

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID **DAY.**

DATE: 18 AUG 2019

REPORT

TABLED BY: Majority Whip

CLERK-AT THE-TABLE: Gretinde Chebet

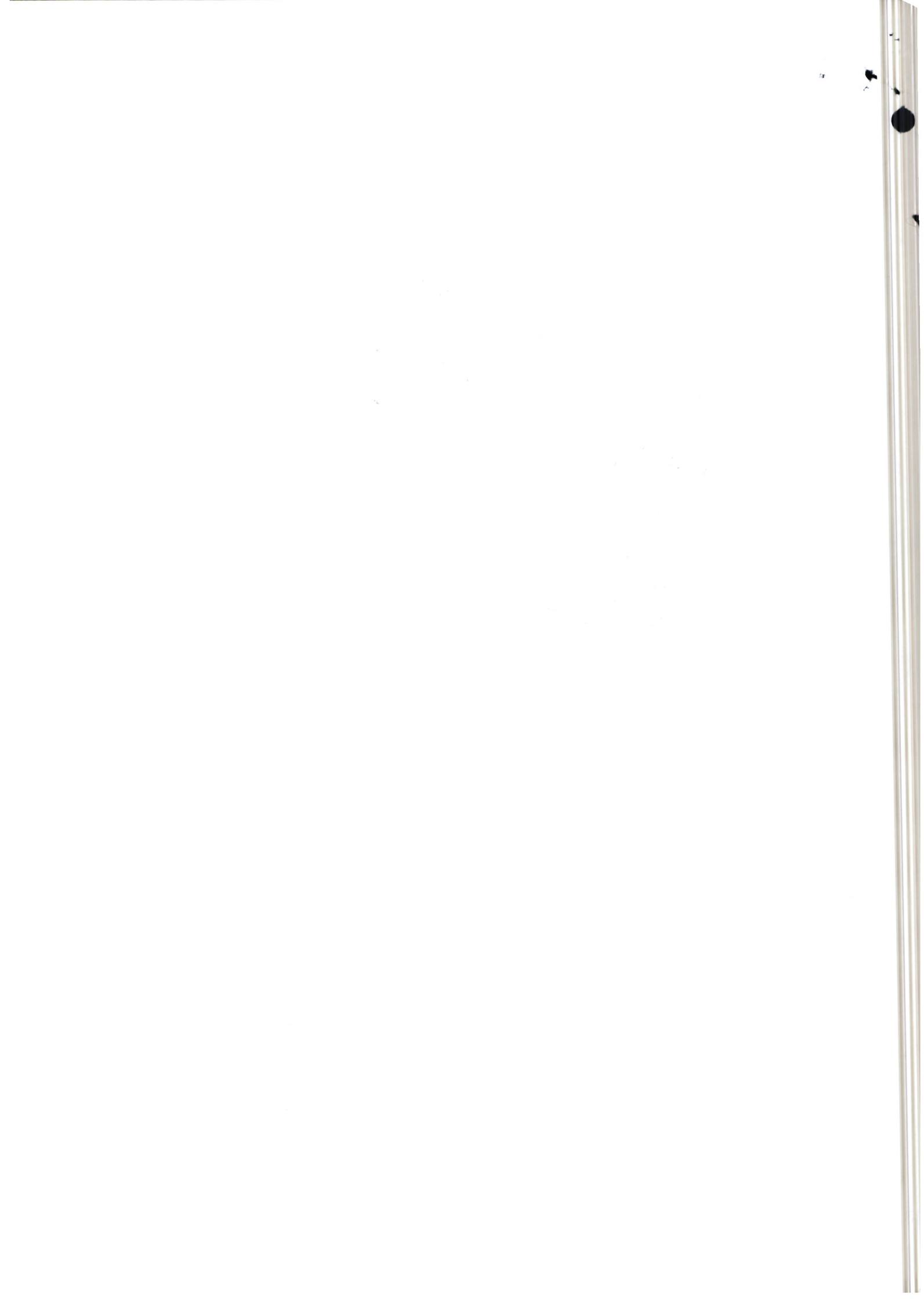
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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
TOURISM REGULATORY AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2018**





TOURISM REGULATORY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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**Ms. Naomi Matheri, Alternate
Director to the Cabinet
Secretary the National
Treasury**

Ms. Naomi Matheri is the Alternate Director to the CS National Treasury. She holds a Master of Arts (in Economics) from the University of Nairobi and Bachelor of Science (Statistics) from Moi University.

She has wide experience in macro-economic and fiscal management, working in these areas for over 10 years now and serving as an Assistant Director in the National Treasury.

She has had professional trainings from international training institutes including International Monetary Fund (IMF), Macro Economic and Financial Management Institute

(MEFMI), and university of Pretoria on areas including: fiscal risks, macroeconomic forecasting, macroeconomic management, financial programming, extractive industries fiscal modelling, macroeconomic diagnostics and fiscal decentralization. She has also attended management and governance courses and workshops.






**Mr. Kipkorir Lagat
Director General &
Secretary to the Board**

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

implementation, with particular focus to tourism and wildlife conservation and management mainly in Kenya and within East African Community.

III. MANAGEMENT TEAM

Management	Professional / Academic Qualification
 <p data-bbox="264 770 544 846">Mr. Kipkorir Lagat Director General</p>	<ul style="list-style-type: none"> • MSc. in International Marketing • Masters of Business Administration (MBA) • Bachelor's degree in Commerce • Postgraduate training in Environmental Management • Born in 1967
 <p data-bbox="201 1294 608 1406">Mr. Moses Lesaibile Ag. Director, Compliance and Trade Facilitation</p>	<ul style="list-style-type: none"> • MSc. (Hospitality & Tourism Management) Ongoing • Bachelor of Science (Hons) Hospitality Management from Strathmore University. • Diploma in Hotel Management from Kenya Utalii College. • Advance Tourism Management, Chinese Government Sponsored. • Member of the Kenya Institute of Management. • Born in 1967
 <p data-bbox="197 1834 612 1948">Mr. Fredrick J. Omondi Ag. Director, Standards & Quality Assurance</p>	<ul style="list-style-type: none"> • Holds Master of Arts in Environmental Planning & Management from the University of Nairobi • Bachelor of Arts in Sociology and Geography from Egerton University • EAC Classification criteria Trainer • Wide experience in tourism development, policy and regulation matters gained in the over 20 years with Ministry of Tourism and TRA. • Born in 1967



**Ms. Caroline Akinyi Bello
Independent Board Member**

Ms. Caroline Bello is a seasoned community development practitioner with a specialized leaning to mainstreaming gender in development processes both in the public and private sector. She has previously served as the In-Country Representative of the American Jewish World Service and as Gender Specialist working with CARE International, MEDA, Child Fund, Technoserve Inc, amongst other International development agencies. She holds a Bachelor's degree in Education from Egerton University and has further training in Enterprise Development, Microfinance, Governance and Conflict Management from New Hampshire University, Marquette University (Milwaukee), and the Les Aspin Centre of Governance, Washington D.C. respectively. She is a contributor to national policies on gender and girl child protection. She is founder and trustee of SWIPE Kenya where she is furthering the growth of sustainable and profitable enterprises for women and young entrepreneurs.



**Mr. Mike Macharia
Independent Board Member**

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

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

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

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

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

Mrs. Margaret M Byama was a Director of the Board of Centum Investment Company Limited for seven years and its subsidiaries since January 2009, Alternate Director to the Bomas of Kenya Board, Chairperson of the Wildlife Clubs of Kenya and was the first Chief

Executive Officer of the National Humanitarian Fund for IDP's in 2008.

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



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

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

Institute of Development Economics Research (WIDER), United Nations Conference on Trade and Development (UNCTAD), Harvard Institute for International Development (HIID) and African Economic Research Consortium (AERC)

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

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

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



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

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

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

Paul has over 20 years of extensive work experience in community based conservation and development, having worked at a senior management level with multiple conservation stakeholders.

