustainable tourism destination while the Mission is “To provide leadership in the management, marketing and financing of the tourism sector for sustainable development. The State Department for tourism derives its mandate and functions from the Executive order No. 2 of 2023. The functions entail the following; Tourism Policy and Standards, Development and promotion of Tourism, Training on tourism services, Tourism Finance, Tourism Research and Monitoring, Protection of Tourism and Regulation and positioning and marketing of Kenya to local and international Tourists.

**(c) Key management**

The State department for tourism’s day-to-day management is under the following key organs/Offices/ Directorates/Divisions

- Cabinet Secretary
- Accounting Officer
- Tourism secretary
- Senior Deputy Secretary
- Chief Finance Officer
- Senior Deputy Accountant General
- Director Planning

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

- Director Human Resource, Management and Development
- Assistant Director Supply Chain management

*(State department for tourism to list the key organs without providing names of the office holders)*

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name	Date of Appointment
1	Cabinet Secretary	Hon. Rebecca Miano	29/08/2024
2	Accounting Officer	John Ololtuaa	02/12/2022
3	Ag. Tourism secretary	Bernard Kahuthia	13/03/2024
4	Senior Deputy Secretary	Mutinda wa Ngei	01/08/2019
5	Chief Finance Officer	Winfred Wangeci	28/08/2023
6	Senior Deputy Accountant General	Julius Mugambi	03/07/2024
7	Director Planning	Karanja Waigi	08/08/2023
8	Director Human Resource, Management and Development	Beatrice Nyawanda	06/12/2023
9	Assistant Director Supply Chain management	Shadrack Kuria	28/08/2024

**(e) Fiduciary Oversight Arrangements**

**The management has established several committees which include:**

- a) Budget implementation committee composed of a chairman, secretary and four members.

This committee is mandated to review the budget implementation progress.

Its terms of reference include:

- 1) To review the cash flow plan by regularly reviewing the ministerial cash plan and approve any changes
  - 2) To review the utilization of cash limit and consider any changes required
  - 3) To advise the Accounting officer on challenges related to budget implementation
  - 4) To review and recommend reallocation of expenditures
  - 5) To participate in sector working groups
  - 6) To prepare budget in consultation with heads of departments, Provide a brief statement on the governance structure of the entity.
- b) human resource committee: This committee deals with members of staff matters concerning ,Employment ,promotion ,discipline among others
- c) Ministerial human resource development committee :This committee deals with members of staff training and Development
- a. Audit Committee

The department has an Audit committee composed of a Chairperson, two members, and one member as National Treasury representative.

The purpose of the Audit Committee is stipulated in the PFM Regulation 175 as follows;

- a) Support the Accounting Officer with regard to their responsibility on issues of risk control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the management of Ministry.
- b) Follow up on the implementation of the recommendations of internal and external auditors.

**The Responsibility of the Audit Committee**

The duties and responsibilities Audit Committee include the following;

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

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- i. Review the financial statements to ascertain that they are prepared in accordance with laid down professional guidelines & regulations and are in compliance with International Public Sector Accounting Standards.
- ii. Review the completeness, accuracy and disclosure of the financial statements whether they are in conformity to regulations, guidelines and International Public Sector Accounting Standards.
- iii. Review the external auditor's opinion in the preparations, disclosure, accuracy and completeness in relation to the laid down professional guidelines
- iv. Review the interim financial statements from the external and internal auditors before they are adopted

**(f) State Department for Tourism Headquarters**

Tourism Fund Building

9<sup>th</sup> Floor, Eastern Wing

P.O. Box 30027

GPO 00100

**(g) Contacts**

Telephone: (254) 20 315001-6

E-mail: [PS@tourism.go.ke](mailto:PS@tourism.go.ke)

Website: [www.tourism.go.ke](http://www.tourism.go.ke)

**(h) State Department For Tourism Bankers**

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**NAIROBI, KENYA**

**(i) Independent Auditors**

Auditor - General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

**NAIROBI, KENYA**

**(j) Principal Legal Adviser**

The Attorney General

State Law Office & Department for Justice.

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**3. Profile of Cabinet Secretary**



Hon. Rebecca Miano,  
EGH,

Hon. Rebecca Miano, EGH, is the Cabinet Secretary for the Ministry of Tourism and Wildlife. She is the immediate former Cabinet Secretary for the Ministry of Investments, Trade and Industry. Prior to that she served in the Ministry of East African Community, Arid and Semi-Arid Lands (ASALs) & Regional Development as Cabinet Secretary. During her initial stint in Cabinet Mrs Miano was a member of the EAC Council of Ministers and an Ex-officio Member of the East African Legislative Assembly (EALA). Before Mrs Miano's appointment to the Cabinet she served as the Managing Director & CEO of Kenya Electricity Generating Company (KenGen PLC), where she became the first woman in Eastern Africa to lead an electricity-generating company. She held this position for five years. With a 25-year multifaceted career in the energy sector, Mrs. Miano is a recognised continental business leader. She led and grew KenGen as a sustainable entity and won accolades for her expertise in renewable energy. Mrs Miano is credited for structuring international and regional multi-million business transactions as well as her unmistakable mastery of international regulatory frameworks in sustainability development and climate change. She is also skilled in policy development, corporate governance, and business law. Mrs. Miano founded the Pink Energy forum to address female and gender parity issues in the energy sector.

4. Profiles of Accounting Officer and Key Management.

Accounting Officer and Key Management



John Ololtuaa, CBS  
Principal Secretary


John Lekakeny Ololtuaa was born in Kilgoris District, Trans-mara West Sub County in Narok County. He attended God-Ngoche Primary school and registered an outstanding performance in the examinations. He was admitted to Sosio Secondary school and later joined Narok High School where he sat for his KACE certificate. He later attained his Bachelor of Education (Arts) Degree and a Master's Degree in Education Administration both from Kenyatta University.

Ololtuaa is an educationist who started his education-based career in 1993 as an assistant Teacher. He later on became the Principal of Ennosoen Secondary School. Through his consistent effort and commitment, he rose through the ranks to become District Education Officer in charge of Suba, Mbita, and Bomet Districts.

He further served as County Director of Education for Bomet and Kajiado Counties. Out of determination, sheer hard work, and commitment, Ololtuaa was promoted to serve as a Regional Director of Education in charge of Eastern, Nairobi, Rift Valley, and Central Regions respectively.

He was appointed to serve in the Transition Authority overseeing the transition to Devolved system of

	<p>governance. He specifically served as the County Transition coordinator in charge of Narok County.</p> <p>Ololtuaa is a mentor of the youth where he supports several youth development initiatives across the country.</p> <p>In 2020 he participated in Global Schools Partnership Program by visiting schools in Richmond, North Yorkshire in England which entailed a program being implemented through the British Council in developing learning Partnerships between schools in Africa, Asia, Latin America and the Caribbean.</p> <p>He is a community organizer who has in his engagement with the community, helped in building of churches and supporting philanthropic activities in Narok and beyond where he has participated in promoting community initiatives for women, youth, and underprivileged sectors of the society. Ololtuaa is passionate about Youth Counselling Programmes, Fight against Drug and Alcohol Abuse.</p> <p>His faith in community service saw him contest for the Kilgoris Constituency seat to represent the ideals of community progress in the August house as a Member of the National Assembly. He continues to support community programs such as scholarship support for orphans and vulnerable children, welfare development for the old and widowed in the community.</p>
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	<p>Hon. John Ololuaa is a transformative leader who believes in the ideals of strategic management and high standards of professionalism, transparency, integrity, and accountability.</p> <p>In September 2022, Ololuaa was appointed as the Principal Secretary in the State Department for Tourism in the Ministry of Tourism, Wildlife, and Heritage where he is in charge of Tourism Promotion, policy formulation, and Development of the Tourism industry in Kenya.</p>
 <p>Benard kahuthia Ag. Tourism Secretary</p>	<p><b>Bernard Kahuthia</b> is a career civil servant who has risen through the ranks over the years has Post graduate Diploma &amp; specialization in Tourism from International School of Tourism Sciences, Rome, Italy. He also holds a Bachelor of Arts Degree majoring in Geography and Political Science from the University of Nairobi. Mr. Kahuthia was the Regional Tourism Officer in charge of the Coast (2004/2005), and Central and South Rift (2008 to 2014). He rose through the ranks to become director of tourism in 2023. He has a vast experience of 32 years in tourism policy formulation and implementation, tourism sector regulation and; hotels and restaurants classification and also serves as an alternate Director at Kenyatta International Convention Centre. Currently Mr. Kahuthia is the Ag. Tourism secretary at the state department for tourism.</p>



Mutinda Ngei  
Senior Deputy Secretary

NGEI WA MUTINDA Has served in the Public Service for over 34 years. He began his career as a graduate teacher rising through the ranks to a Principal.

In 2002, He changed his teaching career to Administration rising through the ranks once more to his current position of Senior Deputy Secretary at the State Department of Tourism. He heads the Administration wing of the State Department currently.

He has been an alternate Board Member to various institutions such as Child Welfare Society, National Council for children services, Counter Trafficking Trust Fund, IFAD, National Research Fund (NRF), Kenya Universities and Colleges Central Placement Service (KUCCPS) among others.


