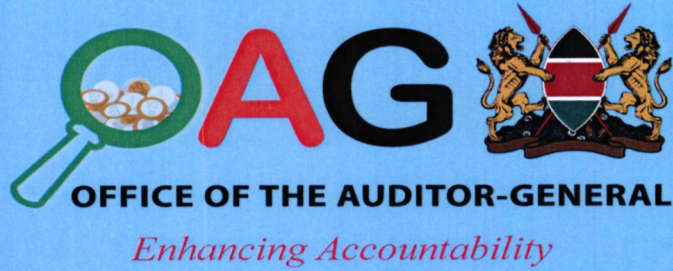


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY PAPERS LAM	
DATE:	08 JUN 2023 Thursday
TABLED BY:	Hon. Kumari Ichungwah, MP Leader, majority Party
CLERK OF THE TABLE:	Anne Shubuko

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

TOURISM REGULATORY AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

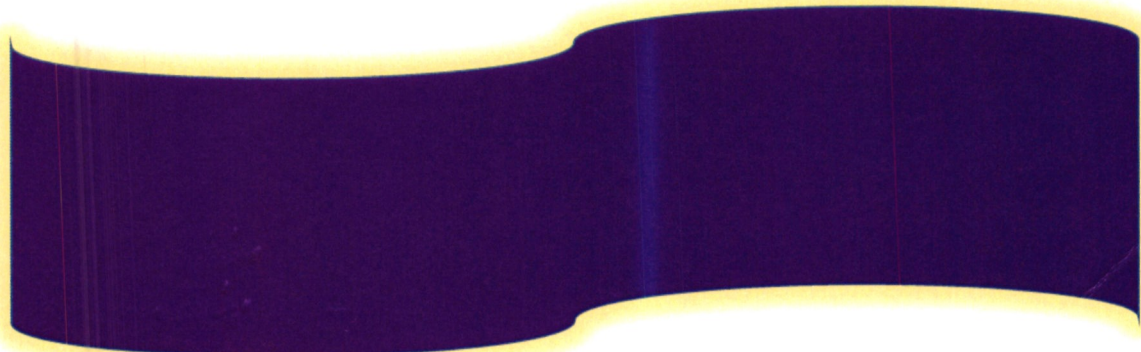


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1. Key Entity Information and Management

(a) Background information

Tourism Regulatory Authority (T.R.A) was established under section 4 of the Tourism Act No.28 of 2011. TRA is domiciled in Kenya with Headquarters in Nairobi at Utalii House, 5th Floor and has Seven regional offices at Kisumu, Eldoret, Nakuru, Nyeri, Nairobi, Mombasa and Malindi. 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 (T.R.A) 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 centre of tourism regulatory excellence.

Mission Statement

To develop and promote a conducive regulatory environment for a dynamic competitive and 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 establishments and operations to realize sustainable tourism development throughout the country;
- b) Regulate tourism activities and services countrywide, in accordance with the national tourism strategy;
- c) Register, licence and grade all sustainable tourism and tourist-related activities and services including cottages and private residences engaged in guest house services

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- 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) Deleted;
- h) Deleted;
- 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.

***g & h were deleted in December 2018 through the Statute Law (Miscellaneous Amendment) Act, 2018**

(c) Key Management

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

- Board of the Authority.
- Director General
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Director General	1. Mr. Kennedy Lwenyi (July 2021 to May 2022) 2. Mr. Michael Tialal (May 2022 to June 2022)
2.	Director Compliance & Trade Facilitation	Mr. Moses Lesaibile
3.	Director Standards & Quality Assurance	Mr. Fredrick Jack Omondi
4.	Manager Corporate Support Services	Mr. Ernest Sila Mathuva

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No.	Designation	Name
5.	Manager Finance & Accounts	Ms. Nkatha Mugambi
6.	Legal Officer	Ms. Carolyn Seim
7.	Chief Audit & Risk Management Officer	Mr. Jeff Mutie Mutiso

(e) Fiduciary Oversight Arrangements

• **Full Board**

The Board provides general oversight over the Authority. It however works through its Audit & Risk Management and Finance & Administration Board Committees to exercise fiduciary oversight.

• **Audit & Risk Management Board Committee Activities**

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

• **Finance & Administration Board Committee Activities**

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

(f) Entity Headquarters

Utalii House, 5th Floor,
P.O BOX 25357 – 00100
Nairobi, Kenya.

(g) Entity Contacts

Telephone: +254 701 444 777
E-Mail: dg@tourismauthority.go.ke
Website: www.tra.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.

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(i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 - 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112


City Square 00200

Nairobi, Kenya

2. The Board of Directors

Board Composition

The composition of the Board is as stipulated in Section 8 of the Tourism Act 2011. The Board comprises of ten (10) members led by a non-executive and independent Chairperson, four (4) independent non-executive directors, representatives of the Principal Secretaries responsible for The National Treasury, State Department of Planning and Statistics, State Department for Tourism, Ministry of Environment and Forestry and the Director-General of the Authority. Below are individual directors' profiles.

Directors	Details
 <p>Ms. Pauline W. Muthigani Non-Executive Director / Chairperson of the Board</p>	<p>Ms. Pauline is an all-round communications business professional and a holder of an Executive MBA (New Media and Communications Management), with a bias in Telecommunications and ICT from the University of St. Gallen, Switzerland. She has also undertaken International Communication law course covering Internet and Communications in University of Luxembourg, and Executive Development course in Advance Management from Haas Business School, Berkeley- University of California USA</p> <p>With over 20 years of experience in the Communications sector, and hands on experience in strategic planning, advisory and lobbying, she brings in a wealth of experience and insights in Technology and Innovations. Pauline has deep global insights and networks as far as Travel business is concerned, and is committed to contribute to guide TRA and the Tourism Industry into the most needed reforms and global competitiveness. She also brings on the table in-depth knowledge on Public Private Partnerships and relationship building with commercial partners, trade and relevant government institutions.</p>



**Mr. Alais L. Momoi
Independent Director**

Mr. Alais Lenana Momoi currently serves as the Executive Director of Matonyok Organization, an International Non-Governmental Organization dealing in Agro-Forestry Projects in Kenya and Tanzania. He brings to the Authority a wealth of experience from the education sector in Kenya with a career spanning over 20 years. He trained at Kilimambogo Teacher’s Training College (TTC) for a P.I Course after which he was posted to various schools in Kenya. Mr. Momoi is currently pursuing a Master’s Degree in Project Management at the Kenya Methodist University (KEMU) and holds a Bachelor of Education Degree from the University of Nairobi with specialty in Geography, History and Government studies. He has been a career educator, and an instructor with Outward Bound School of Experiential Learning. He has been a career administrator at South Eastern Kenya University (SEKU)– Kitui County. Previously, he served as a board member of the Kenya Forest Service, a position he was appointed to due to his commitment to Climate Change and Environmental issues in the region.

- Chair of Finance & Administrative Committee July 2021 to 28th June 2022
- Chair of Audit Risk and Management Committee From 28th June 2022

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**Mr. Isaac Njangu
Independent Director**

Mr. Isaac Njangu holds a Bachelor of Arts Degree in Sociology and History from University of Nairobi. With a span of 24 Years in the Aviation Industry he has attended a combined course in cargo and passenger handling from the East African School of Aviation, Threat assessment and Risk management course at Kenya Airways Pride Centre. He participated in the bullet proof manager program from Crestcom International and Advanced co-operative management course from KUSCO with a specialization course in cargo and passenger handling by Lufthansa GZW1-WA2. Mr Njangu believes that due to Global Dynamics and changes in the Tourism Industry affecting Human Movement, charter flights and Hotel occupancy there is need to come up with reforms and develop structures that will encourage Local tourism. These reforms require a dedicated and transformative team to guide the industry in the board. Mr. Njangu has served as a director at Siakago Boys High School, Wanandegge Sacco Society and Embu County National Land Commission.

- Chair of Audit Risk and Management Committee July 2021 to 28th June 2022
- Chair of Human Capital and Remuneration Committee From 28th June 2022



**Ms. Najma Ismail
Independent Director**

Ms. Najma Ismail is a seasoned multimedia journalist with over 15 years' experience in the Media Industry. She holds a Bachelor's Degree in Journalism and Communication from the Kenya Methodist University and is recognized as one of 100 most influential Kenyan Muslims and top 30 Muslim women achievers in kenya. she brings to the Authority a wealth of experience having worked at Iqra FM as a full-time radio presenter, Sound Asia FM as a news Editor and News anchor. In October 2006 she successfully joined Radio Africa's KISS 100 FM and CLASSIC 105 FM. Najma



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	<p>currently works as a senior news anchor and gender editor as well as being the External Affairs Editorial Liaison Manager at the Standard Group. She has produced an Award Winning news feature “ALL WOMAN” that was dedicated to highlighting women issues and celebrating their social economic and political achievements. She also launched the first ever Islamic newspaper supplement “Ramadhan special”. this was the first time a daily newspaper published a supplement dedicated to the Muslim community in East Africa. Najma is a local champion for women and girls’ issues where her brand and high level of professionalism, was recognized leading her to be appointed goodwill ambassador for kenya education fund (kef) to provide deserving yet economically disadvantaged students in Kenya with free secondary education.</p> <ul style="list-style-type: none"> • Chair Standards & Quality Assurance Committee July 2021 to 28th June 2022 • Chair of Finance & Administrative Committee from 28th June 2022 • Chair of Technical Board Committee (SQ&A and L &TSS)
 <p>Mr. Kelvin M. Kalonzo Independent Director (Resigned on 8th March 2022)</p>	<p>Mr. Muasya is a highly motivated and results-driven leader with experience in media, banking and management. He holds a Bachelor’s degree in Business Management and International Studies and a Master’s Degree in International Business and Diplomacy both from Monash University, Australia. He is a member of the Academy of International Business. Kevin believes that people are the life force of any organization and strives to nurture motivated, high performance teams who deliver above their call of duty. He is a servant leader with a track record of excellence, innovation and efficiency. With his inclination to media and hands on experience in setting up media companies from the</p>