Due to his enormous contributions in local development, Paul was awarded Head of State Commendation (HSC) and recognized by Transform Kenya Award as the Tourism Award Winner in 2014. He joined Tourism Regulatory Authority as Director in 2015. During the period, Paul gained experience serving as member to various boards including KWS Game Bird Management Committee, schools' boards and recently as chair of Action Aid International Kenya Board.



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

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

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

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

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**Ms. Joyce Nderitu
Independent Board
Member**

Ms. Joyce Nderitu holds a Bachelor of Commerce degree from the University of Nairobi. A former banker but now in private practice, she has attended several courses in leadership and governance. She is a member of the audit and risk as well as the standards and quality assurance committees.



**Dr. Mordecai Ogada, PhD
Independent Board Member**

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

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

II. THE BOARD OF DIRECTORS



**Mr. Sammy Nyule Ngumbao
Chairman**

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

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

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

• **Fiduciary Duty of Care.**

This requires use of appropriate care and diligence when acting on behalf of the Authority. One is required to exercise reasonable prudence in carrying out their duties to achieve the best interest of the Entity. Managers are to be held personally liable for failing to exercise reasonable or ordinary care under the circumstances.

• **Fiduciary responsibilities include;**

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

f. Entity Headquarters

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

g. Entity Contacts

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

h. Entity Bankers

1. Kenya Commercial Bank of Kenya
University Way Branch
P.O BOX 48400 - 00100
Nairobi, Kenya.

2. Co-operative Bank of Kenya
University Way Branch
P.O BOX 48321 - 00100
Nairobi, Kenya.

i. Independent Auditors

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

j. Principal Legal Adviser

The Attorney General

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- i) Monitor and assess tourist activities to ensure conformity to sound principles of sustainable tourism;
- j) Undertake annual assessment and audit of tourism activities and services and prepare annual tourism sector status report in consultation with the Cabinet Secretary and other lead agencies;
- k) Perform any other functions ancillary to the object and purpose of which the Authority is established.

c. Key Management

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

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

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Mr. Kipkorir Lagat
2.	Ag. Director, Compliance & Trade Facilitation	Mr. Moses Lesaibile
3.	Ag. Director, Standards & Quality Assurance	Mr. Fredrick J Omondi
4.	Manager. Corporate Services	Mr. Sila Mathuva
5.	Manager Finance & Accounts	Ms. Nkatha Mugambi
6.	Manager Human Resource	Ms. Lucy Serem

e. Fiduciary Oversight Arrangements

The Authority fiduciary arrangements are as outlined below;

- **Fiduciary duty of Good Faith and Fair dealing**
This requires the officers to deal with honesty good faith & fairness when handling the Authority obligations in their daily tasks of operations.
- **Fiduciary Duty of Disclosure**
This requires the officers to disclose any potential conflict of interest that may arise between their individual interest and those of the Authority.
- **Fiduciary Duty of Loyalty**
It involves putting the welfare and best interest of the Authority above their own personal or other business interest. The officers are not expected to secretly divert or take advantage of the Authority business opportunities for their own personal benefit.

I. KEY ENTITY INFORMATION AND MANAGEMENT

a. Background information

Tourism Regulatory Authority (TRA) is a State Corporation established under section 4 of the Tourism Act No. 28 of 2011, as a body Corporate to be administered and managed by a Board. Although the Authority was operationalised in April 2014 it gained its Financial and Operational independence in September, 2016.

b. Principal Activities

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

Vision

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

Mission Statement

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

Values

- Integrity
- Collaboration
- Team work
- Professionalism
- Innovation

Mandate

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

- a) Formulate guidelines and prescribe measures for sustainable tourism throughout the country;
- b) Regulate tourism activities and services countrywide;
- c) Register, license and grade all tourism related activities and services
- d) Develop and implement criteria for classification and standardization of tourism facilities and services;
- e) Develop and regulate tourism and hospitality curriculum, examination and certification in collaboration with the Ministry of Education;
- f) Develop and implement the code of practice for the tourism sector;
- g) Ensure the development and implementation of high quality tourism sector;
- h) Vet and recommend expatriates seeking employment in tourism sector;

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Mr. Mathuva, Ernest Sila
Regional Manager

- Pursuing MSc. in Tourism Management from Kenyatta University.
- Post Graduate Diploma in International Relations from the University of Nairobi
- BSc. in Tourism Management from Moi University
- EAC Hotel and Restaurant Certified Assessor
- Served in Ministry of Tourism for 17 years before joining TRA in 2014.
- Born in 1972



Ms. Nkatha Mugambi
Manager Finance

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



Ms. Lucy Serem
Manager Human Resource

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



IV. CHAIRMAN'S STATEMENT

The Tourism and hospitality sector has continued to experience tremendous growth in the number of hotel beds available of an average of 6.7% with a corresponding occupancy rate of 38%. The growing trend is supported by the remarkable improvements in the tourism sector regulatory regime through operationalization of the Tourism Regulatory Authority and creation of a favourable investment environment in the tourism industry. Moreover, some regions of the country have continued to attract both Foreign Direct Investment (FDI) and local investments in hospitality facilities. This is evidenced by the significant increase in the number of international chain hotels setting foot in the country and growing number of local family investments in alternative forms of tourist accommodation facilities such as Villas/Cottages, Serviced Apartments, Guest Houses, Boutique Hotels and Homestays.

During 2017/2018 financial year, the first quarter saw full implementation of the Authority operations with the acquisition of the first batch of employees through absorption of personnel who had been deployed to the Authority. The second quarter saw the Authority make major milestones such as acquisition of vehicles which enhanced its operations thus improved performance. At the start of third quarter, the tourism sector experienced a slow growth due to the previous year's repeat presidential elections and political jitters emanating from pronouncements by the opposition. The sector's growth however started to rise following the government's and opposition agreement to give dialogue a chance culminating to the famous 'handshake'. This new development in the political arena put the country on the healing and reconciliation path which is critical to support continued growth of the tourism sector.

The Authority undertook activities planned during the year in accordance with the Strategic Plan and Annual Workplan. This included quality assurance activities, vetting of work permits applications and recommendations of requests for duty waivers; classification of accommodation and catering facilities; collection of data for the annual tourism sector status report and Stakeholder sensitization training in Homabay and Bungoma areas. Additionally, the Authority conducted a public review meeting with the stakeholders in Nairobi on guidelines for training institutions registration and accreditation, curriculum development and accreditation and examination and certification. These guidelines were developed in consultation with the Ministry of Education. This is indeed a laudable step by the Authority since it will contribute greatly to setting standards in tourism and hospitality training. The Authority was also able to successfully conduct a competitive recruitment exercise and recruited a total of 63 employees in the third quarter of the 2017/18 FY.

The fourth quarter of the year under review saw the completion of the countrywide national classification programme culminating to the realization of a total of 180 star-rated establishments with 22,731 beds, representing 57 percent classified beds out of an estimated 40,000 bed capacity countrywide. This was indeed a milestone achievement towards improving the number of available classified beds in the country as envisioned in the Vision 2030. Moreover, the Authority developed three strategies namely Resource Mobilization Strategy, Stakeholder engagement and communications Strategies. These strategies will form part of the yet to be developed new Strategic Plan (2018-2023) which is expected to put the Authority on the growth trajectory to effectively and efficiently drive the sustainable tourism development agenda.

The Authority will continue to implement several strategies and appropriate interventions that will ensure efficient and effective tourism sector regulation that will improve the destination competitiveness. Explicitly, the Authority will continue to align its programmes and activities to the Government programmes such as the 'big four' initiative and other development priorities to enhance tourism sectors' contribution to the attainment of the United Nations Sustainable Development Goals (SDG's).

I wish to thank the Director General and his team for their dedication, Ministry of Tourism and Wildlife for their support and cooperation, clients, stakeholders and other partners for their input towards the achievements of TRA in the just concluded 2017/18 FY. Gratitude is also due to my colleagues in the Board of Directors for the invaluable and selfless input that has seen the Corporation grow to its current level.