Mr. Mutinda has served for several years in various counties, Ministry of Labour and Social Protection, Ministry of Education until his current posting to this Ministry of Tourism and Wildlife.



Mr. Mutinda holds a Masters of Business Administration (MBA) Degree, Higher National Diploma in HRM besides a Bachelor of Education Degree in Arts.



Wangeci Winfred Wangari is a highly experienced and results-driven finance professional with over 20 years of progressive experience in public financial management, budgeting, auditing, and accounting across key government ministries and financial institutions. She holds a Master of Business Administration (MBA) in Finance from Jomo Kenyatta University of Agriculture and Technology and is a Certified Public Accountant (CPA-K). Wangeci is also a long-standing active member of the Institute of Certified

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<p>Winfred Wangeci Senior Principal finance officer</p>	<p>Public Accountants of Kenya (ICPAK), committed to upholding the highest standards of integrity, financial transparency, and professional excellence.</p> <p>Currently serving as a Senior Principal Finance Officer at the State Department for Tourism, Winfred is responsible for preparing and interpreting medium-term budget estimates, program- and project-based budgets, itemized budgets, and quarterly financial forecasts. She also leads the preparation of statutory quarterly reports submitted to the Controller of Budget and guides strategic resource reallocation and expenditure monitoring for optimal budget performance. Previously, she held the same position in the State Department for Agriculture, where she oversaw both donor- and government-financed projects, led sector budget proposals, and ensured timely and compliant financial reporting.</p>
 <p>Julius Mugambi Senior Deputy Accountant General</p>	<p>Julius Mugambi Has served in the Public Service for over 29 years. He began his career as a clerical officer in the office of the president. Upon completion of his Certified public accountant part 3, he was promoted to the post of Accountant 1 and later to a district accountant in Turkana North. Julius has worked in several other capacities rising through the ranks to become the Senior Deputy Accountant General. He holds a bachelor of commerce degree and an MBA(Finance and project Management ) from African Nazarene University. He is also an ISO auditor and member of the ICPAK Body. Currently, Julius is the head of</p>

	<p>Accounting Unit State Department for tourism where he heads the Accounting fraternity since his posting in 2023.</p>
 <p>Ag. Director Human Resource Management</p>	<p>Ms Beatrice Ndalo is the Ag. Director in charge of Human Resource Management and Development. Her main duties include co-ordinating provision of human resource services, training, attachment, and internship for the youth.</p> <p>She is a holder of BBM (Human Resource Option) from Moi University. Higher Diploma in Human Resource Management from Kenya Polytechnique Eldoret and a Diploma in Human Resource from Rift Valley Institute of Technology Eldoret (RVVTI). Senior Management Course (KSG Mombasa). She is also a member of International Human Resource Management.</p>
 <p>Shadrack kuria Assistant Director Supply Chain Management</p>	<p>Shadrack kuria a member of the Chartered Institute of Procurement and Supply (MCIPS-UK) and the Kenya Institute of Supplies Management (KISM) and a vibrant and results-driven Supply Chain Practitioner with over 20 years of experience serving in various government entities.</p> <p>He holds a Bachelor of Commerce degree and currently serves as the Head of the Supply Chain Department at the State Department for Tourism, where he provides strategic leadership in procurement operations, policy implementation, and compliance with public procurement regulations.</p> <p>With a proven track record in public sector supply chain management, he possesses deep expertise in procurement</p>

	<p>planning, contract management, and the integration of digital procurement systems such as the e-GP platform.</p>
<div data-bbox="300 443 592 772" data-label="Image"> </div> <div data-bbox="327 790 560 864" data-label="Caption"> <p>Director Planning Karanja Waigi</p> </div>	<p>A development economist with a strong background in economic policy and planning, currently serving as the Director Planning- State Department for Tourism with demonstrated expertise in policy formulation, strategic planning, monitoring and evaluation, and tourism economic analysis. Passionate about evidence-based decision-making and driving impactful programmes and projects that contribute to national development.</p> <p><b>Academic Qualifications</b></p> <ul style="list-style-type: none"> <li>i. Master of Arts in Economic Policy Management – University of Nairobi</li> <li>ii. Bachelor of Arts in Economics – University of Nairobi</li> </ul> <p><b>Key Roles and Responsibilities</b></p> <ul style="list-style-type: none"> <li>i. Leading the development, implementation, and review of national and sectoral tourism policies, strategies, and development plans.</li> <li>ii. Ensuring alignment of tourism policies and plans with national development priorities and budgets.</li> <li>iii. Overseeing monitoring, evaluation, and reporting on the progress of tourism programmes, policies, and projects.</li> <li>iv. Coordinating the preparation and implementation of Ministry and State Department Strategic Plans and</li> </ul>

	<p>Performance Contracts.</p> <ul style="list-style-type: none"><li>v. Conducting economic analysis and research on emerging tourism and socio-economic issues to inform planning and policy decisions.</li><li>vi. Leading impact assessments of programmes and projects within the State Department.</li><li>vii. Coordinating prefeasibility and feasibility studies to support project planning and investment decisions.</li><li>viii. Managing data collection and analysis for public expenditure tracking, surveys, and project evaluations.</li><li>x. Ensuring the timely, efficient, and effective implementation of programmes and projects.</li></ul>
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**5. Statement by the Cabinet Secretary**

During the **Financial year 2024/2025**, the tourism sector faced various challenges which hindered effective tourism growth, this include; limited product diversification, inadequate financing for tourism development, the effects of climate change, and policy gaps not fully aligned with emerging issues. Weaknesses in research, innovation, and coordinated marketing have also constrained competitiveness and sectoral growth.

To address these issues, the Ministry implemented strategies aligned with the **Bottom-Up Economic Transformation Agenda (BETA)** and the **Fourth Medium-Term Plan (MTP IV)**. These include mapping and development of niche products across all 47 counties, coastal beach management programme, reviewing the **National Tourism Policy and Act (Cap 381)**, promoting domestic tourism through the “**Tembea Kenya**” campaign, enhancing training and capacity building, strengthening MICE infrastructure, and improving tourism safety and security as well as **Empowering youth** as innovators and drivers of development, thereby creating sustainable employment opportunities.

In addition, the sector implemented various Presidential Directives such as the development of the **National Tourism Strategy**, developing a marketing strategy aimed at promoting Kenya as the “**Home of human Origins**”, and integrating **tree-growing** initiative into tourism programs. These interventions are designed to position Kenya as a competitive, inclusive, and sustainable tourism destination while driving economic growth, creating jobs, and safeguarding natural and cultural heritage.



.....  
**Hon. Rebecca Miano EGH**  
**Cabinet Secretary**  
**Ministry of Tourism Wildlife and Heritage**

## **6. Statement by the Accounting Officer**

During the Financial Year 2024/25, the State Department implemented three key programmes, namely: **Tourism Promotion and Marketing; Tourism Product Development and Diversification; and General Administration, Planning and Support Services**. These programmes were designed to enhance tourist arrivals and earnings through marketing Kenya as a destination of choice, improving competitiveness, and providing efficient service delivery.

Over the Financial Year 2024/25, the tourism sector registered **remarkable recovery and growth**, with the following key achievements:

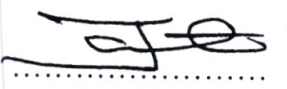
- **Strong Growth in Visitor Numbers:** International arrivals grew by **15%**, from **2.09 million (2023)** to **2.4 million (2024)**.
- **Record-Breaking Tourism Earnings:** Revenues rose by **20%**, reaching **KShs. 452.2 billion (2024)**, boosting the economy and creating more livelihoods.
- **Strategic Direction:** The Ministry launched the **Tourism and Wildlife Strategic Plan (2023–2027)** to drive growth, innovation, sustainability, and competitiveness.
- **Domestic Tourism Boost:** Bed nights increased by **23.3%**, from **4.19 million (2022)** to **5.17 million (2024)**, underscoring the resilience of local travel.
- **Tourism Diversification:** Cruise tourism expanded significantly, with arrivals rising by **163.5%**, from **2,490 (2023)** to **6,561 (2024)**.

Despite these gains, the sector faced several challenges during the year, including:

- Non-alignment of policies with the Constitution and emerging sectoral issues;
- Low levels of product diversification and limited visitor experience;
- Inadequate financing and investment for tourism development;
- Slow progress in climate change mitigation and adaptation.

**On financial performance**, during the FY 2024/25, the State Department was allocated **KShs. 14.5 billion**, comprising **KShs. 13.6 billion for recurrent expenditure** and **KShs. 870 million for capital**

**expenditure.** The State Department effectively utilized its budget allocation of ksh.14,458,373.823 to deliver on key sectoral programmes, prioritizing marketing, diversification, and service delivery.



**John Ololtuaa, CBS**  
**Principal Secretary**

**7. Statement of Performance Against Predetermined Objectives for FY2024/25**

**The key strategic goals of the State Department for the Financial Year 2024/25 were to:**

1. Strengthen the policy and legal framework for the tourism sector.
2. Improve the visitor experience and diversify the range of tourism products.
3. Enhance destination competitiveness to increase tourist arrivals and earnings.
4. Promote tourism research, technology, innovation, and capacity development.
5. Expand financing and investment for tourism development.
6. Strengthen resilience and adaptation measures to address climate change.
7. Improve governance and institutional capacity for optimal sector productivity.