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	<p>ground up, Kevin brings to the Board an out-of-the box, can-do attitude. He has deep global insights and relationships in international trade and tourism which can be leveraged on to create mutually beneficial partnerships. Kevin has served on several Boards of Directors in different industries including education and media and communication. He brings on board a wealth of experience and knowledge.</p> <ul style="list-style-type: none"> • Chair of Licensing & Tourism Support Services Committee July 2021 to 8th March 2022
 <p>Hon. Safina Kwekwe Tsungu, CBS Principal Secretary State Department For Tourism (Up to 15th December,2021)</p>	<p>Honourable Safina Kwekwe Tsungu, CBS, born in 1973 is the Principal Secretary of the State Department of Tourism, Ministry of Tourism & Wildlife. Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector.</p> <p>She served as the Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender, and previously as the County Executive Committee Member for Trade and Co-operative Development in Kwale County. She worked with Action Aid International –Kenya as a women’s rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources. Hon. Tsungu pioneered the establishment of the EALA Women’s Parliamentarian’s Forum which she chaired for 5 years.</p> <p>She is a holder of a Master’s degree in International Trade Policy and Trade Law from Lund University, Sweden, and a Bachelor of Commerce degree from The University of Nairobi</p>

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 <p>Ms. Naomi Matheri Director / Alternate to CS, The National Treasury & Planning</p> <p>From 10th May 2017 to 14th April 2022</p>	<p>Ms. Naomi Matheri 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, fiscal policy, debt management and resource mobilization, having worked in these areas for the last 15 years. She is currently 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 debt sustainability analysis. She has also attended management and governance courses and workshops.</p>
 <p>Mr. Michael Nkodi Tialal Director & Alternate to PS State Department of Tourism</p> <p>From 18th August 2021 to 3rd February 2022</p> <p>Ag. Director General From 15th May, 2022 to 22nd July, 2022</p>	<p>Mr. Michael Nkodi Tialal, was born in 1963 in Transmara West Sub-County. Tialal has served the Nation in the following capacities; He served as a high school principal 1994. In Dec.1994, he joined the then Provincial Administration as a District Officer. He rose through the ranks to become a County Commissioner in 2012.He served as a County Commissioner in many counties until recently when he was posted to the State Department for Tourism. He has been a civil servant for 30 years. Tialal holds a master’s degree in Community Development and Extension from Chuka University. He has also attended several courses in Administration and leadership skills.</p>



**Mr. Kennedy Olwasi
Director & Alternate to PS
Ministry of Environment and
Forestry**

Mr. Kennedy Olwasi is currently an Assistant Director Programmes & Strategic Initiatives, Ministry of Environment & Forestry, having previously worked as District Agricultural Officer in a number of stations in Kenya. He has also worked as a Policy and Institutional Capacity specialist for over 5 years and a further 4 years as a Research Assistant at the International Centre for Insect Physiology and Ecology (ICIPE, Kenya). Mr. Olwasi is currently the technical lead in the development of Integrated Masterplans for Rehabilitation and Restoration of Cherangany Elgeyo Hills ecosystem as well as the Tsavo landscape. He also represents the Ministry of Environment & Forestry in a number of platforms including technical Committee on Environment and Forestry at the EAC Sectoral Council of Ministers (SECOM)) and Intergovernmental Relations Technical Committee, he is a member of the International Association of Impact Assessments (IAIA) and the Environment Institute of Kenya.

He holds a BSc and MSc degree in Agronomy from Egerton University and currently undertaking a PhD on climate change Adaptation, Institute of climate Change Adaptation, University of Nairobi. He also holds a number of certificates including on Green and Circular Economy, Copenhagen University, Denmark, Strategic Leadership, Kenya School of Government Kenya, Environmental Impact assessment and Audit, Kenya School of Agriculture and multidisciplinary, Monitoring and Evaluation and adaptive learning, Egerton University. He holds a certificate in ISO Audit by Bureau veritas International among other trainings.

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 <p>Mr. Peterson Muriithi Njenga Director & Alternate to PS State Department of Planning</p>	<p>Mr. Peterson Muriithi Njenga holds a Bachelor’s Degree in Economics and currently undertaking a Master’s Degree in Economics. He joined the then Ministry of Planning, National Development and Vision 2030 in April 2008 as an economist/statistician II and has risen over the years to a level of Chief Economist in the State Department for Planning</p> <p>During his working career, he has gotten extensive training and experience in Economic Development, Policy Formulation & Analysis and Strategic Planning and Budgeting in the public sector.</p>
 <p>Mr. Paul J. Oyier Director & Alternate to CS The National Treasury & Planning.</p>	<p>Paul J. Oyier is a corporate strategy, public relations, media and communications practitioners with over 20 years’ experience in both the private and public sector in Kenya and the region.</p> <p>He is currently, the Senior Communications Advisor to Kenya’s Cabinet Secretary for The National Treasury & Planning, advising and supporting the minister to communicate the economic agenda clearly and in a compelling manner, while building and protecting the brand and reputation of the ministry. He also sits on the Boards of the Bomas of Kenya, the Betting Control & Licensing Board as an Alternate Director to the Cabinet Secretary.</p> <p>Paul is a co-founder and former Managing Director of leading strategic communications and business advisory firm, Eminent Business Group Ltd. and pioneer premium entertainment and events company, The Sterling Quality Company Ltd. He is the immediate former Corporate Affairs Manager of the Media Council of Kenya – the State media regulator.</p> <p>Paul is an elected Council Member of the Public Relations Society of Kenya (PRSK) where he chairs the Resource</p>

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	<p>Mobilization & Partnerships Committee and the Panel of Experts on Crisis Management & Communications. He is also a member of the Governing Council of the Kenya Alliance of Resident Associations (KARA) and an alumnus of the 2004 US State Department’s International Visitor Leadership Programme. He holds a Bachelor of Arts degree in Journalism with a minor in Public Relations, from the United States International University – Africa, where he is set to soon graduate with a Master of Arts in Communication Studies, specializing in Strategic Public Relations.</p>
 <p>Ms. Grace Wangui Kamau Director & Alternate to PS The State Department of Tourism</p>	<p>Grace Wangui Kamau is a lawyer by profession and an Advocate of the High Court with 19 years’ experience. She holds a Bachelor of Laws degree (LLB) from University of Nairobi and Certified Secretaries (CS) foundation level, qualification.</p> <p>She is currently a Deputy Chief State Counsel in the Ministry of Tourism & Wildlife and has previously worked at Ministry of Transport and Infrastructure. While at Ministry of Transport and Infrastructure she was a member of the Secretariat to the Steering Committee that established Nairobi Metropolitan Area Transport Authority (NaMATA). She has worked as Ag. Corporation Secretary for NaMATA and legal advisor to the Engineers Board of Kenya. She also worked as a litigation lawyer at the Office of the Attorney General for 6 years.</p> <p>She is a member of the Ministerial Human Resource Management and Advisory Committee (MHRMAC) and Medium Term Plan Committee and has served in various other key committees in Ministries.</p>



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**Mr. Kennedy L. Lwenyi
Ag. Director General &
Secretary of the Board
From 20th January, 2021 to 15th May
2022**

Mr. Kennedy L. Lwenyi was the Ag Director General, Tourism Regulatory Authority until 15th May 2022 when he was recalled back to the Ministry. He held a Master's degree in Management from Gazi University in Turkey, Bachelor's degree in Public Administration from Moi University. He has a Diploma in Turkish language from Gazi Tomer and was Pursuing a Master of Business Administration (MBA) at the Management University of Africa. He has extensive knowledge and experience in Public service spanning over 14 years having worked with Provincial Administration before joining the Central Government in various capacities. Prior to joining the Authority, Mr. Lwenyi served as Chief of Staff in the office of the Cabinet Secretary for Tourism and Wildlife. Other trainings in various fields includes a diploma in Automotive Service Technician, Marine Plastic Litter, Strategic Leadership Development Program (SLDP) Senior Management Course (SMC), Corporate Governance, Economic Development as well as Paramilitary training. His strengths are in leadership and motivational management.

3. Management Team

Directors	Details
 <p>Mr. Michael N. Tialal Ag. Director General From 15th May 2022 to 22nd July, 2022</p>	<p>Tialal holds a master’s degree in Community Development and Extension from Chuka University. He has also attended several courses in Administration and leadership skills. As the Ag. Director General and Secretary of the Board, he is responsible for operational running of the Board to ensure that its mission and objectives and agreed performance targets are achieved. The Ag. DG is accountable for the Board’s actions, security of resources as well as ensuring execution of the Board strategy. In addition to representing the management position on the Board, the CEO chairs and supervises the management Committee.</p>
 <p>Mr. Kennedy L. Lwenyi Ag. Director General From 20th January, 2021 to 15th May 2022</p>	<p>He holds Masters in Management and Bachelor of Public Administration from Moi University. He is also Pursuing a Master of Business Administration (MBA) at the Management University of Africa. Mr. Lwenyi also has a Certificate in Strategic Leadership Development Program (SLDP) and Senior Management Course (SMC), Corporate Governance</p> <p>As the Ag. Director General and Secretary of the Board, he was responsible for operational running of the Board to ensure that its mission and objectives and agreed performance targets are achieved. The DG is accountable for the Board’s actions, security of resources as well as ensuring execution of the Board strategy. In addition to representing the management position on the Board, the CEO chairs and supervises the management Committee.</p>