.....
Sammy Nyule Ngumbao
CHAIRMAN

V. REPORT OF THE DIRECTOR GENERAL

Tourism Regulatory Authority (TRA) is a body corporate established under section 4 of the Tourism Act No.28 of 2011 and is mandated under section 7(1) to regulate the tourism sector in Kenya. This encompasses developing regulations, standards and guidelines that are necessary to ensure an all-round quality service delivery in the tourism sector. Indeed, Tourism benefits and contribution to the economy can only be realized through strategic management of the destination through regulatory models that enable investments to thrive. Ideally, the characteristics of fragmentation, diffusion and interdependencies in the tourism sector call for coordination and collaboration between the different actors in the public and private domains. It is against this backdrop the sessional Paper No.1 of 2010 on enhancing sustainable tourism in Kenya and the Tourism Act. No.28 of 2011 envisaged the establishment of the Tourism Regulatory Authority with the overall mandate of regulating the tourism sector in Kenya.

TRA's mandate is at the core to achieving tourism sector's aspirations of providing quality and consistent tourism product and services that satisfy expectations of both internal and external guests. The Authority has also been working on programmes to ensure the product meets the ever-changing tourist tastes and preferences and ensuring the destination remains competitive in the international arena. In this regard, Tourism Regulatory Authority implemented programmes in line with its Strategic Plan and Work Plan. During the 2017/18 FY, the Authority laid the foundation to facilitate execution of its mandate by completing refurbishment of its offices at the Headquarters and Nairobi Regional Offices and acquisition of new vehicles. It also commenced installation of the Enterprise Resource Planning (ERP) System to facilitate online licensing of Tourism Enterprises.

During the period under review, the Authority ensured prudent management of available financial resources which facilitated smooth operation of all departments/Units. The Authority complied with set budgetary levels by ensuring that funds were applied to the programmes for which they were appropriated and planned. The Authority Absorbed 81.0 % of the funds allocated. This low absorption is attributed to late disbursement of funds specifically for the first and fourth quarters and non-receipt of fourth quarter development grants. There was also delay in recruitment of additional staff which took place in March 2018.

The Authority had targeted to collect KES 110 Million during the 2017/18 FY as revenue from license fees and penalties. The Authority collected a total of KES 138 Million thus surpassing its set target by 25.7%. This is attributed to enhanced regulation activities and additional workforce. To ensure the sector offers quality tourism product, the Authority inspected a total of 6,086 establishments out of the

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targeted 4,000 facilities nationwide. The Authority also completed the national classification exercise of tourism accommodation and catering establishments in the Country which culminated to an award Ceremony of Plaques and Certificates to 180 establishments Countrywide. To ensure consistency in service delivery, TRA sensitized, and trained stakeholders in Bungoma and Homabay areas on Quality Management Systems and Standard Operating Procedures in the Hospitality industry. Other notable achievements the Authority had during the 2017/18 FY include public review meetings with stakeholders on guidelines for training institutions registration and accreditation, curriculum development and accreditation and examination and certification; heightened inspections of tourist establishments throughout the country and stakeholder's validation of the events and entertainment guidelines.

To facilitate ease of doing business, the Authority had committed to process applications and recommendations forwarded to the Department of Immigration Services within three (3) days of approval by the Vetting Committee. A total of 286 applications were processed between July 2017 and June 2018 out of which 212 were for employees (class D) and 74 were for investors (Class G). During the year, a total of 189 applications were renewals while 97 were new. The Authority processed a total of 112 applications from 57 establishments for recommendations for custom duty and VAT exemptions as provided for under the EAC Custom Management Act 2004 as well as the Finance Act, 2017. During the period July 2017 –June 2018, the cost of goods was estimated at KES 1.15B and the value of exemption was KES 229.2M (approximately 20% of the total value).

The Tourism Act requires that an Annual Tourism Sector Status Report be prepared every year and presented to the Cabinet Secretary every year. During the 2017/18FY, an inter-institutional Technical Committee had been undertaking day to day activities towards the realization of the report. The Committee completed the 2016 report and forwarded to the Cabinet Secretary in April 2018. Field data collection for the 2017 report commenced in December 2017 and completed in June 2018. The finalization of the draft report is ongoing. The Authority was also actively involved the EAC matters such as marking of the would-be assessors' examinations for the Republic of Rwanda, review of the EAC Hotel Classification Criteria and participation in the EAC 8th Sectoral Council meeting that took place at the EAC headquarters. In a nutshell, the Authority achieved most of the performance contract targets for the Financial Year under review.

In conclusion, I wish to thank the stakeholders for their unwavering support. My gratitude is also due to the entire TRA staff for their dedication throughout the year that saw the Authority accomplish most of the set targets as per the Performance Contract and Workplan. I also wish to appreciate the Ministry of

Tourism and Wildlife for their guidance and direction. Last but not least, I wish to appreciate the Board of Directors for their support and guidance that has seen the Authority throughout the financial year. It is my utmost belief that as we start the next financial year and develop a new Strategic Plan, the Authority will enter the growth phase and reach unprecedented levels.



.....
Kipkorir Lagat

DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

The Tourism Regulatory Authority has adopted high standards and applied strict rules of conduct based on best practices in pursuant of her mandate. To this end, the Authority has incorporated stakeholders from the private and public realm in its committees and functions. These include the Standardization and classification committee, work permits vetting committee, annual tourism sector status report compilation committee among others. To ensure that the legitimate interests of all stakeholders are captured and taken into consideration, the Authority finalized the Stakeholder Engagement strategy which is envisaged to provide direction with regard to the principles of effective stakeholder engagement, the engagement approach as well as provide the grievance management and comment response framework. Additionally, the Authority also completed two other strategies namely the Resource mobilization strategy and communication strategy. These strategies will form part of the new strategic plan and will be pivotal in putting the Authority on the growth trajectory.

The Authority is governed by a Board of the Authority. The Board's main objective is to establish and monitor the strategic direction of the entity in ensuring competent management of the business by establishing and overseeing that there are adequate internal control systems.

During the year under review, the Board held four regular and four (4) special board meetings. The board operated with four Board Committees in line with the Mwongozo Guidelines. The Committees of the board met a total of 24 times during the financial year distributed as follows: Finance and Administration Committee (7); Licensing Committee (5); Standards and Quality Assurance (4) and Audit Committee (8). The Board participated in the following activities: -

- Training of the Audit & Risk management Committee between 23rd & 25th August, 2017.
- Self evaluation exercise of Board members between 29th & 31st August, 2018-09-12
- Audit of the Authority's regional offices coastal regions (14-15th September, 2017), north rift (7th -10th November, 2017) and Nairobi (22nd February, 2018).
- World Tourism Day 2017; Eco warriors and Tourism heroines celebration held on 27th September, 2017
- Interviews for Corporation Secretary held on 2nd February, 2018.
- Analysis and reporting of the results of interviews for the Authority's recruitment exercise held on 13th & 14th February, 2018