During FY 2024/25, the State Department achieved notable progress in **Tourism Promotion and Marketing**, with international arrivals reaching **2.42 million** against a target of **2.4 million**, supported by strategic branding, source market diversification, and the introduction of the Electronic Travel Authorization (ETA) system. Tourism receipts outperformed projections, standing at **Ksh. 458.21 billion**, product diversification, and improved hospitality standards. Domestic bed nights exceeded targets at **5.01 million**, reflecting successful local tourism initiatives. Accreditation of tourism enterprises surpassed expectations, though shortfalls were noted in quality assurance audits and Appropriation-in-Aid collections from Tourism Regulatory Authority (TRA) due to budget constraints.

In **Tourism Product Development**, 87.49% of allocated funds from **Tourism Promotion Fund** (TPF) were disbursed to Tourism implementing agencies to undertake various projects, though procurement delays limited the number of projects implemented. Progress was made in niche product mapping, policy reforms, and the ongoing construction of Ronald Ngala Utalii College project, albeit with delays.

On **General administration and support services**, key outputs such as work plans, budget reports, and financial statements were delivered, but budget cuts constrained projects feasibility studies, staff training, and appraisals. Overall, the State Department recorded strong achievements in arrivals,

earnings, and domestic tourism, though challenges in programmes financing delayed full realization of targets.

Table 1 below outlines the programme performance against predetermined objectives of the state department.

Table 1: Programme performance

Program	Strategic Objective	Outcome	Output	Output indicator	Cumulative Achievement by end of FY			Remarks
					Target	Actual	Variance	
			International Arrivals	To realise 2.4 million arrivals (international and cross border)	2.4 Million Arrivals	) 2.42 million	24,380	The marginal Performance in international tourist arrivals is a positive indicator of the effectiveness of targeted marketing campaigns and an overall global resurgence in travel Key contributing factors likely include the continued success of the Magical Kenya brand promotion and strategic efforts to diversify source markets. The introduction of the Electronic Travel Authorization (ETA) system has streamlined entry procedures, making Kenya a more accessible destination. The growth of specialized tourism segments like Meetings, Incentives, Conferences, and Exhibitions (MICE) have played a role in attracting a slightly higher volume of visitors than initially projected.
			Tourism Receipts,	To realize tourism earnings of Kshs. 432 Billion	Kshs 432 Million	Ksh. 458.21 Billion	Ksh. 26.21	The higher-than-targeted receipts, despite a relatively small overperformance in arrivals, suggest that tourists are spending more per visit. This could be due to a combination of factors: an increase in highvalue visitors (e.g., business tourists, luxury travelers), a diversification of tourism products leading to longer stays or more varied activities, and potentially a favorable exchange rate for foreign

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								currencies against the Kenyan Shilling. Improved service quality and offerings in the hospitality sector could also encourage higher spending
			Domestic Bed Nights	To realise 5 bednights by domestic tourists	5 Million Bednights	5.014963	14,963	The slight performance in domestic bed nights suggests that initiatives aimed at promoting local tourism, such as attractive domestic packages, sustained awareness campaigns, and increased accessibility to various destinations, have been effective. Government and private sector efforts to encourage Kenyans to explore their own country, possibly through incentives or reduced rates, also played a role.
			Brand Awareness	To increase Brand awareness from 80% in 2022/23 to 81 % in 2023/24	81% Brand Awareness	81.00%	0.00%	The results imply that the current marketing and communication strategies have optimized reach and impact within the allocated resources. It also suggests that while the brand is well-recognized, further substantial growth in awareness might require new, more extensive, or innovative campaigns beyond the scope of current initiatives. This could also reflect a maturity in the brand's reach within its primary target demographics
			Quality assurance audits	No. of regulated tourism enterprises audited	9,000	7,557	(1,443)	Target not achieved due to budget cuts hence the Authority had to first focus on collection of revenue to fund core mandate activities hence the undertaking of routine quality assurance activities was affected

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			Appropriation in Aid (Ain-A) Collected	Amount of A-in-A collected( million)	380	349	(31)	Target not met due to budget constraints. The Authority did not receive the expected TF grants, hence facilitation of enforcement exercises was greatly affected.
			Assessed Regulated Tourism Enterprises for accreditation Garissa,	No. of regulated Tourism Enterprises assessed for accreditation	550	986	436	The Authority conducted accreditation in Nairobi, Kajiado, Kiambu, Machakos Samburu, Mombasa, Kwale, Lamu, Turkana and West Pokot Counties as scheduled
			Assessed Accommodation and Catering facilities for star rating	No. of accommodation and catering facilities assessed for star rating	100	-	100	Sensitization of stakeholders on the reviewed EAC Classification Criteria was completed in the third quarter. The actual classification to commence in June after training and certification of EAC Assessors
			National Tourism sector Standards developed/ reviewed	No. of National Tourism sector Standards developed/ reviewed	2	2	-	The draft Minimum standards for self-Serviced and draft Minimum standards for Tourism Serviced Vehicle were developed to completion

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			Reassurance campaign in the traditional and emerging markets	No of markets covered	3	3	-	Marketing campaigns done in United States of America,Canada,Uganda,Rwanda and Tanzania
			Global Public and digital media campaigns undertaken	No Global Public and digital media campaigns undertaken	1	1	-	Activated digital and influencer marketing campaigns in United States of America,Canada,Mexico, France,Italy,Germany,India,China,Uganda,Rwanda ,Tanzania
			Tourism Research Reports	No. of Reports	3	1	-1	Lack of adequate resources to conduct research
			Functional Tourism Database and Data collection platforms	Number of Tourism Datasets Collected	5	5	0	Target Achieved
			Updated tourism data sets	Frequency of data updates	4	1	-3	The system is new

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			integrated into the national tourism database.					
			Annual tourism performance reports produced and disseminated	Number of tourism performance reports produced per year	1	1	0	Target achieved
			Quarterly tourism performance reports	Number of Quarterly tourism performance reports	4	4	0	Target achieved
			Stakeholder dissemination forums conducted	Number of stakeholder dissemination forums held	2	1	-1	Combined two events into one
			Coastal Beach revamped	No. of beaches revamped	1	1	0	Activity earmarked for Q4

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			No. of beach zones installed with security infrastructure	1	0	1	
		Grands to Tourism Programs & Project	% of TPF Funds disbursed	100	87.48	-12.52	Ksh. 4.806 b was allocated to Projects being implemented by varous Tourism Implementing Agencies(TIAs), Ksh.4.205 b equivalent to 87.49 % of the allocation has been disbursed to projects as at 30th June. 2025. This was 87.49% disbursement as per the target for the FY 2024/2025. 37 numnber of projects were funded as at 30th June 2025 against the target of 41 projects. The reason for the variance in the funded projects was delays in procurement process
			No. of Tourism Projects Funded	41	37	-4	
		Conferenc e Tourism	No. of international conferences held	20	7	(13)	During the year under review, KICC did not meet the targeted numbers in terms of International conferences and delegates hosted as well local and conferences and delegates. This underperformance was largely attributed to the last-minute cancellation of the sheduled events in the first half of the year. This was as a result of the Gen Z protest in July 2024 which affected the Corporation's performance during the year The abrupt withdrawal resulted in
			No. of international delegates	10,000	2,250	(7,750)	

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				Number of local conferences and events held	358	297	(61)	prolonged idle time for key meeting rooms, thereby negatively impacting overall occupancy levels centre.
				Number of Local delegates hosted	210,900	196,021	(14,879)	
			National Tourism Niche Products mapped & developed	National Tourism Niche Products mapped & developed	15	15	0	Mapping of tourism niche products ongoing in all Counties
				No. of Tourism Niche Products developed	2	0	2	Target not achieved
			Tourism Policy and Legislative Reforms	% of Completion	25	15	10	The National Tourism Policy and Act is at public participation stage

## Annual Report and Financial Statements for the year ended June 30, 2025

		Ronald Ngala Utalii College constructed	% of completion rate	100%	85.26%	14.74%	This is an ongoing project which has delayed due to budgetary constraints
		Tourism Fund Levy collected	Amount of levy collected	6,001,579,692	5,104,253,022	897,326,670	The Fund had anticipated to have regulations that will enable collection of levy from AirbnBs, Homestays and Villas during the Financial Year but the same was not gazetted, hence the shortfall
		Grants to KUC.	Amount of grants disbursed	(Ksh.) 630,000,000	630,000,000	-	Target met for the period
		Grants to KTB (Ksh.)	Amount of grants disbursed	470,000,000	470,000,000	-	Target met for the period
		Grants to Tourism Research, Intelligence & Information Mgt System (Ksh.)	Amount of grants disbursed	66,100,000	66,000,000	100,000	Target met for the period

Annual Report and Financial Statements for the year ended June 30, 2025

			Grants to Tourism Regulator y Authority (Ksh.)	Amount of grants disbursed				Target met for the period.
			National Tourism Service Digital Portal establishe d	% completi on of National Tourism Service Digital Portal	50	50	-	National Tourism Service Digital Portal established
General Administr ation, Planning and Support Service			Monitorin g & Evaluation reports	No. of M&E reports	4	3	1	Tourism activities M&E done and reported
				Annual Work Plans	1	1	-	SDT Annual work plan developed
			Feasibility and Prefeasibil ity Reports	No. of Pre- Feasibility and Feasibility studies	3	-	3	Target not achieved due to budget cuts

Annual Report and Financial Statements for the year ended June 30, 2025

				undertake n				
			Budgets preparatio n and implement ation reports	No. of MTEF reports	1	1	-	Target Met
				No. of budget implement ation reports 4 4 1	4	4	1	Target Met
			Annual accounts and Financial Statements	Annual Financial report 1 1 -	1	1	-	Target Met
			Staff training Conducted 100 - 100	%. of officers/st aff trained	100	-	100	Target not achieved due to budget cuts
			Staff performan ce appraisal system implement ed	% of staff appraised under SPAS	100	-	100	Target not achieved due to budget cuts

## **8. Governance Statement**

Structure of the State Department for Tourism.

i) Cabinet Secretary

The Cabinet Secretary is the head of the Ministry of Tourism, Wildlife and Heritage responsible for the coordination and supervision of the Ministry

ii) Principal Secretary

Being the Accounting Officer and Authorized Officer of the State Department for Tourism

The management as established several committees which includes:

Budget implementation committee composed of a chairman, secretary and four members. This committee is mandated to review the budget implementation progress.