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 <p>Mr. Moses L. Lesaibile Director, Compliance & Trade Facilitation</p>	<p>Mr. Lesaibile holds Masters of Science in Hospitality & Tourism Management from Kenyatta University, Bachelor of Science (Hons) Hospitality Management from Strathmore University, Diploma in Hotel Management from Kenya Utalii College and Advance Tourism Management from Chinese Department of Commerce. He is a member of the Kenya Institute of Management and has over 28 years of experience in matters relating to Tourism and Hospitality.</p> <p>He is responsible for providing the strategic leadership in management on the TRA core function of regulation with key areas of; foreseeing registration, licensing, quality assurance in line with Tourism Act 2011. The department is also responsible for processing recommendations for custom duty exemptions for the tourism sector, formulating incentives for improving standards and overseeing development of the Annual Tourism Sector Status report.</p>
 <p>Mr. Fredrick J. Omondi Director, Standards & Quality Assurance</p>	<p>Mr. Omondi holds Master of Arts in Environmental Planning & Management from the University of Nairobi, Bachelor of Arts in Sociology and Geography from Egerton University. He is an EAC Classification Criteria Trainer. He has over 30 years' experience in tourism development, policy and regulation matters.</p> <p>He is responsible for providing strategic leadership in management of TRA core function of Developing and reviewing of tourism industry standards, guidelines, codes of practice, and quality audit criteria. Also implementation of national certification programmes and accreditation schemes; training and accreditation of classification of assessors and classification and grading of tourism facilities and services.</p>

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 <p>Mr. Mathuva Ernest Sila Ag. Director, Corporate Support Services</p>	<p>Mr. Mathuva holds a Bachelor of Science Tourism Management from Moi University and is currently Pursuing Masters of Science in Tourism Management from Kenyatta University. He also holds Post Graduate Diploma in International Relations from the University of Nairobi and Senior Management Course from Kenya School of Government. He is a EAC Hotel and Restaurant Certified Assessor and Served in Ministry of Tourism for 17 years before joining TRA in 2014.</p> <p>He is responsible for effectively and efficiently managing all administration while giving guidance and support to corporate governance framework in order to achieve Authority goals and objectives.</p>
 <p>Ms. Nkatha Mugambi, Manager, Finance & Accounts</p>	<p>Ms. Mugambi holds a Bachelor of Commerce degree – Finance Option from KCA University and a Post graduate Diploma (PGD) in Tax Administration from Kenya School of Revenue Administration (KESRA). She is currently pursuing Masters of Science in Finance from Jomo Kenyatta University of Agriculture & Technology (JKUAT). She is a Certified Public Account of Kenya, CPA(K) and a member of the Institute of Certified Public Accountants(ICPAK).</p> <p>Ms. Mugambi has over 10 years of experience in Finance and Accounting field. She is responsible for effectively and efficiently managing all financial and accounting functions of the Authority in order to achieve its goals and objectives.</p>

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 A portrait photograph of Ms. Carolyne Sein, a woman with dark, curly hair, wearing a red top and large, light-colored earrings. She is smiling slightly.	<p>Ms. Carolyne Sein is the Authority’s legal officer. She holds a Master of Laws (LLM) from the University of Nairobi, Bachelor of Laws (LLB) from the Catholic University of Eastern Africa and postgraduate diploma from the Kenya School of Law. She is an Advocate of the High Court of Kenya.</p> <p>She is responsible for providing legal advice to the Management and Board of Authority. She also provides support to the Director General in relation to Board matters and corporate governance. She is also responsible for handling litigation disputes involving the Authority.</p>
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**Ms. Carolyne Sein
Legal Officer**

4. Chairperson's Statement

The financial year 2021/2022 began with its fair share of challenges with the country staring at the reality of the 'fourth wave' of the covid-19 pandemic given that the delta variant was dominant in Kenya. However, the month of September gave a lot of hope to industry players with the daily infections decreasing significantly. To ensure continuity of operations in tourism businesses and reduce chances of more infections, the Authority reviewed the Health and Safety Protocols and intensified routine quality audits of regulated tourism enterprises, activities and services to ensure compliance with the Revised Magical Kenya Health and Safety Protocols to restore confidence in both the local and international travellers about Kenya as a safe travel destination. To this end, the Authority carried out routine quality assurance audits in 7,071 regulated enterprises out of the target of, 6,000 facilities for the year. The Authority also managed to collect a total of Kshs. 183,609,999.80 as compliance charges during the year under review.

On management of minimum Standards for regulated tourism enterprises, the Authority developed five (5) Minimum Standards and conducted stakeholder validation workshops in Mombasa, Machakos, Embu and Kisumu to validate the ten (10) draft standards that had been developed during the previous financial year 2020/2021. The Authority also conducted stakeholder validation workshops in Mombasa and Nairobi on the six (6) EAC Classification Criteria for Motels; Restaurants; Tented Camps; Lodges; Villas, Cottages and Serviced Apartments; Homestays.

During the period under review, the Authority undertook a pilot survey of tourism sector workforce skills inventory and developed a draft workforce development strategy in a bid to address workforce quality challenges in the tourism sector. To facilitate continuous monitoring of the tourism sector, the Authority undertook an annual assessment and audit of tourism activities and services, measures and initiatives at the national level and prepared a draft National Tourism Sector Status Report for the year 2021. Further, to facilitate ease of doing business, the Authority received and processed one hundred and five (105) applications for custom duty exemption with an estimated total value of Kshs 986,234,094.19 and exemption value of Kshs. 197,246,818.84 during the period under review.

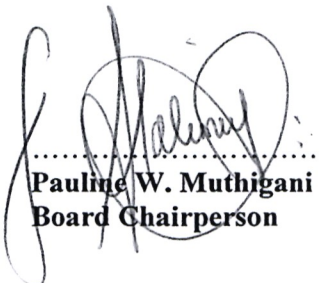
To enhance her resource mobilization initiatives, the Authority submitted concept notes for two projects to the Tourism Promotion Fund (TPF). These projects were the Safety and Hygiene Project and the Classification and Grading Project. However, the Authority had not received final feedback by close of the financial year.

Despite the significant strides the Authority has made, it is imperative to note that a number of challenges were experienced throughout the year, which affected attainment of some targets. To start with, the

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Authority faced major financial constraints given that some regulated enterprises had closed down due to effects of Covid-19 pandemic hence could not renew their licenses. This affected collection of the Appropriation in Aid (A-in-A) for the year. This greatly hampered execution of planned PC and work plan activities. Moreover, Government grants for the Authority were not received on time throughout the year for all the four quarters. The grants were received late after the period they were expected to have been received. Secondly, inadequate budget allocation greatly hampered ability of the Authority to enhance uptake of quality standards by regulated tourism enterprises thus curtailing attainment of destination appeal and competitiveness. A case in point, the Authority was not in a position to roll out the safety and hygiene project and the nationwide classification exercise due to the magnitude of finances required which cannot be sourced from the Authority's recurrent budget. Thirdly, it is imperative to note that the remuneration structure currently attached to the grading structure has proven to be uncompetitive compared to peer regulators and has thus contributed to low staff morale and greatly affected ability of the Authority to attract and retain best talent. The low staff morale is evident from the employee satisfaction and work environment survey conducted in the month of May through June 2022.

To effectively and efficiently regulate the tourism sector in Kenya, enhancement of the Authority's financial muscle is paramount. As such, the Authority will continue to appeal for allocation of development grants from The National Treasury and development partners through implementation of the Resource Mobilization Strategy. The Authority will also give priority to the review of the Human Resource instruments and re-categorization to improve staff remuneration.



.....
Pauline W. Muthigani
Board Chairperson

5. Report of the Director General

During the financial year 2021/2022, the Authority executed her mandate in line with the provisions of the Tourism Act, 2011 and the Tourism Regulatory Authority Regulations, 2014 amidst the challenging environment presented by the Covid-19 pandemic. During the period under review, the Authority continuously implemented the revised Magical Kenya Health and Safety Protocols and minimum standards in the sector by conducting routine quality audits in regulated tourism enterprises throughout the year. To this end, routine quality assurance audits were conducted in 7,071 regulated tourism enterprises activities and services countrywide to assess compliance to minimum set standards against a set annual target of 6,000 enterprises. To finance the annual approved budget, the Authority collected Kshs 183,801,999.80 in Appropriation in Aid (A-in-A) against a set annual target of Kshs 215 million.

During the period under review, on management of minimum Standards for regulated tourism enterprises, the Authority developed five (5) draft Minimum Standards namely; Minimum standards for Game ranches, Nature Trails, Nature Reserves/Conservancies, Amusement Parks and Private Zoos. In addition, the Authority held stakeholder validation workshops in Mombasa, Machakos, Embu and Kisumu to validate the ten (10) draft standards that had been developed during the previous financial year 2020/2021. These ten (10) minimum standards were Accommodation and Catering establishments; Events and Entertainment Standard; Tours, Travel and Tour Guides National Minimum Standard; Adventure, Sports Tourism Standard; Meetings, Incentives, Conferences and Exhibition Standard; Safety and Security Standard; Food safety and Hygiene Standard; Spa and Wellness Standard; Digital Tourism Standard; Driver/Guides and Hotel employees Accommodation Standard. The Authority also conducted stakeholder validation workshops in Mombasa and Nairobi for the six (6) EAC Classification Criteria Criteria for Motels; Restaurants; Tented Camps; Lodges; Villas, Cottages and Serviced Apartments; and Criteria for Homestays.

To enhance professionalism in the tourism and hospitality sector, the Regulator conducted a pilot survey on tourism sector workforce skills and developed a draft workforce development strategy to address workforce quality challenges. To facilitate continuous monitoring of the tourism sector, the Authority undertook an annual assessment and audit of tourism activities and services, measures and initiatives at the National level. On this note, primary data was collected in three regions i.e. Mt. Kenya, Nairobi, and Coast Regions. The data was analysed and a draft Tourism sector status report for the year 2021 prepared.