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SCHEDULE OF BOARD MEETING AND ATTENDANCES

PARTICULARS	NO. OF MEETINGS HELD	MEMBERS	NO.OF MEETINGS ATTENDED
Audit & Risk Management Committee	4	1. Dr. Mordecai Ogada	4
		2. Mr.Paul Leringato	4
		3. Mr. Edward Wamweya	1
		4. Ms.Naomi Matheri (replaced Mr. Edward Wamweya)	3
		5. Margaret M. Byama (Mrs) HSC	4
		6. Mrs.Joyce M. Nderitu	3
Special Audit & Risk Committee Meetings	4	1. Dr. Mordecai Ogada	4
		2. Mr.Paul Leringato	4
		3. Mr. Edward Wamweya	1
		4. Ms.Naomi Matheri (replaced Mr. Edward Wamweya)	3
		5. Margaret M. Byama (Mrs) HSC	4
		6. Mrs.Joyce M. Nderitu	4
Licensing & Tourism Support Services Committee	4	1. Mike Macharia	4
		2. Paul Leringato	4
		3. Roselyn C. Lang'at	4
		4. Peter Leitoro	4
		5. Margaret M. Byama (Mrs.) HSC	4
Special Licensing & Tourism Support Services Meeting	1	1. Dr. Mordecai Ogada	1
		2. Mr.Paul Leringato	1
		3. Mr. Edward Wamweya	1
		4. Margaret M. Byama (Mrs) HSC	1
		5. Mrs.Joyce M. Nderitu	1
Standards & Quality Assurance Committee	4	1. Ms. Caroline Bello	4
		2. Mr. Jamshed Ali	4
		3. Ms. Joyce Nderitu	4
		4. Mr. Peter Leitoro, OGW	4
		5. Margaret M. Byama (Mrs.) HSC	4
		6. Dr. Mordecai Ogada	2
Finance & Administration Committee	4	1. Mrs. Roselyne Langat	4
		2. Ms. Caroline Bello	4
		3. Mr. Mike Macharia	3
		4. Mr. Jamshed Ali	4
		5. Mr. Edward Wamweya	1
		6. Ms. Naomi Matheri	3
		7. Margaret M. Byama (Mrs.) HSC	4



**Tourism Regulatory Authority
Reports and Financial Statements
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Special Finance & Administration Committee Meeting	3	1. Mrs. Roselyne Langat	3
		2. Ms. Caroline Bello	1
		3. Mr. Mike Macharia	1
		4. Mr. Jamshed Ali	3
		5. Ms. Naomi Matheri	1
		6. Margaret M. Byama (Mrs.) HSC	3
Full Board	4	1. Mr. Sammy N. Ngumbao	3
		2. Mrs. Joyce M. Nderitu	4
		3. Ms. Caroline Bello	4
		4. Mr. Paul Leringato, HSC	4
		5. Mrs. Roselyn C. Lang'at	4
		6. Dr. Mordecai Ogada	4
		7. Ms. Naomi Matheri	3
		8. Mr. Peter L. Leitoro, OGW	4
		9. Margaret M. Byama (Mrs.), HSC-	4
		10. Mr. Jamshed Ali	4
		11. Mr. Mike Macharia	4
Special Full Board Meeting	4	1. Mr. Sammy N. Ngumbao	4
		2. Mrs. Joyce M. Nderitu	4
		3. Ms. Caroline Bello	4
		4. Mr. Paul Leringato, HSC	4
		5. Mrs. Roselyn C. Lang'at	4
		6. Dr. Mordecai Ogada	4
		7. Ms. Naomi Matheri	3
		8. Mr. Peter L. Leitoro, OGW	4
		9. Margaret M. Byama (Mrs.), HSC-	4
		10. Mr. Jamshed Ali	4
		11. Mr. Mike Macharia	4

During the period, Mr. Edward Wamweya was replaced by Ms. Naomi Matheri with effect from August, 2017 as Alternate to Cabinet Secretary, National Treasury

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Overview Performance

During the 2017/2018 FY, the Authority implemented programmes in line with its strategic plan (2014-2018) and work plan that were aligned with the national tourism aspirations as envisaged in the Vision 2030. Under the Vision, Tourism is recognized as one of the lead sectors under the Economic pillar to attain the goals of the long-term development agenda. In this regard, the sector aspires to be among the top ten long haul tourist destinations globally offering consistent service and value to its customers. In view of the forgoing, TRA has continued to play its role to ensure that the destination offers quality and consistent service through effective and efficient sector regulation. As such, the Authority has aggressively championed quality standards in the sector through the implementation of the EAC classification scheme. It is important to note that during the award of classification plaques ceremonies, stakeholders were advised that classification was mandatory to all tourism and hospitality facilities specified under the 9th schedule of the Tourism Act 2011. They were therefore urged to move with speed and have their facilities rated. The Authority also employed aggressive quality assurance measures to ensure improved and consistent service provision through regular inspections of accommodation, catering and tourist establishments.

To spur inclusive growth and sustainable development as envisioned under the UNDP Sustainable Development Goals (SDG's), the Authority continued to pursue workforce improvement initiatives that are geared towards achieving competent work force by regulation of curricula, tourism training and certification in collaboration with the Ministry of Education. To improve the product quality, the Authority continued to facilitate duty waivers to facilitate high quality investments in the hospitality sector. To ensure employment opportunities for locals, the Authority has been implementing government policies to ensure employment opportunities are available to locals through vetting of work permit applications in the tourism sector before recommending the applications to the Department of Immigration for consideration. Key challenge in the meeting of targets is delay in facilitation of Grants from Ex-chequer through the Parent Ministry.

Operational and Financial Performance

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

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

Entity Compliance with Statutory Requirements

TRA endeavours to adhere to all statutory requirements. Currently the Authority has complied with filling its monthly statutory obligations in relations to PAYE and WITHOLDING TAXES. Additionally, it has complied with the reporting as required such as declaration of Assets to Unclaimed Financial Asset Authority. The Authority has no outstanding statutory obligation.

Key Projects and Investment Decision the Entity Is Planning/ Implementing

The Authority had two capital projects in the 2017/18 FY. The status of the projects is as hereunder: -

- a) Enterprise Wide Tourism Information Management System: The Authority had anticipated to accomplish 15% of the project through installation and commissioning of the system. The Authority managed to install the Finance module of the ERP system. This is because out of the allocated budget of Kshs 30 Million, only kshs 15 million was released. This greatly hampered the projects' progress. It is anticipated that the HR module and other functions of the system and full commissioning will be tackled in the coming financial year. This project will improve the ease of doing business in the tourism sector and the enhance revenue management process of the Corporation.
- a) Development and review of minimum standards for Tourism Enterprises: The Authority had planned to develop draft minimum standards for class A enterprises and Code of conduct which would comprise 20% of the project. The Authority met this target by developing the draft minimum standards and a code of practice.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

TRA CSR responsibility is based on the best interest of the society at large. TRA recognizes that organizations need to go beyond their private interests to the communities they serve. The corporate social responsibility framework targets the employees, clients, shareholders and society at large in regard to the TRA's efforts towards giving back to the communities in which we serve. The CSR activities of the Authority entailed strategies in building of relationships and partnerships through working together with the aim of building a healthier Kenya. To this end, the Authority recognized a need in the society with regard to the skills of front line employees in the hospitality sub-sector. To meet this need, the Authority organized free training seminars on Quality Management Systems (QMS) and Standard Operating Procedures (SOP's) in various regions in the country. Additionally, The Authority developed two key strategies i.e. the Stakeholder Engagement and Communication Strategies which will play a pivotal role in guiding the Authority's CSR engagements in a bid to be a good corporate citizen in the Society.

Tourism Regulatory Authority has incorporated public sector values and ethics including shareholders views in its policies, practices and strategies. To incorporate stakeholder views, the Authority has incorporated both private and public stakeholders in its committees and functions. This includes work permit vetting committee which involved monthly stakeholder meetings to deliberate the applications with a view of giving recommendations to only deserving applicants. Similar approaches were applied in Annual Status Report Compilation as well as other Committees on regulations and standards development among others. Having completed the Authority's Stakeholder engagement Strategy in the year under review, it is anticipated that the strategy will formed a well-choreographed framework of engagement with all the stakeholders thus create a win-win situation.

To ensure well informed and supportive public and private sector stakeholders, the Authority has engaged stakeholders' in various issues relating to tourism regulation in the country. Some of these include Stakeholder workshops held in Bungoma, Busia and Homabay regions to educate stakeholders on quality management systems. Other stakeholder forums organised in the year include the public review meeting with stakeholders in Nairobi on guidelines for training institutions registration and accreditation, curriculum development and accreditation and examination and certification and Stakeholders validation of the events and entertainment guidelines.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2018 (second year of operations) which show the state of the *entity's* affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1 to 4.