Its terms of reference include:

1. To review the cash flow plan by regularly reviewing the ministerial cash plan and approve any changes
2. To review the utilization of cash limit and consider any changes required
3. To advise the Accounting officer on challenges related to budget implementation
4. To review and recommend reallocation of expenditures
5. To participate in sector working groups
6. To prepare budget in consultation with heads of departments
7. Provide a brief statement on the governance structure of the entity.

Ministerial human resource committee: This committee deals with members of staff matters concerning, Employment, promotion, discipline among others

Ministerial human resource development committee: This committee deals with members of staff training and Development

### **Risk management policies**

The state department initiated the development of a risk management policy and disaster recovery plan .where the accounting officer appointed a committee which met twice under the chairmanship of principal economist. The committee come up with draft report but due to budget constraints, the process has not been finalized and relevant officers trained.

**Mandate and establishment of Audit Committee**

The department has an Audit committee composed of a Chairperson, two members, and one member as National Treasury representative.

The purpose of the Audit Committee is stipulated in the PFM Regulation 175 as follows;

Support the Accounting Officer with regard to their responsibility on issues of risk control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the management of Ministry.

Follow up on the implementation of the recommendations of internal and external auditors.

**The Responsibility of the Audit Committee**

The duties and responsibilities Audit Committee include the following;

Review the financial statements to ascertain that they are prepared in accordance with laid down professional guidelines & regulations and are in compliance with International Public Sector Accounting Standards.

Review the completeness, accuracy and disclosure of the financial statements whether they are in conformity with regulations, guidelines and International Public Sector Accounting Standards.

Review the external auditor's opinion in the preparations, disclosure, accuracy and completeness in relation to the laid down professional guidelines

Review the interim financial statements from the external and internal auditors before they are adopted

## **9. Management Discussion and Analysis**

Tourism remains a crucial driver of Kenya's economic growth, making a direct contribution of about 4% to the national GDP and supporting 9% of total employment. The sector plays an instrumental role in fostering growth and stability through its significant multiplier effects across transport, agriculture, hospitality, and creative industries. It further supports the Bottom-up Economic Transformation Agenda (BETA) by creating direct and indirect employment, broadening the tax revenue base through tourism facilities registration, 2% tourism levy collection and generating foreign exchange earnings.

### **Key Programs and Projects Implemented**

During the review period (FY 2022/23 – FY 2024/25), the sector implemented several key programs and interventions aimed at restoring competitiveness, resilience, and sustainability. These include:

- **Tourism Marketing and Promotion:** Rollout of targeted international campaigns, enhanced visibility through digital platforms, and advocacy for open skies policy.
- **Product Diversification:** Efforts to expand beyond traditional safari and beach offerings, with a focus on adventure, sports, cultural, and MICE tourism.
- **Safety, Quality, and Standards:** Strengthening of tourism facility accreditation, improved security measures through tourist police unit (TPU), and enhanced visitor experience.
- **Domestic Tourism Promotion:** Scaling up of the Tembea Kenya campaign to encourage local travel and reduce over-reliance on international arrivals.
- **National Tourism Service Digital Platform (NTDSP)** – A comprehensive digital system under development to serve as a central repository for tourism data. Structured in three phases, the project is currently in **Phase II**, aiming to enhance tourism service delivery and accessibility.
- **National Mapping and Development of Tourism Niche Products** – This initiative involves **mapping and developing niche tourism offerings** across all **47 counties**, including budget accommodations, ecotourism sites, and unique attractions. It also focuses on improving site accessibility through **signage installation and nature trail development**.
- **Tourism Innovation and Sustainability Programme** – Aimed at enhancing **youth participation** as key drivers of innovation and development in the tourism industry, this programme seeks to **nurture youth-led contributions** to sector growth while creating

employment opportunities. It also focuses on **developing and promoting youth-centric tourism products** that align with the interests and preferences of young travellers, ensuring greater engagement and sustainability in the tourism industry.

### **Financial Performance**

Budget allocations to the tourism sector increased steadily over the review period. Approved budget rose from **Kshs. 10,115 million** in the financial year 2022/23, **Kshs. 12,899 million** in FY 2023/24, to **Kshs. 14,500 million** in FY 2024/25. The actual expenditures for FYs 2022/23 and 2023/24 were **Kshs. 9,695 million** and **Kshs. 9,425 million** respectively, while for FY 2024/25 the actual expenditure was **Kshs. 12,526million** . The actual expenditures as a percentage of the total approved budgets were therefore 95.9%, 73.0%, and **88%** for FYs 2022/23, 2023/24, and 2024/25 respectively.

### **Compliance with Statutory Requirements**

The sector has complied with key statutory obligations, including adherence to the Public Finance Management Act, the Public Procurement and Asset Disposal Act, and timely submission of performance and financial reports.

### **Major Risks Facing the Sector**

- **Limited tourism product Diversification:** Overdependence on wildlife and beach products, limiting competitiveness.
- **Inadequate tourism financing:** Slower rollout of large-scale tourism infrastructure projects due to funding constraints.
- **Climate Change Impacts:** Global climate change, shifting wildlife patterns, and resource-based conflicts.

### **Material Arrears in Statutory and Financial Obligations**

There were no reported material arrears in statutory remittances during the review period. However, budgets cuts and pending bills in **FY 2024/25** amounting to **78,001,219** pose a risk to future operations if not addressed promptly.

### **Future Developments**

In line with the BETA agenda, the sector will prioritize:

- **Diversifying** tourism through development of niche products across all 47 counties.
- **Mapping and packaging** county-based attractions to broaden domestic and international offerings.
- **Alignment of policy** and legal frameworks with the Constitution and emerging global trends.
- **Enhanced MICE marketing** to position Kenya as a premier conference and events destination.
- Implementation of presidential directives, including the development of a **National Tourism Strategy**, promotion of Kenya as the “Home of human Origins,” and active participation in the national tree-growing initiative.

**In conclusion**, the tourism sector has demonstrated strong resilience and growth over the last three years, with improved arrivals, earnings, and expanded budgetary support. Going forward, strategic alignment of policies, sustainable financing, and deeper diversification of products will be critical in ensuring continued growth and contribution to the national economy.

**10. Environmental and Sustainability Reporting**

The state department for Tourism Exists to transform lives. This is our purpose; The driving force behind everything we do by putting the customers/ citizen first, delivering relevant goods and services, and improving operational excellence. Below is the sustainability activities conducted in the year.

**a) Sustainability strategy and profile**

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

**b) Environmental performance /climate change/ mitigation of natural disasters**

The state department is yet to establish an environmental policy to guide its operations. Nevertheless, it has adopted the use of ICT in order to minimise on the paper work.

**c) Employee welfare**

The human resource policy and procedural manual for the public Service, May2016 is the policy governing the hiring process and it gives guidelines on the diversity. This includes Gender, ethnicity, disability, youth,minority, merit and competition and stakeholders engagement in recruitment.

**d) Operational practices/ Market place practices**

The operation should outline its efforts to :

**i) Responsible supply chain and supplier relations**

The state department complies with the provision of the public procurement and Asset Disposal Act 2015.The state department treats its suppliers responsibly by honouring contracts and respecting payment practices

**j) Community Engagements-**

During the year 2024/2025 the state department did not have any approved strategies on community engagement

### **11. Statement of Management Responsibilities**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government State department for tourism shall prepare financial statements in respect of that State department for tourism. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the **State department for tourism** is responsible for the preparation and presentation of the State department for tourism's financial statements, which give a true and fair view of the state of affairs of the State department for tourism for and as at the end of the financial year (period) ended on June 30, 2025. 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 State department for tourism, (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 State department for tourism; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State department for tourism accepts responsibility for the State department for tourism's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State department for tourism's financial statements give a true and fair view of the state of State department for tourism's transactions during the financial year ended June 30, 2025, and of the State department for tourism's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State department for tourism, which have been relied upon in the preparation of the State department for tourism's financial statements as well as the adequacy of the system of internal controls.