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To facilitate ease of doing business, the Authority processed all the one hundred and five (105) applications for duty / VAT exemptions from investors submitted during the period under review. This was for recommendations for custom duty exemptions in accordance with the EAC Custom Management Act 2004, and VAT exemption in accordance with the Finance Act 2017. The total cost of items recommended for exemption during the financial year was Kshs. 986,234,094.19 with an estimated value of exemption of Kshs. 197,246,818.84. It is worth noting that the applications processed during the period were both from hotels seeking duty exemption and tour operators seeking VAT exemptions respectively.

To improve service delivery to both internal and external customers, the Authority undertook a customer/employee satisfaction and work environment survey in the Months of May through June 2022. The aim of the survey was to determine customer and employee satisfaction levels. The customer satisfaction index was at 83.3% (M=4.17; SD=0.841) while the employee satisfaction and work environment satisfaction index was at 66.1% (M=3.31; SD=1.015) and 62.2% (M=3.11; SD=1.103) respectively. These findings will be used to recraft the Authority's strategic direction as far as these two parameters are concerned.

To enhance her resource mobilization initiatives, the Authority submitted Concept Notes for Two projects to the Tourism Promotion Fund (TPF). These projects were the safety and hygiene project and the Classification and Grading project. The two projects saw the Authority request for a total of Kshs 266.3 Million which if granted would enable the Authority set up the system infrastructure and effectively and efficiently implement the two projects. As such, this will enable the Authority live true to her clarion call of championing quality and excellence in the sector thus contribute to enhancing overall destination competitiveness and appeal.

During the period under review, execution of Authority set work plan and performance contract targets was greatly hampered by many externalities. First, some regulated tourism enterprises were still closed throughout the year hence they could not renew their licenses. This affected the Appropriation in Aid (A-in-A) target in the performance contract and the financial sustainability target in the annual work plan. As such, many programmes and activities were scaled down given that the overall Authority budget was not attained as result of the low revenue collection. Second, late disbursement of allocated government grants affected the Authority's liquidity throughout the financial year. Third, inadequate budget allocation has greatly hampered ability of the Authority to enhance uptake of quality standards by regulated tourism enterprises thus curtailing attainment of destination appeal and competitiveness. A case in point, although

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iv) Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, Tourism Regulatory Authority (T.R.A) remitted Kshs. 57,652,196 into Consolidated Fund of the Kenya Revenue Authority, being ninety per centum of its surplus funds reported in the un audited financial statements for FY 2020/21.

v) Auditors

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

By Order of the Board



.....

Norbert Talam

Secretary to the Board

**Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022.*

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11. Statement of Directors Responsibilities

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the TRA for and as at the end of the financial year ended on June 30, 2022. These responsibilities include:

- (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 Authority
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the state of TRA transactions during the financial year ended June 30, 2021, 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 Authority 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 TRA will not remain a going concern for at least the next twelve months from the date of this statement.

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Strategic (BSC Perspective)	Strategic Objective	Key Performance Indicators	Activities	Achievements
Stakeholders	Enhance customer satisfaction	Customer satisfaction index (%)	Conduct a customer satisfaction survey; Mitigate corruption within the Authority; Finalize development of complaint handling procedures/guideline; Public Relations and CSR Activities; Review and Implement the Communication Strategy	90.00%
	Enhance national cohesion and values;	% of activities implemented	Sensitize Staff on National Cohesion and values; Implement Commitments as per the Annual President's report on National values and principles of Governance; Reserve 30% under access to Government procurement opportunities (AGPO); Promotion of local content in procurement; Develop disability mainstreaming policy	87.57%
Finance	Enhance financial sustainability of the Authority	% of activities implemented	Increase revenue collection (A-I-A); Implement the Resource Mobilization Strategy	94.74%
	Improve financial management	% of completion-reports	Review internal financial management systems, processes and controls; Implement internal financial management systems, processes and controls; Maintain an up-to-date Asset Register for the Authority; Adopt Programme based budgeting and Participate in Budgeting, MTEF Process & Sourcing of fund; Develop	93%

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			and Implement an Integrated Risk Management Framework	
Operations	Enhance quality of service within the tourism sector	% of activities implemented	Undertake routine quality assurance audits of regulated tourism enterprises countrywide; Conduct Stakeholder Engagement & Validation for all the Classification Criteria in Mombasa and Nairobi; Develop Quality Assessment Tools for 10 National Minimum standards and EAC classification criteria; Review TRA Regulations, 2014; Safeguard Authority's contractual interests	96.66%
	Enhance professionalism in the tourism sector		Develop and maintain a register for recognized tourism and hospitality training institutions, Tourism sector Associations, Tourism sector workforce; Develop draft Tourism and Hospitality Training Institutions' Regulations; Develop a workforce development Strategy; Stakeholder validation of the developed workforce development strategy	95%
	Enhance standards in the tourism sector	% of activities implemented	Develop Minimum Standards for Game ranches, Nature Trails, Nature Reserves/Conservancies, Amusement Parks and Private Zoos; Conduct stakeholder validation for 10 draft standards in Nairobi, Mombasa, Machakos, Embu and Masa Mara; Conduct Stakeholder sensitization on Ten (10) developed standards in Western, Nyanza, South and North Rift	81.25%

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			Regions; Develop Professional Safari photographer's standard	
	Facilitate tourism trade	% of completion-reports	Process Recommendations for Duty/VAT exemptions; Sensitize stakeholders on available incentives; Prepare a proposal to inform review of the EAC customs Management Act 2004 (Amended 2018); Lobby partner States through MoTW for review of the EAC customs Management Act 2004 to broaden incentives; Prepare a proposal for major tax breaks and other incentives to facilitate uptake of technology and innovation in the sector; Undertake a study on tourism incentives in competing tourist destinations; Undertake a study on the prevailing regulatory environment in collaboration with TRI	71.42%
	Monitor trends in the tourism sector	% of activities implemented	Undertake an annual assessment and audit of tourism activities and services at National level; Compile the Tourism Sector Status Report for the year 2021; Collate monthly data from regulated tourism enterprises, activities and services in respect to number of visitors by country of origin, revenue earnings, expenditure per visitor and number of employees both local and expatriates; Undertake a study on competing tourism destinations on matters tourism regulation.	97.5%

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	Enhance partnerships and collaborations	% of activities implemented	Collaborate with other Agencies to enhance compliance; Implement the Stakeholder engagement strategy; Build networks and strategic linkages with development partners; Sensitize stakeholders on benefits of co-regulation; Organize engagement forums with County governments to engender a mutual regulatory relationship for the tourism industry	100%
Organizational capacity	Improve the human capital	% of activities implemented	Restructure the Authority's Organization structure; Conduct a situational analysis of trends in the tourism sector vis-à-vis workforce requirements; Develop a performance management framework; Implement the performance management framework; Implement timely appraisal of Authority employees; Undertake institutional skills Gaps Analysis and Training Needs Assessment; Implement Authority's Annual Training Plan; Review the Career Progression Guidelines and Human Resources Procedures Manual; Develop grievance handling and disciplinary procedures as per the existing labour laws/ guidelines	72.22%
	Enhance automation at the Authority	% of activities implemented	Implement ICT Policy, Procedure and Guidelines; Implement maintenance plan for all ICT equipment and systems; Automate all Quality audit tools; Acquire system security software such	76.42%

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			as anti-virus, firewalls etc; Enterprise Resource Planning Phase II (Roll out phase II modules to public); Review and Redesign Authority's website to facilitate access to PWD's; Computerization of records in both HQ and Regional Offices;	
	Improve the working environment	% of completion	Review the code of conduct and ethics; Undertake an Employee Satisfaction and work environment Survey; Management of Occupational Safety and Health throughout the Authority; Provide Covid-19 protection facilities; Prevention and Management of HIV Infections and Non-communicable diseases; Formulation and implementation of records retention schedule; Develop and implement a maintenance Plan for Authority vehicles.	64.33%

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7. Corporate Governance Statement

The Tourism Regulatory Authority corporate governance standards are guided by the guidelines and governance principles as enshrined in various Government manuals and has adopted rules of conduct based on best practices. The Authority undertakes regular stakeholders' engagements in development of regulations and standards as well as to address other emerging issues. The Authority also has elaborate complaints management system which is designed to address stakeholder issues against the Authority as well as mediate issues between licensed enterprises. The Authority is governed by a Board of the Authority. The Board's main objective is to give guidance on the management of the Authority towards achieving its targets

Board Committees

The Board has four standing Committees which are required to meet at least once quarterly or more frequently as need arises. The Committees are as follows;

i) Audit & Risk Management Committee (A&RMC)

The Committee's role is to review and resolve audit issues raised by either the internal or external auditors and provide oversight with regard to risk management as provided by the Treasury Circular No. 3/2009 on the development and implementation of institutional risk management policy framework in the public sector. The composition as appointed on 27th April, 2021 and amended on 28th June, 2021 is as follows;

S.NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Mr. Isaac Njangu	Chairperson	Independent Board Member
2.	Mr. Kevin Muasya	Member	Independent Board Member
3.	Mr. Michael Tialal	Member	Alternate to PS, State Department of Tourism
4.	Mr. Kennedy Olwasi	Member	Alternate to PS, State Department of Environment
5.	Ms. Naomi Matheri	Member	Alternate to PS, National Treasury & Planning

ii) Finance & Administration Committee (F&AC)

The Finance and Administration Committee exercises policy oversight of the Authority's information technology, human and financial resources and achievement of the Authority's Objectives through alignment of said resources. The composition as appointed on 27th April, 2021 and amended on 28th June, 2021 is as follows;

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S.NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Mr. Alais Lenana Momoi	Chairperson	Independent Board Member
2.	Ms. Najma Ismail	Member	Independent Board Member
3.	Mr. Michael Tialal	Member	Alternate to PS, State Department of Tourism
4.	Ms. Naomi Matheri	Member	Alternate to CS, National Treasury & Planning
5.	Mr. Peterson Muriithi	Member	Alternate, Ps, State Department of Planning.

iii) Standard & Quality Assurance Committee (S&QAC)