Directors

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

No	Name	Position	Date
1.	Mr. Sammy N. Ngumbao	Chairman	July 2017 – June 2018
2.	Mrs. Joyce M. Nderitu	Independent Director	July 2017 – June 2018
3.	Ms. Caroline Bello	Independent Director	July 2017 – June 2018
4.	Mr. Paul Leringato, HSC	Independent Director	July 2017 – June 2018
5.	Mrs. Roselyn C. Lang'at	Independent Director	July 2017 – June 2018
6.	Mr. Mike Macharia	Independent Director	July 2017 – June 2018
7.	Dr. Modercai Ogada	Independent Director	July 2017 – June 2018
8.	Margaret M. Byama (Mrs.), HSC	Alternate to PS, Tourism	July 2017 – June 2018
9.	Mr. Jamshed Ali	Alternate to PS, Planning and Statistics	July 2017 – June 2018
10.	Mr. Edward Wamweya	Alternate to CS, National Treasury	July 2017 only
11.	Ms. Naomi Matheri	Alternate to CS, National Treasury	August 2017 – June 2018
12.	Mr. Peter L. Leitoro, OGW	Alternate to PS, Environment & Natural Resources	July 2017 – June 2018

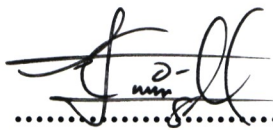
During the period, Mr. Edward Wamweya was replaced by Ms. Naomi Matheri with effect from August, 2017 as Alternate to Cabinet Secretary, National Treasury

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2018**

Auditors

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

By Order of the Board.



.....

Kipkorir Lagat
Director General

Date:.....20/5/2019.....

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) which ended on June 30, 2018. This responsibility includes:

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

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Section 14. The Directors are of the opinion that the

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2018**

entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

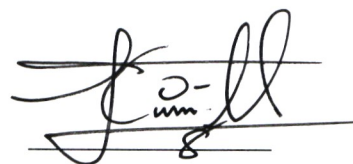
Approval of the financial statements

The *Authority's* financial statements were approved by the Board on 26/09/ 2018 and signed on its behalf by:



Mr. Sammy Nyule Ngumbao

Chairman of the Board



Kipkorir Lagat

Director General

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TOURISM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Tourism Regulatory Authority set out on pages 1 to 25 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tourism Regulatory Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act, No.28 of 2011.

Basis for Opinion

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

Emphasis of Matter

Resource Enterprise Management System

As previously reported, revenue reports availed for audit review indicate that there is no standard method of reporting for revenue collected in regional offices as some regional offices report monthly and others quarterly. The license fees are deposited directly into the Kenya Commercial Bank (KCB) account by the clients and the slips forwarded to various regions for receipting and license issuance. With the current system, it is difficult to determine which client has deposited funds in the KCB account

Report of the Auditor-General on the Financial Statements of Tourism Regulatory Authority for the Year Ended 30 June 2018

unless the bank slip is availed in the regional office. This, therefore, leads to the Authority having an unaccounted for deposits in the KCB account.

Key Audit Matters

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

Other Matter

1. Lack of a Disaster Recovery Plan

The objective of a disaster recovery plan is to ensure that you can respond to a disaster or other emergency that affects information systems and minimize the effect on the operations of an organization. However, the Authority was noted not to have a disaster recovery plan.

2. Transfer of Assets

The Authority is in possession of some assets which they were using while under the Ministry of Tourism. The same have not been transferred to the Authority hence they cannot be included in the financial statements and the assets have not been valued since then.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in

compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

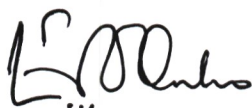
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

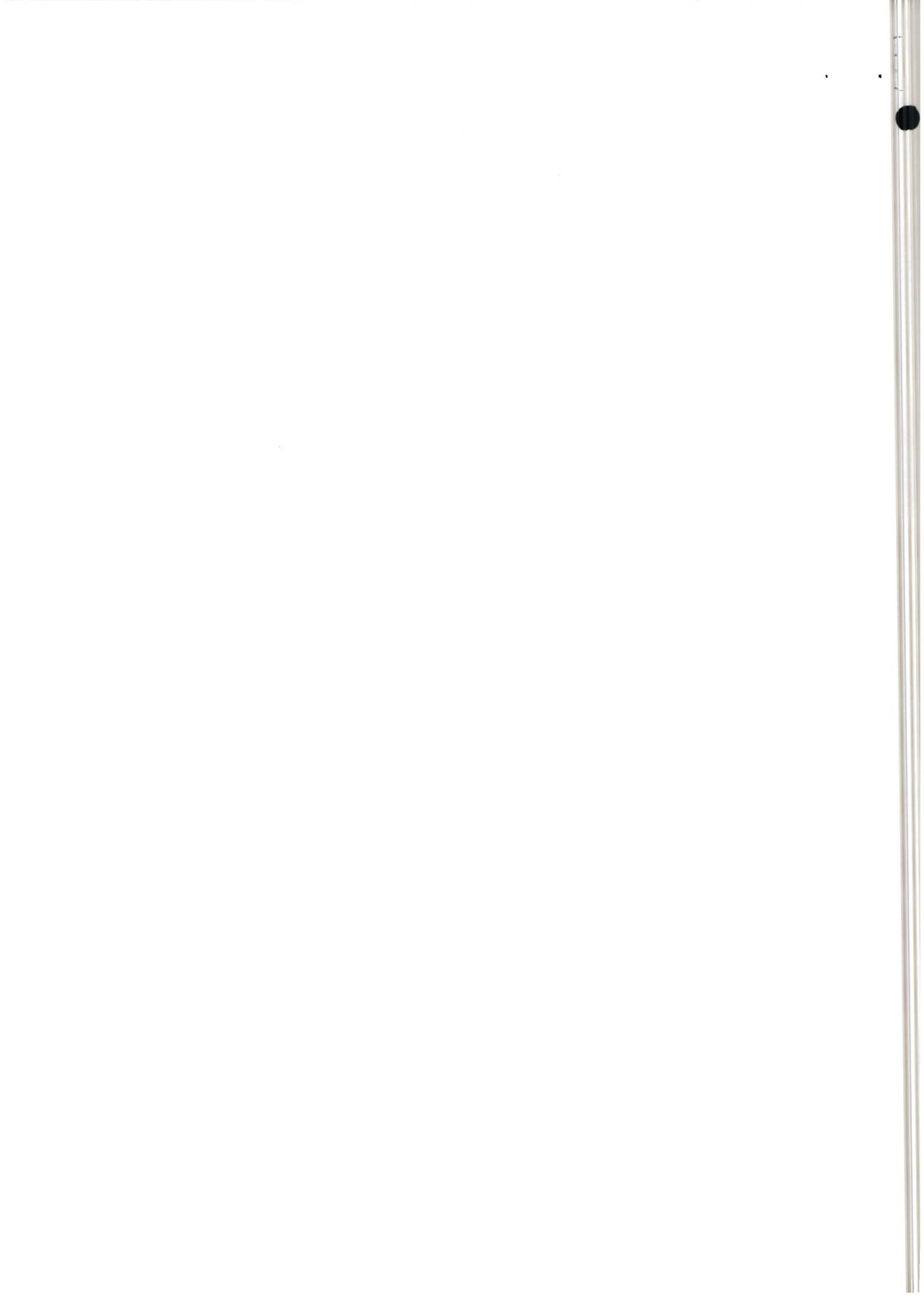
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