**Annual Report and Financial Statements for the year ended June 30, 2025**

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The Accounting Officer in charge of the State department for tourism confirms that the State department for tourism has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the State department for tourism's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State department for tourism's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The State department for tourism's financial statements were approved on 20/11/1 2025 and signed by:



.....  
**Name: John Ololtuaa, CBS**  
**Principal Secretary**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR TOURISM FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Tourism set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget

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*Report of the Auditor-General on State Department for Tourism for the year ended 30 June, 2025*

and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Tourism as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33, and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No. 3 of 14 April, 2025.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Tourism Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison and budget actual amounts reflects final budget and actual receipts and of Kshs.14,458,373,823 and Kshs.12,311,445,454 respectively resulting to underfunding of Kshs.2,146,928,369 or 15% of the budget. Similarly, the spent an amount Kshs.12,281,245,233 against actual receipts of Kshs.12,311,445,454 resulting to under absorption of Kshs.30,200,211 or 0.2% of the actual receipts.

The under-funding may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year various issues were raised under the Report on Lawfulness and Effectiveness in use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance.

Review of the status during audit of the State Department in 2024/2025 revealed that the following matters remained unresolved.

	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Violation of One-Third Rule of Basic Salary
2	2023/2024	Other Pending Payables - Deposits
3	2023/2024	Delay in Payment of Pending Bills
4	2023/2024	Staff Over-Establishment
5	2023/2024	Purchase of Motor Vehicles
6	2023/2024	Failure to Maintain an Approved Risk Management Policy

### **Other Information**

Management are responsible for the Other Information set out on page iii to xxxix which comprise of Key Entity Information and Management, Profile of Cabinet Secretary, Profiles of Accounting Officer and Key Management, Statement by Cabinet Secretary, Statement by Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

## **Basis for Conclusion**

### **1. Failure to Collect and Remit Public Procurement Capacity Building Levy**

The statement of financial performance reflects Kshs.383,057,248 on use of goods and services. However, review of payments for signed contracts of Kshs.112,535,887 revealed, that Management did not collect Kshs.33,760 being procurement capacity building levy of 0.03% and remitted to the Public Procurement Regulatory Authority as required by Legal Notice No. 206 of 9 September, 2023.

In the circumstances, Management was in breach of the law.

### **2. Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other payables balance of Kshs.220,533,088. However, included in the balance are trade payables of Kshs.28,843,460 which has been outstanding for more than two (2) years. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates.

In the circumstances, Management was in breach of the law.

### **3. Non-Compliance with the Reporting Template**

The financial statements presented for audit did not comply with the reporting template in the following areas;

- i) The cover page did not specifically indicate that these are transitional financial statements.
- ii) Note 2 to the financial statements did not indicate that these are transitional financial statements.
- iii) The statement of management responsibilities did not indicate that these are transitional financial statements.

In the circumstances, the financial statements did not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

### **4. Misclassification of Expenditure on Domestic Travel**

The statement of financial performance reflects an amount of Kshs.383,057,248 which relates to use of goods and services as detailed in Note 10 to the financial statements. The amount includes Kshs.75,822,942 on domestic travels. However, reviews of domestic travel ledger revealed that expenditure of Kshs.10,208,315 relating to foreign travel was charged under domestic travel without authority for re-allocation. The reallocated amount was more than 10% of the domestic travel vote contrary to Section 43(2)(c) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Value for Money on File Classification Scheme and World Tourism Day

The statement of financial performance reflects Kshs.393,057,248 on use of goods and services as disclosed at Note to the financial statements. The amount further includes Kshs.75,822,942 relating to domestic travel and subsistence. Management facilitated ten (10) staff from Nairobi to Nakuru for 5 days to compile file index at a cost of Kshs.466,500. However, there was no programme of work for the activity that was held on the same days as the world tourism day which was held in Kisumu. In addition, the same staff were also said to have been in Kisumu and facilitated at a cost of Kshs.226,800.

In the circumstances, value for money for the coinciding activities totalling Kshs.693,300 could not be confirmed.

#### 2. Over and Under Staff Establishment

The State Department's approved staff establishment allows for employment of a total of one hundred and sixty-one (161) members of staff to effectively carry out its duties and obligations.

Review of the approved staff establishment and comparison with payroll for January, 2025 indicated an understaffing of twenty-five (25) officers across the various cadres and over staffing of thirty (30) officers in some of the cadres as shown below.

Department/Section/Office	Approved Establishment	In Post	Under (Over) Establishment
Tourism Secretary Office	4	0	4
Directorate of Tourism Research Policy and Innovation	17	11	6

<b>Department/Section/Office</b>	<b>Approved Establishment</b>	<b>In Post</b>	<b>Under (Over) Establishment</b>
Directorate of Tourism Development and Promotion	30	9	21
Directorate Tourism Investment and Finance	11	7	6
Secretary Administration	4	3	1
HRM&D	8	11	(3)
Finance	3	5	(2)
Accounts Section	8	10	(2)
Planning Section	3	4	(1)
Supply Chain Management Section	6	11	(5)
Public Communication	4	8	(4)
Legal Services Unit	2	1	1
ICT	5	3	2
Record Management	4	3	1
Office Administrators	16	12	4
Drivers	10	8	2
Clerical Officer	8	16	(8)
Office Assistants	8	12	(4)
Security Wardens	3	2	1
Library	2	1	1
Receptionist	4	2	2
Youth Development Gender & Counseling Services	1	1	0
Hospitality	0	1	(1)
<b>Total</b>	<b>161</b>	<b>141</b>	<b>20</b>

In the circumstances, failure to employ and fill the approved staff establishment may negatively affect service delivery by the State Department.

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

### **Responsibilities of the Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 comply 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 State Department's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

26 November, 2025

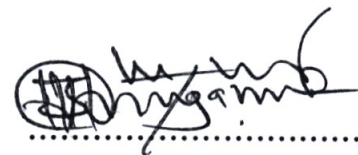
13. Statement of Financial Performance for the year ended 30 June 2025

	Note	Period Ended June 2025 KShs
<b>Revenue from non-exchange transactions</b>		
Transfers from exchequer	6	540,174,432
<b>Total</b>		<b>540,174,432</b>
<b>Revenue from exchange transactions</b>		
Licenses, Fees and Permits	7	9,470,029,122
Miscellaneous income	8	2,301,241,900
<b>Total revenue</b>		<b>12,311,445,454</b>
<b>Expenses</b>		
Employee costs	9	199,767,457
Use of goods and services	10	383,057,248
Transfers to other government entities	11	11,701,623,574
Depreciation and amortization expense	12	1,547,250
<b>Total expenses</b>		<b>12,285,995,528</b>
<b>Surplus/( deficit) for the period</b>		<b>25,449,925</b>

The Financial Statements set out on pages 1 to 39 were signed by:



Name: John Ololtuaa, CBS  
Principal Secretary



Name: Julius Mugambi  
Head of Accounting Unit  
ICPAK M/N0 5569

14 Statement of Financial Position as at 30 June 2025

	Note	Period as at June 2025 KShs	Opening Statement 1st July 2024
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	172,668,845	185,601,520
Receivables from exchange transactions	14	293,963	245,420
<b>Total Current Assets</b>		<b>172,962,808</b>	<b>185,846,940</b>
<b>Non Current Assets</b>			
property, Plant and Equipment	15	3,610,250	4,802,000
<b>Total Non Current Assets</b>		<b>3,610,250</b>	<b>4,802,000</b>
<b>Total Assets</b>		<b>176,573,058</b>	<b>190,648,940</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	220,533,088	217,142,692
Current portion of provisions	17a	6,144,085	-
<b>Total Current Liabilities</b>		<b>226,677,173</b>	<b>217,142,692</b>
<b>Non Current Liabilities</b>			
Non Current portion of provisions	17b	4,824,895	11,514,702
<b>Total Non Current Liabilities</b>		<b>4,824,895</b>	<b>11,514,702</b>
<b>Total Liabilities</b>		<b>231,502,068</b>	<b>228,657,393</b>
<b>Net Assets</b>		<b>(54,929,010)</b>	<b>(38,008,453)</b>
Represented by			
Accumulated surplus		(54,929,011)	(38,008,453)

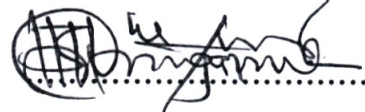
Annual Report and Financial Statements for the year ended June 30, 2025

Net Assets		(54,929,010)	(38,008,453)
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The Financial Statements set out on pages 1 to 39 were signed by:



.....  
Name: John Ololtuaa, CBS  
Principal Secretary



.....  
Name: Julius Mugambi  
Head of Accounting Unit  
ICPAK M/N0 5569

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**15 Statement of Changes in Net Assets for the year ended 30 June 2025**

	KShs.	KShs.
<b>Fund balance As at 30th June 2024 (cash basis)</b>	<b>42,601,202</b>	<b>42,601,202</b>
Adjustments: (to recognize assets and liabilities)	(80,609,655)	(80,609,655)
<b>As at July 1, 2024</b>	<b>(38,008,453)</b>	<b>(38,008,453)</b>
Surplus/ deficit for the period	25,449,925	25,449,925
Returns to exchequer	(42,370,482)	(42,370,482)
<b>As at 30th June, 2025</b>	<b>(54,929,010)</b>	<b>(54,929,010)</b>