The Standards & Quality Assurance Committee reviews and recommends policies on matters standards, quality assurance, classification results, draft regulations, standards, guidelines, classification criteria and tools to the Board for adoption and approval. The composition as appointed on 27th April, 2021 and amended on 28th June, 2021 is as follows;

S.NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Ms. Najma Ismail	Chairperson	Independent Board Member
2.	Mr. Kennedy Lwenyi	Secretary	Ag. Director General, TRA
3.	Mr. Alais Momoi	Member	Independent Board Member
4.	Mr. Kennedy Olwasi	Member	Alternate to PS, State Department of Environment

iv) Licensing & Tourism Support Services Committee (L&TSSC)

The Committee reviews and recommends policy guidelines on matters licensing and inspection of tourism enterprises, tourism sector incentives. It further reviews and recommends the Annual Tourism Sector Status Report to the Board for adoption and approval. The composition as appointed on 27th April, 2021 and amended on 28th June, 2021 is as follows;

S.NO	NAME	COMMITTEE POSITION	BOARD MEMBERSHIP
1.	Mr. Kevin Muasya	Chairperson	Independent Board Member
2.	Mr. Kennedy Lwenyi	Secretary	Ag. Director General, TRA
3.	Mr. Isaac Njangu	Member	Independent Board Member
4.	Mr. Peterson Muriithi	Member	Alternate to PS, State Department of Planning

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Ad-Hoc Committees

The Board during the FY 2020/21 set up an Ad-Hoc Digitization and Public Communications committee (AD&CC) which concluded its activities in the current period. The Committee had 6 sittings in total. The Board in the current period also set up an ad-hoc committee on recruitment of a Director General. The Committee had 4 sittings in the current period. The Exercise was concluded in July, 2022.

SPECIAL COMMITTEE ON RECRUITMENT OF DIRECTOR GENERAL(SC)			
S.NO	NAME	COMMITTEE POSITION	CAPACITY
1.	Ms. Zeinab Hussein	Chairperson	PS, State Department of Tourism
2.	Ms. Pauline Muthigani	Member	Chairperson, Board of Authority
3.	Mr. Paul Oyier	Member	Alternate to CS, National Treasury
4.	Mr. Kennedy Olwasi	Co-opted Member	Alternate to PS, State Department of Environment
5.	Mr. Hudson Mugodo	Co-opted Member	Director HRM&D Ministry of Tourism & Wildlife
6.	Ms. Grace Kamau	Co-opted Member	Deputy Chief State Counsel, Ministry of Tourism & Wildlife

Board Meetings and the Attendance

During the year under review the Board of directors held statutory, adhoc and special meeting as per the schedule below.

No	Name	Position	FB	SPFB	A&RMC	F&AC	S&QAC	L&TSSC	AD&PCC	SC
1.	Ms. Pauline Muthigani	Chairman	3/3	4/4	N/A	N/A	N/A	N/A	N/A	4/4
2.	Ms. Naomi Matheri	Alternate to CS, National Treasury	2/3	2/4	5/5	5/5	N/A	N/A	N/A	N/A
3.	Mr. Kevin Muasya	Independent Director	1/3	1/4	4/5	N/A	N/A	3/4	2/2	N/A
4.	Ms. Najma Ismail	Independent Director	3/3	3/4	N/A	5/5	4/4	N/A	2/2	N/A
5.	Mr. Alais Lenana Momo	Independent Director	3/3	3/4	N/A	5/5	4/4	N/A	N/A	N/A

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6.	Mr. Isaac Muchiri Njangu	Independent Director	3/3	3/4	5/5	N/A	N/A	4/4	N/A	N/A
7.	Mr. Bernard Kahuthia	Alternate to PS, Tourism	0/3	0/4	N/A	1/4	N/A	N/A	N/A	N/A
8.	Mr. Peterson Muriithi	Alternate to PS, Planning and Statistics	3/3	3/4	N/A	5/5	N/A	4/4	2/2	N/A
9.	Mr. Kennedy Olwasi	Alternate to PS, Environment & Forestry	3/3	3/4	5/5	N/A	4/4	N/A	N/A	4/4
10.	Mr. Michael Tialal	Alternate to PS, Tourism	2/3	0/4	1/5	3/5	N/A	N/A	1/2	N/A
11.	Mr. Paul Oyier	Alternate to CS, National Treasury	0/3	2/4	N/A	N/A	N/A	N/A	N/A	0/4

❖ FB - Full Board

❖ SPFB- Special Full Board

❖ A&RMC-Audit & Risk Management Committee

❖ F&AC-Financial & Administration Committee

❖ S&QA-Standard & Quality Assurance Committee

❖ L&TSSC-Licensing & Tourism Support Services Committee

❖ D&CC-Ad-hoc Digitization & Public Communication Committee

❖ SC-Special Committee on Recruitment of Director General

Additionally, the following board activities were held during the period under consideration;

- Chairperson's meeting with Cabinet Secretary, Ministry of Tourism & Wildlife held on 13th July, 2021
- Training of E-Board and collection of Ipads - August, 2021
- Participation of Independent Directors in the Tourism Stakeholder Meeting on Budget Preparation for the FY 2022/23-2024/25 Medium Term Budget
- Signing of the Annual Report & Financial Statements for period ended on 30th June, 2021 by the Chairperson on 31st August, 2021
- Board Evaluation for FY 2020/21 held on 1st & 15th September, 2021
- Chairperson's meeting with Director General and Departmental Directors

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- Board Retreat on Revised Strategic Plan (2018-2022) held from 27th -30th September, 2021
- Signing of 1st Quarter Reports & Financial Statements for the Period ending 30th September, 2021 by the Chair of the Board
- Commemoration of 50th Anniversary of Bomas of Kenya- 27th October, 2021
- CSR Activity at TumuTumu School for the Deaf on 29th October, 2021
- Induction of new board members held from 1st – 5th November, 2021 and 16th -18th November, 2021
- Kenya School of Government Induction Program at KSG Mombasa 6th – 10th November, 2021
- Kenya School of Government Induction Program at KSG Mombasa 29th November – 1st December, 2021
- Ministerial Induction for Audit Committee held from 6th-10th December, 2021
- Commemoration of 75th Anniversary of Nairobi National Park on 16th December, 2021.
- Signing of Authority’s Revised Procurement Plan 2021/22 on 13th January, 2022
- Signing of 2nd Quarter Report & Financial Statement for period ending 31st December, 2021
- Board Retreat 24th – 26th January, 2022
- Courtesy Call to Kisumu County Governor 22nd February, 2022
- Confirmation Visit to Accommodation facilities in preparation for Africities Summit – 23rd February, 2022
- Chairperson’s meeting with Cabinet Secretary, Ministry of Tourism & Wildlife held on 28th February, 2022
- Chairperson’s meeting with Principal Secretary, State Department of Tourism & Wildlife held on 17th March, 2022
- Chairperson’s meeting with Cabinet Secretary, Ministry of Tourism & Wildlife held on 8th April, 2022
- Signing of 3rd Quarter Report & Financial Statement for period ending 31st March, 2022 held on 14th April, 2022.
- Board Chairperson’s Meeting on Handing Over Ceremony at TRA Headquarters – 16th May, 2022.
- Chairperson’s meeting with Cabinet Secretary, Ministry of Tourism & Wildlife held on 25th May, 2022.
- International Meetings Exhibitions 2022- Frankfurt Germany – 31st May-3rd June, 2022
- Signing of Revised Annual Financial Statement - 6th June, 2022.

- Chairperson's meeting with Principal Secretary, State Department of Tourism held on 15th June, 2022.
- Meeting with KSG Consultant on Recruitment of Director General on 27th June, 2022
- Signing of Invitation Letters to Shortlisted Candidates on 30th June, 2022

Succession Plan

Section 8(2) of the Tourism Act provides that the members of the Board of the Authority shall be appointed at different times so that the respective expiry dates of their terms of office shall fall at different times for ease of continuity. The Tourism Act under which the Board is constituted also provides for renewal of the term of the Board Members for one additional term of three (3) years. The Act gives the Cabinet Secretary the powers to appoint board members and/or replace a Board member when a vacancy occurs. The Board currently has three vacancies of independent directors i.e. one under Section 8(1)(g)(i) and two under Section 8(1)(g)(ii) of the Tourism Act, 2011.

Board Charter

The Board of Authority is governed by a Board Charter aligned to the Constitution of Kenya, 2010, Tourism Act, 2011 and Mwongozo Code of Conduct. The Charter provides for composition and appointment of board members, procedure on conduct of board meetings, resignation and removal of board members, term limits, functions and responsibilities of Chairperson, CEO, Corporation Secretary and individual board members and composition of Board committees.

Process of Appointment and Removal of Board Members

The Board members of the Authority are appointed or removed as per the provisions of Section 8 and 10 of the Tourism Act, 2011 and Mwongozo Code of Governance. The Chairperson is appointed by the President while the representatives of the Principal Secretaries must be appointed by the Principal Secretary represented in writing. The six non- public officer members are appointed by the Cabinet Secretary competitively taking into account regional balance and gender parity. Two are nominated by the registered tourism sector associations and four are persons who have expertise in tourism or tourism-related disciplines. The Chairperson and the Independent Board members are appointed for a term not exceeding three years which can be renewed for a further term not exceeding three years.

On removal of members, the Act provides that members of the Board may resign from the office in writing to the appointing Authority. Additionally, other grounds for removal include where a board member has

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been absent from three consecutive meetings without sufficient cause; is unable to act as a member as may be determined by the Cabinet Secretary or upon death of a member.