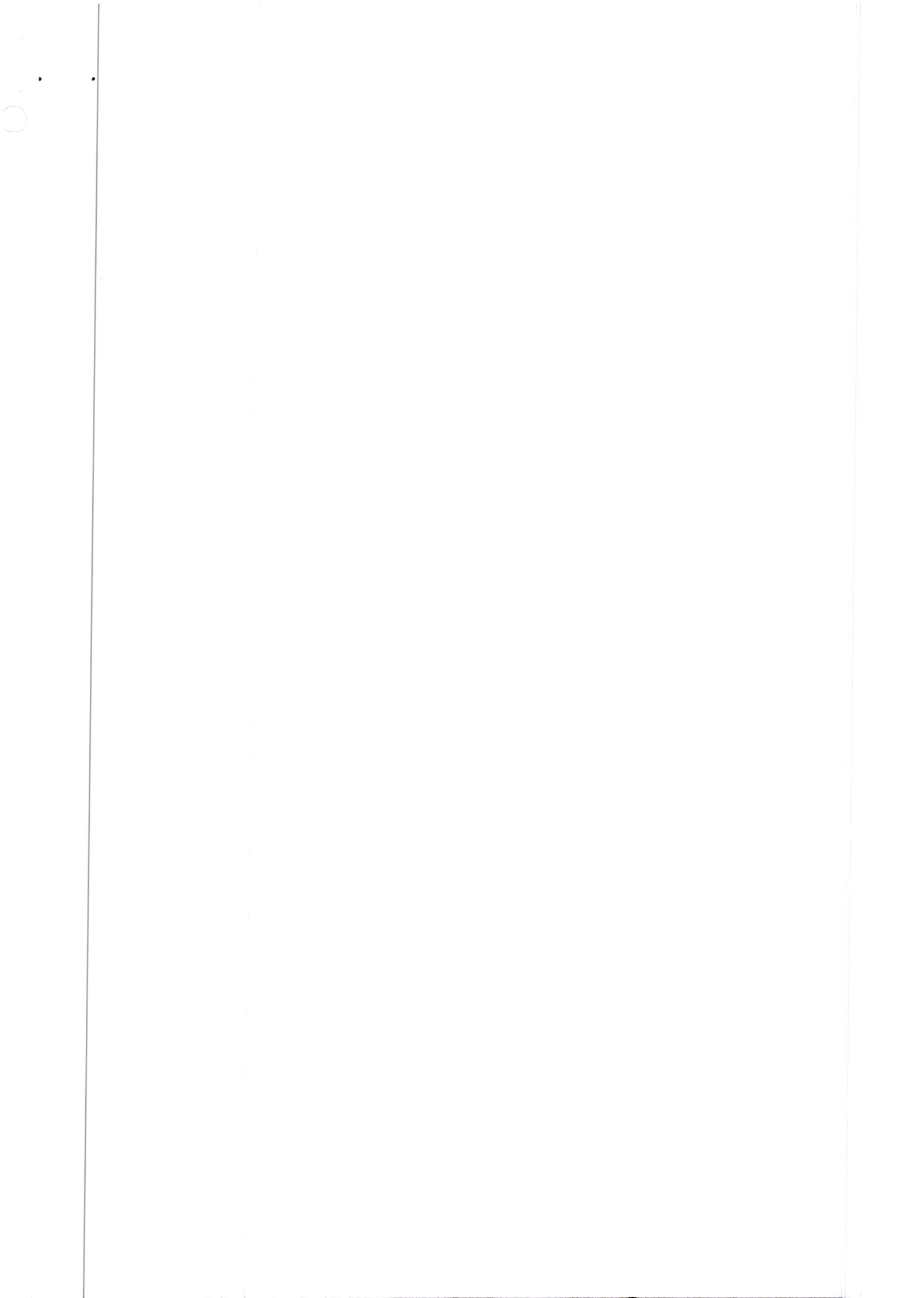


FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 June 2019





**XII. STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018**

		2017/2018	2016/2017
REVENUE	Note	Kshs.	Kshs.
Revenue from non exchange transactions		Shs	Shs
License Fees	5	138,331,174	103,697,237
Governments - grants	6	99,519,193	211,000,000
Deferred Income Recognised		<u>88,516,771</u>	<u>-</u>
Total Revenue		<u>326,367,138</u>	<u>314,697,237</u>
Revenue from exchange transactions			
Rendering of services (Grading of establishm	7	<u>2,350,000</u>	<u>500,000</u>
Total revenue		<u>328,717,138</u>	<u>315,197,237</u>
EXPENSES			
Employee costs	8	109,633,213	20,412,968
Board Expenses	9	25,437,729	16,284,563
Depreciation & Amortization expense	10	12,085,624	421,374
Repairs and maintenance	11	2,463,905	2,273,787
General expenses	12	143,867,698	97,081,766
Finance costs	13	<u>314,191</u>	<u>142,131</u>
Total expenses		<u>293,802,360</u>	<u>136,616,589</u>
Surplus for the period		34,914,778	178,580,648

The notes set out on pages 7 to 25 form an integral part of these Financial Statements

**XIII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018**

ASSETS	Note	2017/2018 Kshs.	2016/2017 Kshs.
Current assets			
Cash and cash equivalents	14	160,779,251	164,183,213
Receivables from non - exchange transactions(Prepayments)	15	8,088,968	864,023
Inventories	16	1,676,734	969,929
Accrued Income	17	-	9,342,796
Accrued G.O.K Grants	17	50,250,000	-
Total Current Assets		<u>220,794,954</u>	<u>175,359,961</u>
Non-current assets			
Property ,plant and equipment	19	56,097,744	19,989,743
Intangible assets	20	1,895,200	22,400
Intangible assets(W.I.P)	20	2,022,413	-
Total Non-current assets		<u>60,015,357</u>	<u>20,012,143</u>
Total Assets		280,810,311	195,372,104
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	18	33,102,548	11,629,466
Deferred income	21	92,332,127	133,781,831
Employee benefit obligation	22	6,248,301	5,161,990
Total liabilities		<u>131,682,976</u>	<u>150,573,287</u>
Net assets			
Capital Fund	24	69,413,740	-
Reserves	23	44,798,817	-
Accumulated Fund (surplus)	23	34,914,778	44,798,817
Total net assets		<u>149,127,335</u>	<u>44,798,817</u>
Total Net Assets & Liabilities		280,810,311	195,372,104

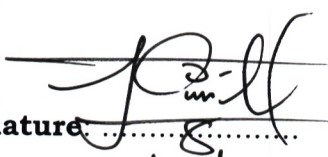
The notes set out on pages 7 to 25 form an integral part of these Financial Statements


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


Mr. Kipkorir Lagat
Director General

CPA. Munene Pauline
Chief Accountant
 ICPAK No.15741 ,

Mr. Sammy Nyule Ngumbao
Chairman of the Board

Signature: 
 Date: 20/05/19

Signature: 
 Date: 20/05/2019

Signature: 
 Date: 21/05/2019

**XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018**

	Retained Earnings
	Kshs.
2016/2017	
Balance as at 1st July, 2016	
Comprehensive Income	178,580,648
Transferred to deferred income	(133,781,831)
Balance as at 30th June, 2017	44,798,817
2017/2018	
Balance as at 1st July, 2017	44,798,817
Transfer to Statement of Comprehensive Income	-
Comprehensive Income	34,914,778
Balance as at 30th June, 2018	79,713,595

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Tourism Regulatory Authority remitted Kshs 40,318,935 to Kenya revenue authority which is assigned with responsibility of collecting the surplus funds

**STATEMENT OF CASH FLOWS
 AS AT 30 JUNE 2018**

		2017/2018	2016/2017
STATEMENT OF CASHFLOWS	Note	Kshs.	Kshs.
Surplus (Deficit) for the period		34,914,778	44,798,817
Adjustments For:			
Depreciation & Amortization	10	12,085,624	421,374
Operating Profit before working capital changes		<u>47,000,402</u>	<u>45,220,191</u>
(Increase) Decrease in receivables from non-exchange transactions	14	(7,224,945)	(864,023)
(Increase) Decrease in Inventory	15	(706,805)	(969,929)
Increase (Decrease) in Trade and other payables	17	21,473,082	11,629,466
Increase (Decrease) in Deferred Income	17	(41,871,078)	0
Increase (Decrease) Employee benefit Obligation	21	1,086,311	5,161,990
(Increase) Decrease in Accrued income	16	9,342,796	(9,342,796)
(Increase) Decrease in Accrued G.O.K Grants	16	(50,250,000)	0
Net Cash used in Operating Activities		<u>(21,150,237)</u>	<u>50,834,899</u>
Cash flow from investing activities			
Purchases of Fixed Asset (P.P & E)	18	(47,297,051)	(20,405,517)
Purchase of Intangible Asset (W.I.P)	19	(2,022,413)	0
Purchase of Intangible Asset	19	(2,348,000)	(28,000)
Net Cash flow from investing Activities		<u>(51,667,464)</u>	<u>(20,433,517)</u>
Cashflows from Financing Activities			
Proceeds from borrowings			-
Increase in deposits	24	69,413,740	-
Cash flows from investing activities		<u>69,413,740</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(3,403,962)	30,401,382
Cash and cash equivalents at the start of the year		164,183,213	-
Cash and cash equivalents at the end of the year	14	160,779,251	164,183,213

The notes set out on pages 7 to 25 form an integral part of these Financial Statements.