**16. Statement of Cash Flows for the year ended 30 June 2025**

	Note	Period Ended June 2025 KShs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from exchequer		540,174,432
Licenses, Fees and Permits		9,470,029,122
Miscellaneous income		2,301,241,900
<b>Total Receipts</b>		<b>12,311,445,454</b>
<b>Payments</b>		
Employee costs		200,313,176
Use of goods and services		377,097,394
Transfers to other government entities		11,701,623,574
<b>Total Payments</b>		<b>12,279,034,145</b>
<b>Cash flows from Operating activities</b>	18	<b>32,411,309</b>
Purchase of property, plant, equipment and intangible assets		(2,973,500)

**Annual Report and Financial Statements for the year ended June 30, 2025**

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<b>Net cash flows used in investing activities</b>		<b>(2,973,500)</b>
<b>Cash flows from financing activities</b>		
Return to Exchequer		(42,370,482)
<b>Net cash flows used in financing activities</b>		<b>(42,370,482)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12,932,673)</b>
Cash and cash equivalents at 1 JULY		185,601,520
<b>Cash and cash equivalents at 30 JUNE</b>		<b>172,668,845</b>

Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

	A	B	C=a+b	D	E=c-d	F=E/c %
<b>Revenue</b>						
Transfers from exchequer	555,111,808	- 4,556,177	550,555,631	540,174,432	10,381,199	98%
Tax Receipts	7,818,900,000	3,814,679,692	11,633,579,692	9,470,029,122	2,163,550,570	81%
Other income	1,954,810,000	319,428,500.00	2,274,238,500	2,301,241,900	- 27,003,400	101%
<b>Total revenue</b>	<b>10,328,821,808</b>	<b>4,129,552,015</b>	<b>14,458,373,823</b>	<b>12,311,445,454</b>	<b>2,146,928,369</b>	<b>85%</b>
					-	
<b>Expenses</b>						
Employees costs	233,300,000	(28,028,679)	205,271,321	193,623,369	11,647,952	94%
Use of goods and services	558,626,440	241,248,063	799,874,503	376,690,482	423,184,021	47%
Transfers to other government units	9,332,430,000	3,946,108,192	13,278,538,192	11,701,623,574	1,576,914,618	88%
Social Security Benefits	-	6,689,807	6,689,807	6,689,807	0	100%
<b>Total recurrent expenses</b>	<b>10,124,356,440</b>	<b>4,166,017,383</b>	<b>14,290,373,823</b>	<b>12,278,627,233</b>	<b>2,011,746,590</b>	<b>86%</b>
<b>Capital items</b>						
Acquisition of PPE	204,465,368	(36,465,368)	168,000,000	2,618,000	165,382,000	2%
<b>Total expenses – Development</b>	<b>204,465,368</b>	<b>(36,465,368)</b>	<b>168,000,000</b>	<b>2,618,000</b>	<b>165,382,000</b>	<b>2%</b>
<b>Total expenses</b>	<b>10,328,821,808</b>	<b>4,129,552,015</b>	<b>14,458,373,823</b>	<b>12,281,245,233</b>	<b>330,764,000</b>	<b>85%</b>
<b>Surplus/ deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,200,221</b>	<b>(30,200,221)</b>	

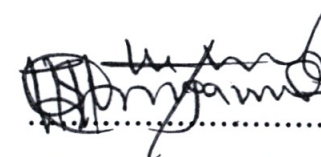
(a) **Variance analysis:** There was undercollection tax receipts by SAGAs 15% and over collection of 1% by Kenya Utalii College and Kenya Tourism Board. Consequently, under expenditure on use of goods by 53 % and 98% on acquisition of PPE was as a result of lack of funding from AIA. while the changes between the original and final budget are as a result of Additional funding during supplementary 11.

Annual Report and Financial Statements for the year ended June 30, 2025

The entity financial statements were approved on 20/11 2025 and signed by:



Name: John Ololtuaa, CBS  
Principal Secretary



Name: Julius Mugambi  
Head of Accounting Unit  
ICPAK M/N0 5569

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	<b>30,200,221</b>
1	Basis difference	(762,414)
2	Timing differences	185,601,520
3	Classification differences	(42,370,482)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>172,668,845</b>

Budget Execution by Programmes and Sub-Programmes for FY2025

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
306000000		Tourism Development and Promotion	0	0	0
	306010000	Tourism Promotion and Marketing	0	0	0
	306020000	Niche tourism product development and diversification	0	0	0
	306030000	Tourism Infrastructure Development	0	0	0
	306040000	Tourism Training & Capacity Building	0	0	0
	306050000		0	0	0
307000000		Trade Development and Promotion	0	0	0
	307090000		0	0	0
313000000			782,510,000.00	723,131,366.45	59,378,633.55
	313010000		344,055,000.00	344,054,999.30	0.7
	313020000		438,455,000.00	379,076,367.15	59,378,632.85
314000000			13,395,945,261.00	11,202,673,362.00	2,193,271,899.00
	314010000		5,970,095,569.00	5,327,103,570.00	642,991,999.00
	314020000		6,933,579,692.00	5,388,308,727.00	1,545,270,965.00
	314030000		492,270,000.00	487,261,065.00	5,008,935.00
315000000			279,918,562.00	254,111,447.15	25,807,114.85
	315010000		279,918,562.00	254,111,447.15	25,807,114.85
		<b>Grand Total</b>	<b>14,458,373,823.00</b>	<b>12,179,916,175.60</b>	<b>2,278,457,647.40</b>

**18. Notes to the Financial Statements**

**1. Establishment**

The State department for tourism is established by and derives its authority and accountability Executive Order No 1 of 2023 The State department for tourism is wholly owned by the Government of Kenya and is domiciled in Kenya. The State department for tourism's principal activity is promotion, and marketing of tourism, tourism research and monitoring, protection of tourism and regulations, tourism financing, and tourism training.

**2. Statement of Compliance and Basis of Reporting**

**Statement of compliance**

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the state department for tourism has been categorized as a Schedule 1 national government State department for tourism in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. State department for tourists are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by State department for tourisms is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on .....2025

*Guiding note during the transition period:*

*The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) or the State department for tourism has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1<sup>st</sup> year financial statements are transitional financial statements and **prior year assets** in the financial statements have not been recognised as the State department for tourism has taken advantage of the transition provisions outlined in IPSAS 33. (State department for tourism to state*

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

*the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).*

**Notes to the financial statements**

**Reporting period**

The reporting period for these financial statements is for the period ended 30<sup>th</sup> June 2025.

**Basis of preparation**

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

**Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of State department for tourism for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

## *State Department For Tourism*

### **Annual Report and Financial Statements for the year ended June 30, 2025**

The State department for tourism pursues a number of policy targets and outcomes. However the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State department for tourism is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the *State department for tourism* policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State department for tourism's future actions, expenses (and other related liabilities) are recognized for that policy.

#### Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

#### Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO<sub>2</sub>eq. State department for tourism's commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

#### Physical assets

An asset is a resource presently controlled by the State department for tourism as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

*i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

*ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of and State department for tourism.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>State the expected impact of the standard to the State department for tourism if relevant</i></b></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>State the expected impact of the standard to the State department for tourism if relevant</i></b></p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard.</p>

Annual Report and Financial Statements for the year ended June 30, 2025

Standard	Description and Impact
	<p>IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the State department for tourism if relevant</i></p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the State department for tourism if relevant</i></p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an State department for tourism shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the State department for tourism if relevant</i></p>

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

Standard	Effectiveness and impact
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><b><i>State the expected impact of the standard to the State department for tourism if relevant</i></b></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><b><i>State the expected impact of the standard to the State department for tourism if relevant</i></b></p>
<p>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> <p><b><i>State the expected impact of the standard to the Entity if relevant</i></b></p>

***iii) Early adoption of standards***

The State department for tourism did not early – adopt any new or amended standards in the financial year or *the State department for tourism adopted the following standards early (state the standards, reason for early adoption and impact on State department for tourism's financial statements.)*

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State department for tourism and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

**ii) Revenue from exchange transactions**

**Rendering of services**

The State department for tourism recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**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.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**b) Budget information**

The original budget for FY 2024/2025 of ks. 10.329B was approved by the National Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the State department for tourism upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State department for tourism recorded additional appropriations of **4.129 Billion** on the **2024/25** budget following the governing body's approval. The State department for tourism'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 cash flows has been presented under section xxx of these financial statements.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-

**Annual Report and Financial Statements for the year ended June 30, 2025**

recognition. Transfers are made to or from investment property only when there is a change in use.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the State department for tourism 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.

**e) Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the State department for tourism incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the State department for tourism expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**Notes to the Financial Statements (Continued)**

**f) Tangible Natural Resources**

The State department for tourism recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the State department for tourism; the State department for tourism controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criteria is not met, the State department for tourism discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An State department for tourism shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

**g) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the State department for tourism. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The State department for tourism also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the State department for tourism will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Notes to the Financial Statements (Continued)**

**h) Intangible assets**

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

**i) Research and development costs**

The State department for tourism expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the State department for tourism can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**j) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The State department for tourism does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one State department for tourism and a financial liability or equity instrument of another State department for tourism. At initial recognition, the State department for tourism measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**a) Financial assets**

**Classification of financial assets**

The State department for tourism classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the State department for tourism's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an State department for tourism has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the State department for tourism classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Notes to the Financial Statements (Continued)**

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the State department for tourism manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The State department for tourism assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The State department for tourism recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

**b) Financial liabilities**

**Classification**

The State department for tourism classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**Notes to the Financial Statements (Continued)**

**k) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *State department for tourism*.

**l) Provisions**

Provisions are recognized when the State department for tourism 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 the State department for tourism 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.