Roles and Functions of the Board

The functions of the Board of the Authority are as provided under section 9 of the Tourism Act and include: -

- Ensure the proper and effective performance of the functions of the Authority;
- Approve and ratify the policies of the Authority;
- Manage, control and administer the assets of the Authority in a manner and for purposes that promote the object and purpose of the Authority;
- Receive any gifts, grants, donations or endowments made to the Authority;
- Determine the provisions to be made for capital and recurrent expenditure, and for the reserves of the Authority;
- Open bank accounts for the funds of the Authority;
- Subject to the approval of the Minister for the time being responsible for matters relating to finance, invest any of the Authority funds not immediately required for the purposes of this Act, as it may determine;
- Determine and specify the terms and conditions for the appointment and emoluments of the personnel of the Authority;
- Co-operate with other organizations undertaking functions similar to its own, whether within or outside Kenya as it may consider appropriate and in furtherance of the object and purpose of the Authority;
- Provide for a staff superannuation scheme for the employees of the Authority; and
- Approve the borrowing of funds in consultation with the Minister for the time being responsible for matters relating to finance.

Induction and Training

The Board Members of the Authority on appointment are inducted on the Authority mandate activities and key instruments used by the Authority. The Board members are also facilitated for training and induction on Mwongozo corporate governance provisions and also corporate governance. Other trainings are undertaken from time to time depending on governance or other skill gaps as may be determined by the Board.

Board and Members Performance

The Board of the Authority performed well during their tenure of the office in the FY 2020/2021 wherein evaluation was conducted on 1st September, 2021. This is determined by the annual Board evaluation undertaken after the end of each FY under supervision of State Corporation Advisory Committee (SCAC). However, the Annual Board self-evaluation for period under review is yet to be conducted.

Conflict of Interest

Section 11 of the Tourism Act, the Board Charter and the Authority's Code of Conduct and Ethics signed by each Board member provides for disclosure of interest. A member of the Board of the Authority who has an interest in a matter for consideration by the Board of the Authority is expected to disclose the nature of that interest in writing and not participate in any deliberations of the Board of the Authority relating to that matter. The section also provides that a member of the Board who fails to disclose interest shall cease being a member of the Board of the Authority. The Authority has a conflict of interest register which is circulated for registering any conflict of interest during the Board meetings.

Board Remuneration

The Board members are remunerated as guided by Government Guidelines and circulars from time to time. This is in line with section 9(3) of the Tourism Act that provides for members of the Board to paid allowances as determined by the Cabinet Secretary, in consultation with the Minister for the time being responsible for matters relating finance. For the year under review, it is only the Chairman who received monthly honorarium and airtime. Board members were paid sitting and other allowance as approved by the Cabinet Secretary.

Ethics of Governance and other Governance Audit

The Board members are governed by Chapter 6 of the Constitution on Integrity and the Code of Governance for State Corporations (Mwongozo). The Board members also signed the Authority's Code of Conduct and Ethics. The Governance Audit for this Financial Year has not been done as provided by Mwongozo due to budgetary constraints.

8. Management Discussion and Analysis

Operational Performance

i) Management of Minimum Standards for Regulated Tourism Enterprises

During the period under review, on management of minimum Standards for regulated tourism enterprises, the Authority developed five (5) Minimum Standards namely;

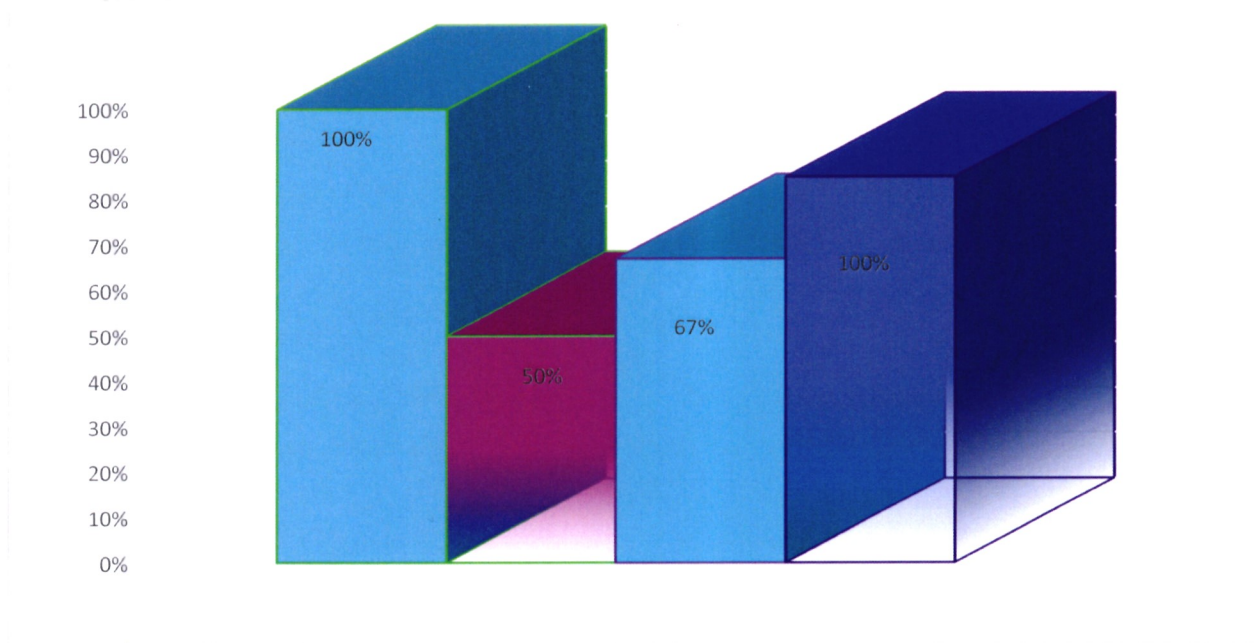
- Minimum standards for Game ranches,
- Minimum standards for Nature Trails,
- Minimum standards for Nature Reserves/Conservancies,
- Minimum standards Amusement Parks and
- Minimum standards Private Zoos.

In addition, the Authority held stakeholder validation workshops in Mombasa, Machakos, Embu and Kisumu to validate the ten (10) draft standards that had been developed during the previous financial year 2020/2021. These ten (10) minimum draft standards were as follows:

- i) Accommodation and Catering Establishments Standard;
- ii) Events and Entertainment Standard;
- iii) Tours, Travel and Tour Guides National Minimum Standard;
- iv) Adventure, Sports Tourism Standard;
- v) Meetings, Incentives, Conferences and Exhibition Standard;
- vi) Safety and Security Standard;
- vii) Spa and Wellness Standard;
- viii) Food safety and Hygiene Standard;
- ix) Digital Tourism Standard;
- x) Driver/Guides and Hotel Employees Accommodation Standard.

This translated to an overall performance score of 100 % for this performance indicator, which is an improvement of 33% from the previous years' (FY 2020/2021) performance of 67% as shown in figure 3.1 below.

Figure 3.1: Comparative analysis of management of minimum standards for regulated tourism enterprises performance indicator over four years



From figure 3.1 above, it is clear that the Authority’s performance for this indicator took a slump for two financial years 2019/2020 and 2020/2021. This is largely attributed to the outbreak of covid-19 in the month of March 2020 which greatly affected planned stakeholder engagement and validation forums hence the planned commitments could not be fully achieved. Further, the subsequent covid-19 containment measures affected the Authority’s ability to collect Appropriation in Aid hence the budgetary allocation for this indicator could not be supported/funded fully for the two financial years in question.

The financial year 2021/2022 showed a significant improvement given the relaxation of the covid-19 containment measures. Although, the covid-19 is almost behind us, the Authority still faces a challenge of budget shortfalls. However, the Authority is hopeful that it will be able to fund all planned activities and the commitments upon improvement in its budgetary allocation.

ii) Review of EAC Classification Criteria

This is a vision 2030 flagship project which envisions increasing the number of classified beds in the country. During the financial years 2015/2016 to 2016/2017 the Authority undertook the implementation of National Classification program under the East African Community Classification Scheme for tourist

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accommodation and catering establishments. The exercise culminated in the classification and star rating of **215 hospitality and catering facilities** with a total bed capacity of 26,786.

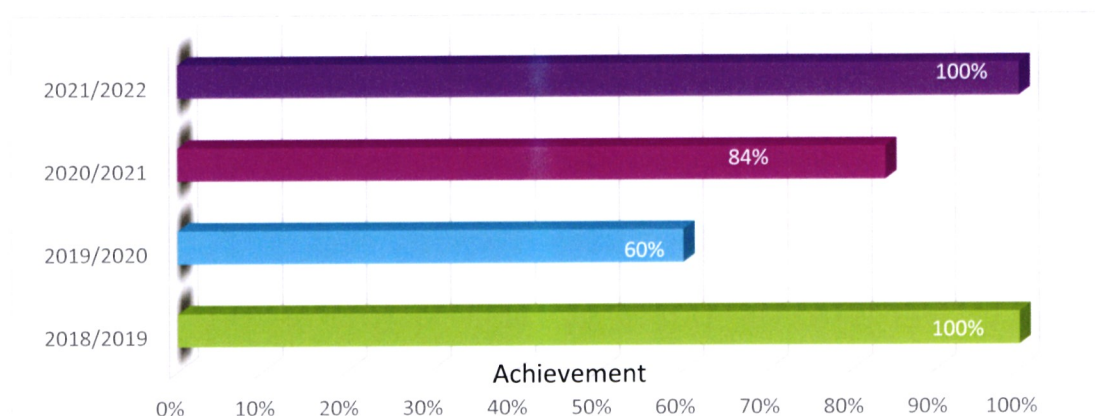
This translated to 41.21% classified beds out of the estimated bed capacity of 65,000 classified beds as envisioned in Kenya’s long-term development agenda (the Vision 2030). During the classification exercise, a number of gaps were noted in the EAC Criteria. It is against this backdrop that the EAC Partners States embarked on the review of the criteria for it to be at par with changes that had taken place in the operating environment. Therefore, the Board committed to undertake the review process from the financial year 2019/2020.