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2018**

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018**

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCES
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	KShs	KShs	KShs	KShs	KShs
Revenue					
Licenses Fee & Arrears	80,000,000	51,000,000	131,000,000	138,331,174	(7,331,174)
Government grants and subsidies	201,000,000	-	201,000,000	99,519,193	101,480,807
Rendering of services	-	-	-	2,350,000	2,350,000
Other Incomes(Deferred recognized)	-	91,489,648	91,489,648	88,516,771	2,972,877
Total income	281,000,000	142,489,648	423,489,648	328,717,138	94,772,510
Expenses					
Compensation of employees	105,344,291	75,090,405	180,434,696	109,633,213	70,801,483
Goods and services	149,376,867	43,499,243	192,876,110	152,543,084	40,333,026
Finance cost	500,000	-	500,000	314,191	185,809
Rent paid	25,778,842	5,900,000	31,678,842	31,311,872	366,970
Other payments (Capital Projects)		18,000,000	18,000,000		18,000,000
Total expenditure	281,000,000	142,489,648	423,489,648	293,802,360	129,687,288
Surplus for the period				34,914,778.24	(34,914,778.24)

Budget Notes

- i. Under IPSAS 24:14 - The difference between the budgeted and Actual amount of the budget arose as a result of late approval to recruit new staff. As a result the recruitment of new staff was implemented in March, 2018 instead of July 2017 as planned and budgeted .This caused the difference of Kshs. 70,801,483 under P.E vote. The other difference was due to late release of grants hence commitment was not possible. However for the items under which the process of implementation had been initiated, the funds attributable to such items has been accounted for under accrued expenses and deferred income.
- ii. Under IPSAS 24:29 – The difference between the original and final budget was as a result of review A.I.A allocation from Kshs 80,000,000 to Kshs 131,000,000 under Supplementary 2 budget. This was distributed to various votes to address the short falls to facilitate activities under the regulation and enforcements of the standards.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tourism Regulatory Authority (TRA) is a body corporate established under section 4 of the Tourism Act No.28 of 2011 and is mandated under section 7(1) to regulate the tourism sector in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The accounting policies have been consistently applied to all the years presented.

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

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity.

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

The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) The entity adopted IPSAS in the year ended 30 June 2017 being the first financial statements prepared by the entity and therefore provisions of first time adoption of accrual basis applies to the entity. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue and effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

iii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.
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iv. Early adoption of standards

The entity adopted IPSAS 39: Employee Benefits in year ended 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition IPSAS 23

License Fees

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Grants from Government of Kenya

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

b) Budget information IPSAS 24

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 51,000,000 on the 2017-2018 budget following the governing body's approval.

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

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

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

c) Taxation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Property, plant and equipment IPSAS 17

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

Property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Intangible assets IPSAS 31

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

The useful life of the intangible assets is assessed as either finite or indefinite. Amortization is calculated on a straight line basis over estimated useful lives not exceeding a period of 5 years.

f) Inventories IPSAS 12

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Changes in accounting policies and estimates

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

h) Employee benefits IPSAS 25

Retirement benefit plans

The Authority provides retirement benefits for its employees in a Defined Contribution Plan. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

i) Related parties – IPSAS 20

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Director General, Senior Managers, Chairman and Directors. There were no related party transactions for the year under review apart from remuneration for the employment services rendered to the Fund.

j) Cash and cash equivalents

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

k) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

m) Estimates and assumptions IPSAS 1.140

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

n) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:
The condition of the asset based on the assessment of experts employed by the Entity

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed.

Availability of funding to replace the asset.

Changes in the market in relation to the asset.

o) Subsequent events IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

p) Ultimate and Holding Entity

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

q) Currency

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Licenses Fees

	2017-2018	2016-2017
	Kshs	Kshs
Licence Fee	138,331,174	103,697,237

This revenue refers to the License fees collected under the TRA mandate of regulating the Tourism sector through issuance of Licenses to the Tourism establishments / facilities.

6. (a) Government Grants

Description	2017-2018	2016-2017
Unconditional grants	Kshs	Kshs
Operational grant	201,000,000	151,000,000
Development Grant	15,000,000	60,000,000
	216,000,000	211,000,000
Conditional grants		
Other Organizational Grants	-	-
Total government grants and subsidies	216,000,000	211,000,000

(b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred	Amount recognised in capital fund.	Total grant income during the Year	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry Of Tourism	99,519,193	92,332,127	24,148,680	216,000,000	216,000,000
Total	99,519,193	92,332,127	24,148,680	216,000,000	216,000,000

The Authority received G.O. K grants amounting to Kshs 216,000,000. The Recurrent Grants for the FY 2017-18 was Kshs 201,000,000 out of which Kshs 92,332,127 was deferred. Development Grants of Kshs 15,000,000 was transferred to capital fund and some recurrent grants which was used to procure capital items.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Rendering of Services

Description	2017-2018	2016-2017
Grading of Establishments	2,350,000	500,000
Total revenue from the rendering of services	2,350,000	500,000

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

8. Employee Cost

Description	2017/2018	2016/2017
Salaries and wages	98,011,633	17,860,461
Employee related costs - contributions to pensions	11,621,581	2,552,507
Housing benefits and allowances	-	-
Employee costs	109,633,213	20,412,968

This is the total expenses incurred under PE vote for payments of staff salaries for the FY 2017-18.

9. Board Expenses

Description	2017-2018	2016-2017
Chairman's Honoraria & Airtime	1,042,908	622,000
Directors' emoluments (Sitting All)	6,860,000	7,334,638
Other allowances (Mileage, Subsistence)	17,534,821	8,327,925
Total director emoluments	25,437,729	16,284,563

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Depreciation & Amortization Expenses

Description	2017-2018	2016-2017
Property, plant and equipment	-	415,774
Intangible assets	480,800	5,600
Total depreciation and amortization	12,085,624	421,374

The depreciation for the PPE was provided based on the approved policy rates for the Authority as provided under Page 11 of the Notes to the Financial Statements and Schedule of the PPE also provided under Page 20.

11. Repair & Maintenance

Description	2017-2018	2016-2017
Property	-	163,785
Equipment	627,622	295,280
Vehicles	1,836,282	1,814,722
Total repairs and maintenance	2,463,905	2,273,787

The Authority inherited various asset from the Ministry of Tourism, most of which their useful lives have been exhausted .The Authority is currently servicing these assets to enable it carry out its operations as mandated as it continues to replace the worn out equipment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General Expenses

	2017-2018	2016-2017
Utilities	351,028	187,277
Communication Expenses	2,717,650	892,670
Travelling & Subsistence	38,592,072	30,309,325
Advertising & Publicity	4,668,247	1,020,215
Corporate Expenses	3,134,875	4,689,000
Newspapers & Periodicals	591,444	462,319
Tourism standards	6,251,709	10,461,050
Rent & Rates	31,311,872	23,321,785
Printing and stationery	2,406,725	2,389,217
Hospitality Services	6,582,501	1,855,781
Temporary Committee	90,000	530,000
Cleaning Services	1,865,400	203,525
Internet Expense	2,689,140	549,575
Quality Assurance	16,219,651	12,071,115
Fuel , Oil & Lubricants	3,301,011	252,362
TRA Automation Expenses	-	290,400
Annual Tourism Status Report	3,973,828	3,430,650
Staff Development & Welfare	2,069,542	1,302,500
Professional Services(legal,audit	1,841,100	1,862,000
Insurances	15,209,903	1,001,000
Total general expenses	143,867,698	97,081,766

These are expenses related to the core mandate of the Authority as be cited in the Tourism Act, 2011 and other operational expenses.