**Notes to the Financial Statements (Continued)**

**m) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The State department for tourism recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the State department for tourism will incur in fulfilling the present obligations represented by the liability.

**n) Contingent liabilities**

The State department for tourism 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.

**o) Contingent assets**

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

**p) Nature and purpose of reserves**

The State department for tourism creates and maintains reserves in terms of specific requirements.

**q) Changes in accounting policies and estimates**

The State department for tourism recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**r) Employee benefits**

**Retirement benefit plans**

The State department for tourism provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an State department for tourism pays fixed contributions into a separate State department for tourism (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**s) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**t) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**u) Related parties**

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

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**v) Service concession arrangements**

The State department for tourism analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the State department for tourism recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *State department for tourism* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) 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.

**x) Comparative figures**

In preparing these financial statements, the State department for tourism has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an State department for tourism to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

**y) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

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

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the State department for tourism.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**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 40.

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.

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Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Transfers from the Exchequer	Amount recognized in Statement of Financial Performance	Amount deferred under deferred income	Total transfers
			Period ended June 2025
	Kshs	Kshs	Kshs
Recurrent	540,174,432	-	540,174,432
Development	-	-	-
<b>Total</b>	<b>540,174,432</b>	<b>-</b>	<b>540,174,432</b>

Description	Period ended June 2025
	Kshs
Recurrent	540,174,432
Development	-
<b>Total</b>	<b>540,174,432</b>

7. Licences, Fees and Permits

Description	Period ended June 2025
	Kshs
Administrative fees and charges	9,470,029,122

8. Miscellaneous Incomes

Description	Period ended June 2025
	Kshs
Administrative fees and charges	2,301,241,900
<b>Total other income</b>	<b>2,301,241,900</b>

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the Financial Statements (Continued)**

**9. Employee Costs**

Description	Period ended June 30, 2025
Basic salaries of permanent employees	131,744,488
Personal allowances – part of salary	60,744,429
Employer contributions to compulsory national health insurance schemes	1,134,455
Other social benefit schemes	-
Gratuties due for the period	6,144,085
<b>Employee costs</b>	<b>199,767,457</b>

**10. Use of Goods and Services**

Description	Period ended June 30, 2025
Utilities, supplies and services	3,899,627
Communication, supplies and services	407,315
Domestic travel and subsistence	75,822,942
Foreign travel and subsistence	22,693,231
Printing, advertising, and information supplies & services	6,281,074
Rentals of produced assets	45,140,038
Training expenses	2,205,429
Hospitality supplies and services	77,052,150
Specialized materials and services	20,480,167
Office and general supplies and services	6,341,050
Fuel oil and lubricants	15,834,930

*State Department For Tourism*

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Routine maintenance – vehicles and other transport equipment	5,445,994
Routine maintenance – other assets	548,700
Other operating expenses	100,904,602
<b>Total</b>	<b>383,057,248</b>

**Transfer to other Government Entities**

Description	Period ended June 2025
	Kshs
Transfers to national govt entities- SAGAs & SC	11,701,623,574
<b>Total</b>	<b>11,701,623,574</b>

**11. Depreciation & Amortization Expense**

Description	Period ended June 2025
	Kshs
Property, plant and equipment	1,547,250
<b>Total</b>	<b>1,547,250</b>

**12. Cash and Cash Equivalent**

Description	Period ended June 2025	Opening statement
	Kshs	1 <sup>st</sup> July 2024
	Kshs	Kshs
Recurrent account	28,483,840	39,953,119
Development account	1,902,335	2,417,363
Deposits account	142,282,669	143,231,038
<b>Total</b>	<b>172,668,845</b>	<b>185,601,520</b>

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**13 (a) Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account No.	2025	2024
Recurrent Account-CBK	1000395548	28,483,840	39,953,119
Development Accounts-CBK	1000395637	1,902,335	2,417,363
Deposits Accounts-CBK	1000395699	142,282,669	143,231,038
<b>Sub- Total</b>		<b>172,668,845</b>	<b>185,601,520</b>
<b>Grand Total</b>		<b>172,668,845</b>	<b>185,601,520</b>

**13. Receivables from Exchange Transactions**

Description	2025	2024
Imprests and Advances	293,963	245,420
<b>Total Receivables</b>	<b>293,963</b>	<b>245,420</b>
a) Current receivables	293,963	245,420
b) Non-current receivables	-	-
<b>Total receivables (a+b)</b>	<b>293,963</b>	<b>245,420</b>

**16. Trade and other payables**

Description	2025	2024
Trade payables	78,001,219	73,896,954
Third-party payments	142,282,669	143,231,038
Other payables-RD Cheques	249,200	14,700.00
<b>Total trade and other payables</b>	<b>220,533,088</b>	<b>217,142,692</b>

Annual Report and Financial Statements for the year ended June 30, 2025

17. Provisions

Description	Grants, Provision Kshs	Total Kshs
<b>Opening bal 1<sup>st</sup> July 2024</b>	<b>11,514,702</b>	<b>11,514,702</b>
Additional provisions	6,144,085	6,144,085
Provision utilized	(6,689,807)	(6,689,807)
<b>Total provisions period end</b>	<b>10,968,980</b>	<b>10,968,980</b>
17a. Current Provisions	6,144,085	6,144,085
17b. Non-current Provisions	4,824,895	4,824,895

18. Cash generated from operations

Cash Generated from Operations	Period ended June 2025
<b>Surplus for the period before Tax</b>	25,449,925
<b>Adjustments for:</b>	
Depreciation	1,547,250
*prior year asset recognized	2,618,000
<b>Working Capital adjustments</b>	
Increase in Receivables	(48,543)
Increase in payables	2,844,675
<b>Net cashflow from operating activities</b>	<b>32,411,307</b>

\*Note: The opening balance of ksh 4,802,000 as at 1<sup>st</sup> July 2024 under property plant and Equipments is inclusive of amount of ksh2,618,000 recognized as pending bill under cash accounting but paid in the current financial year.

State Department For Tourism

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Notes to the Financial Statements (Continued)

15. Property, Plant, and Equipment

Description	Land	Buildings	Motor vehicles	Furniture and fittings	Computers & ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
Depreciation Rate		2%	13%	13%	30%	13%		
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1st July 2024					4,802,000			4,802,000
Additions					355,500			355,500
As At 30th June 2025	-	-	-	-	5,157,500	-	-	5,157,500
Depreciation And Impairment								-
Opening Bal as 1st July 2024		-	-	-	-			-
Depreciation for the year					1,547,250			1,547,250
As At 30th June 2025	-	-	-	-	1,547,250	-	-	1,547,250
Net Book Values								-
Opening Bal as at 1st July 2024	-	-	-	-	4,802,000	-	-	4,802,000
As At 30th June 2025	-	-	-	-	3,610,250	-	-	3,610,250

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	Cost	Accumulate d Depreciatio n	NBV					
	Kshs	Kshs	Kshs					
Land	-	-	-					
Buildings	-	-	-					
Plant And Machinery	-	-	-					
Motor Vehicles, Including Motorcycles	-	-	-					
Computers And Related Equipment	5,157,500	1,547,250	3,610,250.00					
Office Equipment, Furniture, And Fittings	-	-	-					
Work in progress	-	-	-					
<b>Total</b>	<b>5,157,500</b>	<b>1,547,250</b>	<b>3,610,250.00</b>					
<b>Property plant and Equipment includes the following assets that are fully depreciated</b>								
	Cost or valuation	Normal annual depreciation charge						
Plant and Machinery	-	-						
Motor Vehicles including Motorcycles	-	-						

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Computers and Related Equipment	5,157,500	-						
Office Equipment, Furniture And Fittings	-	-						
<b>Total</b>	<b>5,157,500</b>	<b>-</b>						

**Notes to the Financial Statements (Continued)**

**i) Credit risk**

The State department for tourism has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the State department for tourism's management based on prior experience and their assessment of the current economic environment.

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

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 State department for tourism has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The State department for tourism has significant concentration of credit risk on amounts due from xxxx. The board of directors sets the State department for tourism's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

The table below represents cash flows payable by the State department for tourism 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.

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

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**iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the State department for tourism's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The State department for tourism's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the State department for tourism's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The *State department for tourism* 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. The *State department for tourism* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the *State department for tourism's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The following table demonstrates the effect on the State department for tourism'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.

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**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Financial Risk Management**

**Sensitivity analysis**

The State department for tourism analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20XX: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (20XX – KShs xxx)

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *State department for tourism's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The State department for tourism considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**Notes to the Financial Statements (Continued)**

**iv) Capital Risk Management**

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

*State Department For Tourism*

**Annual Report and Financial Statements for the year ended June 30, 2025**

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**31 Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *State department for tourism*, holding 100% of the *State department for tourism's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the State department for tourism, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Xxx.
- v) Key management.
- vi) Board of directors.