During the period under review, the Board had committed to conduct stakeholder validation workshops in Mombasa and Nairobi for the **six (6) EAC Classification Criteria** which was successfully conducted. These six EAC criteria included the following:

- Criteria for Motels;
- Criteria for Restaurants;
- Criteria for Tented Camps;
- Criteria for Lodges;
- Criteria for Villas, Cottages and Serviced Apartments; and
- Criteria for Homestays.

This translated to an overall performance score of 100% for this performance Indicator which is an improvement of 16% from the performance in the previous financial year 2020/2021 as shown in figure 3.1 below: -

Figure 3.2: Comparative analysis of EAC Classification Criteria Reviewed Performance Indicator over four years

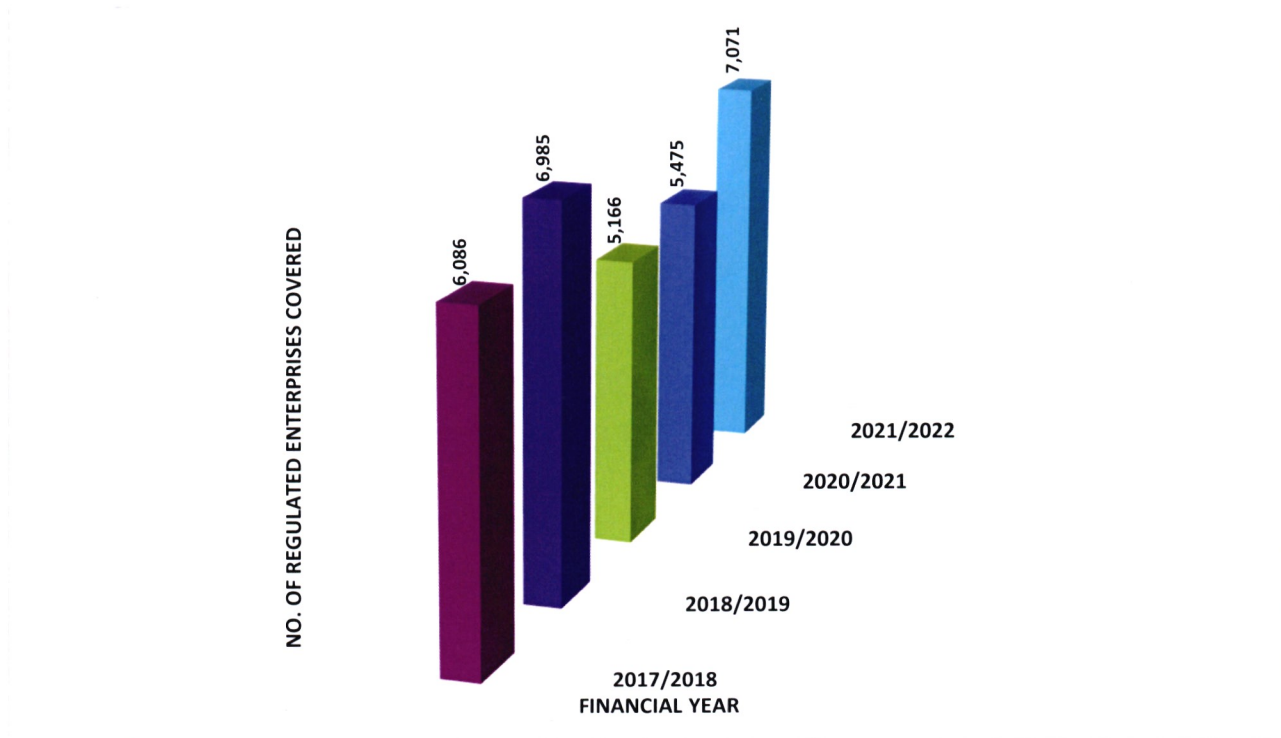


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iii) Quality Assurance Audits of Regulated Tourism Enterprises

To enhance destination competitiveness and sustainability, the Authority focused on high uptake of quality standards by regulated tourism enterprises, activities and services throughout the period under review. To this end, the Authority carried out routine quality assurance audits in 7,071 regulated enterprises against a set target of 6,000 for the financial year. This represents an improvement of 34.88% from the achievement in the previous financial year as shown in figure 3.3 below: -,

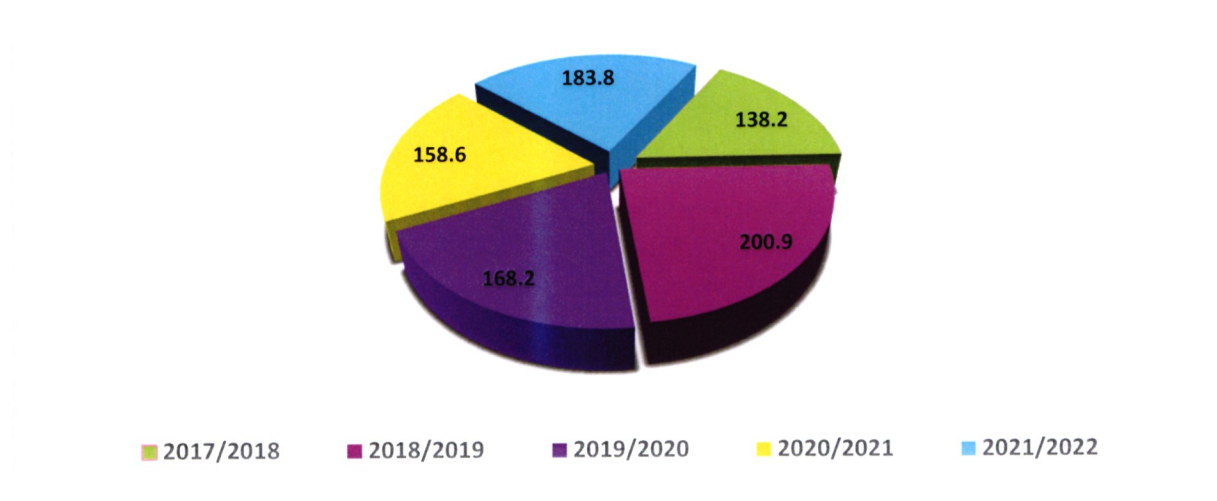
Figure 3.3: Comparative analysis of No. regulated tourism enterprises covered during routine quality assurance audits countrywide for five years



iv) Appropriation in Aid (A-in- A)

During the period under review, the Authority collected Kshs 183,801,999.80 in Appropriation in Aid (A-in-A) against an annual target of Kshs 215 Million. Although the annual target of 215 million as per the commitments in the performance contract and budget allocation was not achieved, this performance represents an improvement of 15.88% from the achievement in the previous financial year 2020/2021 of Kshs 158,609,117 as shown in figure 3.4 below: -

Figure 3.4: Comparative Analysis of Actual Revenue for five years



The analysis in figure 3.4 above shows that in two financial years i.e. 2019/2020 and 2020/2021, the Authority experienced a slump in revenue collection largely due to the outbreak of covid-19 and subsequent containment measures which led to closure of regulated tourism enterprises for a significant period during these two years.

The increase in revenue collection in the financial year 2021/2022 is largely attributed to the gradual recovery of the tourism and hospitality sector from the devastating impacts of covid-19. Nonetheless, the Authority is yet to reach its pre-covid-19 performance due to failure to collect the targeted A-in-A, which constitutes part of the Authority's budget hence revenue collection activities could not be funded to the maximum or as previously planned.

v) National Tourism Sector Status Report

To enhance adherence to sound principles and practices of sustainable tourism, the Authority undertook an annual assessment and audit of tourism activities and services, measures and initiatives at the national level and prepared a draft national tourism sector status report for the year 2021.

On this note, primary data was collected by use of questionnaires and face-to-face interviews in four regions i.e. Mt. Kenya, Nairobi, and Coast Regions. The data was analysed and a draft Tourism sector status report for the year 2021 was prepared.

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vi) Customer / Employee Satisfaction and Work Environment Surveys

During the year under review, the Authority conducted a customer/employee satisfaction and work environment surveys in the months of May and June 2022. The Authority has therefore conducted two rounds of customer/employee satisfaction and work environment surveys thus far.

Although the recommendations emanating from the survey conducted in the financial year 2019/2020 were not implemented due to a leadership vacuum, the survey undertaken in the financial year 2021/2022 brought to fore pertinent issues which will require Management's and Board's attention. The current findings will also inform the Authority's strategic direction in the development of the new strategic plan 2023-2027. The survey findings for the two rounds are as captured in table 3.2 below: -

Table 3.2: Comparison of Survey findings for two financial years

Type of Survey	Index achieved in Financial Year	
	2019/2020	2021/2022
Customer Satisfaction Survey	76.8%; M=3.84; SD=0.722	83.3%; M=4.17; SD=0.841
Employee Satisfaction Survey	68.3%; M=3.41; SD=0.723	66.1%; M=3.31; SD=1.015
Work Environment Satisfaction Survey	67%; M=3.35; SD=0.681	62.2%; M=3.11; SD=1.103

vii) Processing of Custom Duty / VAT Exemptions.