13. Finance Cost

Description	2017-2018	2016-2017
Bank Charges / Commision	314,191	142,131
Total finance costs	314,191	142,131

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. (a) Cash & Cash Equivalents

Financial institution	Account Number	2017-2018	2016-2017
		Kshs	Kshs
Kenya Commercial bank	1178921034	22,278,800	3,854,440
Cooperative bank of kenya	01141173587300	138,099,855	160,072,912
Sub- total		160,378,654	163,927,352
14.(c) Others(specify)			
cash in hand		400,597	255,861
Sub- total		400,597	255,861
Grand total		160,779,251	164,183,213

15. Receivable from Non- Exchange Transactions

Description	2017-2018	2016-2017
	Kshs	Kshs
Current receivables		
Deposits with National Oil For Pre-paid Cards	1,187,013	773,023
Insurances	6,595,648	-
Public Organizations	306,308	-
Prepayment of airtime for chairman	-	91,000
Total current receivables	8,088,968	864,023

16. Inventories

Description	2017-2018	2016-2017
Consumable stores	1,676,734	969,929

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Accrued Income

Description	2017-2018	2016-2017
Revenue from License Fee (Deposited with Ministry of Tourism)	-	9,342,796
G.O.K grants not received as at 30.06.2018	50,250,000	
Total	50,250,000	9,342,796

18. Trade & Other Payables from Exchange Transaction

Description	2017-2018 Kshs	2016-2017 Kshs
Trade payables (Merchants)	23,250,824	5,554,070
Accruals	9,851,724	6,075,396
Total trade and other payables	33,102,548	11,629,466

The Trade payables relates to expenses that were incurred during FY 2017/18 which had not been cleared as at 30 June 2018 awaiting the release of 4th Quarter G.O.K grants. The bills form the first charge in the following financial year of operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Property Plant & Equipment's

Descriptions	Motor vehicles	Furniture and fittings	Capital W.I.P	Computers & other ICT electronics	Office Equipment	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	-	-	-	-	-	-
Additions	-	-	17,707,817	377,700	2,320,000	20,405,517
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
At 30th June 2017	-	-	17,707,817	377,700	2,320,000	20,405,517
Additions	15,692,800	27,735,851	-	3,298,400	570,000	47,297,051
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	17,707,817	(17,707,817)	-	-	-
At 30th June 2018	15,692,800	45,443,668	-	3,676,100	2,890,000	67,702,568
Depreciation and impairment	-	-	-	-	-	-
At 1 July 2016	-	-	-	-	-	-
Depreciation	-	-	-	125,774	290,000	415,774
On Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30 June 2017	-	-	-	125,774	290,000	415,774
Depreciation	3,923,200	5,680,459	-	1,224,141	361,250	11,189,050
On Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
At 30th June 2018	3,923,200	5,680,459	-	1,349,915	651,250	11,604,824
Net book values	-	-	-	-	-	-
At 30 June 2018	11,769,600	39,763,210	-	2,326,185	2,238,750	56,097,744
At 30 June 2017	-	-	17,707,817	251,926	2,030,000	19,989,743

**Tourism Regulatory Authority
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Intangible Asset

Description	2017-2018	2017-2018	2016-2017
	Kshs	Kshs	Kshs
Cost	WIP		
At beginning of the year		28,000	-
Additions	2,022,413	2,348,000	28,000
At end of the year	2,022,413	2,376,000	28,000
Additions-internal development	-	-	-
At end of the year	2,022,413	2,376,000	28,000
Amortization			
At beginning of the yr	-	5,600	-
Amortization	-	475,200	5,600
At end of the yr	-	480,800	5,600
Impairment loss	-	-	-
At end of the yr	-	480,800	5,600
Net Book Value	2,022,413	1,895,200	22,400

21. (a) Deferred Income

Description	2017-2018	2016-2017
National government	92,332,127	133,781,831
Total deferred income	92,332,127	133,781,831

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 (b) Deferred income movement is as follows;

Description	National Government	Total
Balance Brought Forward	133,781,831	133,781,831
Additions	92,332,127	92,332,127
Transfer to capital fund	(45,265,060)	(45,265,060)
Transfer to Income Statements	(88,516,771)	(88,516,771)
Balance Carried Forward	92,332,127	92,332,127

The Deferred Income of Kshs 88,516,771 transferred to the statement of financial performance relates to the amount deferred in the FY 2016/2017 which has been utilised in the FY 2017/2018. Transfer to capital fund relates to equivalent amount spent in the purchase of capital items at NBV.

Included in the additional amount deferred ksh 92,332,127 is an amount of kshs,13,825,000 relating to a Motor vehicle that was in transit as at 30th June,2018

22. Employee Benefit Obligation

Description	Defined Benefit Plan	Other Provisions	2017-2018	2016-2017
Current Benefit Obligation				
Salaries			-	3,488,162
Top up Allowance			-	1,673,828
Pay as you earn	3,987,519		3,987,519	-
Payroll Deductions	2,260,782		2,260,782	-
Total Employee benefit Obligations			6,248,301	5,161,990

This related to the current statutory obligations that are cleared in the following month proceeding the month of deductions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Accumulated Fund

Description	2017-2018	2016-2017
	Kshs	Kshs
Balance b/f	44,798,817	-
Surplus	34,914,778	44,798,817
Reserves	-	-
Total Accumulated Fund	79,713,595	44,798,817

24. Capital fund

Description	2017-2018	2016-2017
	Kshs	Kshs
Deferred income	45,265,060	-
Capital G.O.K Grants	24,148,680	44,798,817
Reserves	-	-
Total Accumulated Fund	69,413,740	44,798,817

The amounts transferred to the capital fund relates to capital G.O.K grants of Kshs 15 Million which the project is ongoing. It also includes Recurrent grants of Kshs 9,148,680 which was used to procure capital items.

XVII. RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

ENTITY NAME: TOURISM REGULATORY AUTHORITY

a. Recurrent Grants

	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate.</u>
1 st Quarter Grants	30-08-2017	50,250,000	2017/2018
2 nd Quarter Grants	03-02-2018	50,250,000	2017/2018
3 rd Quarter Grants	10-05-2018	50,250,000	2017/2018
4 th Quarter Grants	09-07-2018	50,250,000	2017/2018
Total		201,000,000	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Development Grants

	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate.</u>
½ Annual Grants	14-10-2016	15,000,000	2017/2018
Total		15,000,000	

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

25. Financial Risk Management.

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

(i) Credit risk

The entity 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.

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

	Total Amount Kshs	Fully Performing Kshs	Past Due Kshs	Impaired Kshs
As at 30th June 2018				
Receivables from non-exchange transactions				
i. Government Grants	50,250,000	50,250,000	50,250,000	-
ii. Bank balances	160,713,765	160,713,765	-	-
Total	210,963,765	210,963,765	50,250,000	0
At 30 June 2017				
Receivables from non-exchange transactions				
i. Accrued Income	9,342,796	9,342,796	9,342,796	-
ii. Bank balances	164,183,213	164,183,213	-	-
Total	173,526,009	173,526,009	9,342,796	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue trading.

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company 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.

26. Related party balances

Nature of related party relationships

Entities and other parties related to the entity 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.

27. Ultimate and holding entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Tourism and Wildlife. Its ultimate parent is the Government of Kenya.

28. Currency

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