State Department For Tourism

Annual Report and Financial Statements for the year ended June 30, 2025

19. Appendix

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

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

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (If a date when you expect the issue to be resolved)
	<b>Lawfulness and effectiveness in the use of public resources</b>			
1.	<p>The statement of receipts and payments reflects compensation of employees amount of Kshs.190,864,605. Analysis of the payroll for the twelve months revealed that twenty-one (21) employees received net pay which were below 1/3 of their basic pay. This was contrary to Section 19(3) of the Employment Act 2007 and Section C.1(3) the Public Service Human Resource Policies and Procedures Manual 2016.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>We note that 21 Officers are earning less than 1/3 of their basic salary hence acknowledging and adopting your report on the same. This has been caused by the recently introduced statutory deduction e.g Affordable Housing Levy at the rate of 1.5%, SHIF at the rate of 2.75% which are deducted against gross salary and NSSF. The State Department intends to advise the affected Officers to re-organize their financial commitments in order to be aligned to the Public Service Commission Policy.</p>	<p>Yet to appear in PAC for recommendation</p>	

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Reference No. in the external audit Report	Issue/Observations from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeframe (Duration/expected date to be resolved)
	<b>Lawfulness and effectiveness in the use of public resources</b>			
2..	<p>Note 19 to the financial statements reflects other pending payables balance of Kshs.143,231,037.. However, it was observed that the state Department had long outstanding bills relating to deposits (retention fees) from various contractors with one contractor claiming retention amounting to Kshs.17,794,643.40 since July, 2017. The retention amount remained unpaid despite lapse of defects liability period on 11<sup>th</sup> August, 2021, which might probably lead to penalties and interest which could be avoided. This is contrary to section 151(2)(H) of the Public Procurement and Asset Disposal Act, 2015. Which provides that the contract implementation team shall ensure that prior to closing the contract file including handover procedures,the final retention payment is made.</p> <p>In the circumstances that management was in breach of the law.</p>	<p>It is true that the state department has not paid retention fees for Flolizz contractors amounting to 17,794,643.40 despite lapse of defect liability period on 11<sup>th</sup> August 2021.This has been occasioned by the report from the ministry of public works on contract closure dated 27<sup>th</sup> March 2023 where the ministry indicated that there was a contract gap of 457 days and that the contractor was liable to pay a total of ksh 19,879,998.22 as liquidated damages hence the amount due to the contractor and the amount the state department is anticipating to be paid by the contractor are almost a set off. However, we are waiting for further advice from the ministry of public works and our legal department for a quick action on the same.</p>	<p>Yet to appear in PAC for recommendation</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
<b>Lawfulness and effectiveness in the use of public resources</b>				
3.	<p>Annex 1 on pending accounts payable reflects a balance of Kshs.73,896,954 as at 30<sup>th</sup> June 2024 from the previous year balance of ksh 54,645,486. Bills amounting to 36,231,732 were paid in the year under review leaving a balance of ksh.18,413,754. . It was not clear why they did not form first charge of the budgeted amount for the year 2023/2024 contrary to Regulation 42. (1) (a) of Public Finance Management (National Government) Regulations 2015 that states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>During the financial year 2022/2023 the state department had accumulated pending bills of ksh.54,645,486.30. these bills formed the first charge in our budget and were paid in the year 2023/2024. With the balance of ksh 5,558,143 remaining unpaid due to austerity measures and partly due to lack of relevant budget line item in the budget. It is worth noting that the bulk of the bill forming the 47,866,662 were incurred in the financial year 2023/2024. Further after reconciliation with Tourism Fund it was established that an amount of Kshs.26, 030,291.49 was outstanding thus increasing the pending bill figure to Kshs.73,896,953.65. The rent owing to Tourism fund of ksh.26,030,291.49 has since been paid.</p>	Yet to appear in PAC for recommendation	
<b>Effectiveness of internal control risk management and governance</b>				

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Reference No. of the External Audit Report	Issue/Observation from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeframe (When the issue is resolved)
	<b>Lawfulness and effectiveness in the use of public resources</b>			
1.	<p>The statement of receipts and payments reflects Compensation of employees amount of Kshs.190,864,605. Review of the approved staff establishment for the State department dated 24 December, 2019 revealed instances of ninety one (91) staff across various cadres against establishment of Twenty (20) resulting to an over establishment of Seventy One (71) members of staff.</p> <p>In the circumstances, effectiveness of staff establishment as a human resource management control could not be ascertained.</p>	<p>We note that the observations made by the auditors are valid. This occurred due to the effected promotions, succession management, re-designations and transfers which makes our establishment keeps on varying due to the changes made.</p> <p>The State Department will endeavour to conduct a proper human resource needs for the establishment of optimal staffing levels with relevant approvals to avoid over-establishment.</p>	Yet to appear in PAC for recommendation	
2.	<p>During the year under review, the State department purchased six (6) vehicles at a cost of Kshs.79,963,537. However the Six Vehicles were registered under the state department for tourism and wildlife which are two distict votes according to excecutive order No2 of November 2023.Further, The cabinet Secretary (Ministry of Tourism and Wildlife) was using a vehicle (Registration No KDK 873P)</p>	<p>Copies of Log books for the vehicles purchased are hereby attached. Your office can come and verify the originals</p>	Yet to appear in PAC for recommendation	

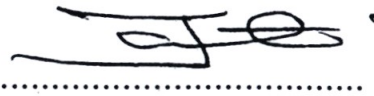
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status- (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<b>Lawfulness and effectiveness in the use of public resources</b>			
	<p>owned by Tourism promotion Fund Despite having been allocated a vehicle by the state department for tourism.</p> <p>In the circumstances, the bonafide owners of the the vehicles between the two state departments in the ministry of tourism and Wildlife not be Confirmed..</p>			
3.	<p>In the year under review, the State department for Tourism had no approved risk management policy contrary to Regulation 165(1) of Public Finance Management (National Government) Regulations,2015 which requires an accounting officer of National Government entity to develop risk management strategies which include fraud prevention mechanisms and a system of risk management and internal control that build robust business operations.</p>	<p>It is true the stated department initiated the development of a risk management policy and disaster recovery plan .where the accounting officer appointed a committee which met twice under the chairmanship of principal economist. The committee has come up with draft report which is attached However, the process has not been finalized due to lack of budget for training of the relevant officers</p>	Yet to appear in PAC for recommendation	

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Reference	Issue / Observations from Auditor	Management comments	Status	Timeframe
	<b>Lawfulness and effectiveness in the use of public resources</b>			
	In the circumstances, existence of effective risk management measures could not be confirmed.			



Name: John Ololtuaa, CBS  
Principal Secretary

State Department For Tourism

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Appendix II: Projects implemented by (The State department for tourism)

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

Project Name	Cost Budget (Ksh. millions)	Approved Estimates FY 2024/25 Budget (Ksh. millions)	Total Expended to date (Ksh. millions)	Completion rate	Source Of Fund	Remarks
Coastal Beach Management Programme.	499	30	0	5%	(GoK)TPF	Project advertised and awarded. Project ongoing
National Tourism Service Digital Platform.	215	25	0	75%	(Gok)TPF	<b>Project Ongoing;</b> Updating tourism data on the portal before final launch.

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Project Name	Total Project Cost (Ksh millions)	Approved Estimates FY 2024/25 Budget (Ksh millions)	Total Expended to date (Ksh millions)	% completion date	Source Of Fund	Remarks
National Mapping and development	500	425	55	25%	(GoK)TPF	GIS Mapping/situational analysis of tourism Products across 47 counties advertised and awarded.  <b>Feasibility Studies:</b> Prequalification of suppliers advertised; Project ongoing
National Tourism Amenities.	480	100	4.9	5%	(GoK)TPF	Project Documentation Including the BQs Completed by state department for public Works – Kwale, Baringo, Kisumu, & Embu
Tourism Policy and Legislative Reforms.	400	40	35	80%	(Gok)TPF	National Tourism Policy & Act; Drafts prepared, Stakeholder consultations done and completed; <b>Awaiting stakeholder Validation.</b>  National Tourism Strategy; Draft Prepared; <b>stakeholder engagement ongoing</b>  <b>Strategic Plan Launched</b>
Eco tourism Project-	500	50	0	5%	(GoK)TPF	Advertising of the tender done by Tourism Fund.

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Project Name	Total Project cost (Ksh.millions)	Approved Estimates FY 2024/25 Budget (Ksh.millions)	Total Expended to date(Ksh.millions)	% completion date	Source Of Fund	Remarks
Likuyani, Kakamega						
Mawe Tatu Heritage site	500	200	0	5%	(Gok)TPF	BQs are currently being developed by Tourism Fund and State Department of Public Works.
<b>Total</b>	<b>3094</b>	<b>870</b>	<b>94.9</b>			

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Appendix III: Fixed Asset Register

Asset class	Historical Cost/b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/out during the year	Historical Cost/b/f (Kshs) Current Year
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment	4,802,000	355,500			5,157,500
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
<b>Total</b>	<b>4,802,200</b>	<b>355,500</b>			<b>5,157,500</b>

Note: Due to bulkiness, Soft copy of a fixed asset register for the department is available on request