To Facilitate Tourism Trade, the Authority processed all the application for duty/ VAT exemptions from investors as shown below

Table 3.3: Comparison of Custom duty exemptions for three financial years

Details	FY 2019/20	FY 2020/21	FY 2021/22
No. of Applications	94	57	105
Value of Goods Applied (Million)	914.5	488.7	986.23
Estimated Exemption Value (Million)	188.2	97.7	197.24

The analysis in table 3.3 above shows that there was an increase of 84.21% of applications received from the tourism and hospitality sector seeking custom duty and VAT exemptions in the financial year 2021/2022 as compared the previous financial year 200/2021. This could largely be attributed to the gradual recovery of the sector from the impacts of the covid-19 pandemic.

viii) Quality Assessment Tools

In a bid to enhance uptake of quality standards in the tourism and hospitality sector, it was imperative that quality assessment tools are developed for ease of implementation of the already developed standards. To this end, during the year under review, the Authority developed quality assessment tools for ten (10) minimum standards namely:- Accommodation and Catering establishments; Events and Entertainment Standard; Tours, Travel and Tour Guides National Minimum Standard; Adventure, Sports Tourism Standard; Meetings, Incentives, Conferences and Exhibition Standard; Safety and Security Standard; Food safety and Hygiene Standard; Spa and Wellness Standard; Digital Tourism Standard; Driver/Guides and Hotel employees Accommodation Standard. The Authority also developed quality assessment tools for Seven (7) EAC Classification Criteria namely: -Town Hotels; Vacation Hotels; Motels; Restaurants; Tented Camps; Lodges; Villas, Cottages and Serviced Apartments. This performance indicator was achieved 100% as per the commitments in the Performance Contract for the financial year 2021/2022. It is imperative to note that this was a new target introduced in this financial year hence no performance data on previous years.

ix) Workforce Development Strategy

During the period under review, the Authority conducted a pilot skills inventory of manpower in the tourism sector and developed a draft workforce development strategy for the sector. Although the Authority had envisaged to conduct a comprehensive workforce skills inventory which could culminate to the development of a robust workforce development strategy, this was not attained due to challenges emanating from the Authority's storage server capacity. However, the Authority is hopeful that the storage capacity will be increased in the financial year 2022/2023 through the KoNZA initiative where the Authority envisages using KoNZA Techno polis facilities as the primary storage facility through a government-to-government arrangement.

Conclusion

Out of the 13 performance output in the approved work plan for the FY 2021/22, the Authority was able to attain an overall performance of 86.16%. This overall percentage score was largely due to the inability of the Authority to collect the targeted Appropriation in Aid (A-in-A) which constitutes a bigger part of the annual approved budget. The low collection of revenue was because the economy was still recovering from the covid-19 pandemic and the revenue collection could not sustain facilitation for enforcement and compliance audits across the regions hence execution of revenue collection activities and other programmes was greatly affected. Nonetheless, the Authority will continue to pursue its resource

mobilization initiatives both internally and externally to acquire adequate financial resources to enable it to continue to put in place mechanisms to facilitate uptake of quality standards, classification and grading of tourism enterprises, which will greatly improve destination competitiveness. As such, the Authority will continue to play its regulatory role to enhance the achievement of targets in line with its core mandate.

9. Environmental and Sustainability Reporting

TRA exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant services and improving operational excellence in a bid to respond to our clarion call of championing quality and excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

A tourism sector that adopts sustainable consumption and production (SCP) practices can play a significant role in accelerating the global shift towards sustainability through development and implementation of tools to monitor sustainable development impacts for sustainable tourism which creates jobs, promotes local culture and products. In view of this, Kenya's tourism sector needs to adopt Sustainable Consumption and Production (SCP) modes, accelerating the shift towards sustainability. Tools to monitor sustainable development impacts for tourism including for energy, waste, biodiversity, and job creation will result in enhanced economic, social and environmental outcomes. The Authority's Strategic Plan 2018-2022 adopts the theme of "Enhancing Destination Competitiveness and Sustainability" to reflect the Authority's overarching goal of enhancing the global competitiveness and sustainability of destination Kenya through standards development and compliance promotion

ii) Environmental performance

The Strategic Plan requires the Authority to continually adjust regulatory model to conform to the changing tourism environment. During the period under review, the regulator prioritized facilitating tourism businesses through among others development and implementation of quality standards for tourism service providers. To this end, Authority has embraced projects /initiatives such as review of the EAC classification criteria and development of standards and certification programs will encompass sustainability aspects such as eco-designs, green standards, new equipment and technologies in energy and waste resources, renewable energies, equipment and materials for recycling and waste among others. Through this strategic framework, the Authority played a coordinating role of rallying industry players together through collaborative networks to enhance uptake of quality standards in business operations,

standards development, and adoption of digital tourism, innovation and technology through technical advisory services and capacity building of tourism and hospitality practitioners. These actions helped mainstream environmental practices and quality in the sector and enhance development of a well-regulated tourism sector for competitiveness and sustainability.

iii) Employee welfare

TRA Human Resource Manual recognises employees as the most valuable resource and will endeavour to create a safe working environment; maintain safety and health in the workplace, through the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, the Authority implemented policies and programmes that assure their protection from such hazards and disasters. The policies and programmes will be implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws. Towards the end of the financial year, the Authority undertook employee satisfaction and work environment surveys with the view of intensifying staff welfare issues which will also guide the Authority in implementing employee welfare issues in the preceding period.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The Authority implements uniform regulatory requirements to all regulated enterprises. In addition, the Authority arbitrates in situations of unfair practices between regulated tourism enterprises and regulated enterprises and their clients to ensure observance of ethical business practices, responsible business practices and responsible competition practices, fair competition and respect for competitors. During the period under review, the authority established an online complaint portal, sensitized the general public on complaint provision through a newspaper advertisements and arbitrated forty-one cases of competitive beach, fraud with some ending in court.

b) Responsible Supply chain and supplier relations

The Authority undertakes supplier registration every two years. The Authority also continuous registered firms under AGPO requirement. During the year under review, the Authority gave business opportunities to listed suppliers through open tendering and request for quotations. The Authority maintained good supplier relations, honoured all contracts and had no pending bills as at the end of 2021/2022 financial year.

c) Responsible marketing and advertisement

The Authority undertook public notice in mainstream media on its services, reminder to renew licenses and ensured the services are well known. The Authority also advertised Outline efforts to maintain ethical marketing practices.

d) Product stewardship

The Authority developed undertook standardization of product and service delivery. Some of the activities undertaken include to enhance quality of service within the tourism sector and enhance professionalism in the tourism sector. The Authority followed up all complaints reported to the authority of in public media to ensure the consumer interests are addressed.

v) Corporate Social Responsibility / Community Engagements

During the financial year, the Authority undertook several CSR activities. These included donation of 400 pieces of branded special masks to Tumutumu School for the Blind, in Nyeri County. During the event, the Authority also supported and participated in planting of 20 indigenous trees at the school. Other activities include World Tourism Day Celebrations held between in Diani, Kwale County where the Authority participated in tree planting and beach clean-up exercise among other activities aimed at public participation and giving back to the society.

During the third quarter, the Authority participated in tree Planting at KSG, Baringo as part of the sustainability efforts in line with the presidential. A total of 55 indigenous seedlings were planted under sponsorship of the Authority. The Authority also participated in world wetlands day 2022 National celebrations at Ondiri Camp in Kiambu. In addition, the authority supported the Kenya Soccer association (KESPA), an association of legendary sportsmen and women which would promote sports tourism in the Country.

10. Report of the Directors

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2022, which shows the state of the Authority's affairs.

i) 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.

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ii) Results

The results of the entity for the year ended June 30, 2022 are set out on page 1 to 7.

iii) Directors

The members of the Board of Directors who served during the year are shown in the table below.

No	Name	Position	Appointment	Retirement
12.	Ms. Naomi Matheri	Alternate to CS, National Treasury	10 th May, 2017	14 th April, 2022
13.	Mr. Thomas L. Lerenten	Alternate to PS, Environment & Forestry	28 th June, 2018	16 th July, 2021
14.	Ms. Pauline Muthigani	Chairperson	16 th October, 2019	Ongoing
15.	Mr. Kevin Muasya	Independent Director	7 th August, 2020	8 th March, 2022 (resigned)
16.	Ms. Najma Ismail	Independent Director	7 th August, 2020	Ongoing
17.	Mr. Alais Lenana Momo	Independent Director	7 th August, 2020	Ongoing
18.	Mr. Isaac Muchiri Njangu	Independent Director	7 th August, 2020	Ongoing
19.	Mr. Bernard Kahuthia	Alternate to PS, Tourism	16 th September, 2020	18 th August, 2021
20.	Mr. Peterson Muriithi	Alternate to PS, Planning and Statistics	24 th March, 2021	Ongoing
21.	Mr. Kennedy Olwasi	Alternate to PS, Environment & Forestry	16 th July, 2021	Ongoing
22.	Mr. Michael Tialal	Alternate to PS, Tourism	18 th August, 2021	3 rd February, 2022
23.	Mr. Paul Oyier	Alternate to CS, National Treasury	14 th April, 2022	Ongoing
24.	Ms. Grace Kamau	Alternate to PS, Tourism	6 th June, 2022	Ongoing

6. Statement of Performance against Predetermined Objectives for FY 2021/22

TRA has five Strategic Pillars / thematic areas namely:

1. Institutional Capacity,
2. Co-regulation,
3. Standardization,
4. Corporate Image and
5. Service Delivery

These are mapped into the four perspectives of the Balanced Score Card (namely stakeholders, finance, operations and organizational capacity) and thirteen (13) Strategic Objectives within the current revised Strategic Plan (2018-2022). The strategic objectives are as follows: -

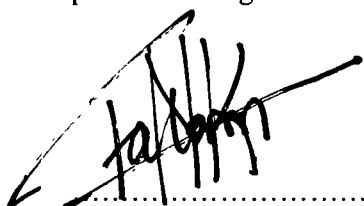
- 1) Enhance customer satisfaction;
- 2) Enhance national cohesion and values;
- 3) Enhance financial sustainability of the Authority;
- 4) Improve financial management;
- 5) Enhance quality of service within the tourism sector;
- 6) Enhance professionalism in the tourism sector;
- 7) Enhance standards in the tourism sector;
- 8) Facilitate tourism trade;
- 9) Monitor trends in the tourism sector;
- 10) Enhance partnerships and collaborations;
- 11) Improve the human capital;
- 12) Enhance automation at the Authority; and
- 13) Improve the working environment.

TRA develops its annual work plans based on the above thirteen strategic objectives. Some performance outputs in the work plan are also captured in the annual performance contract, hence there is a direct link between the work plan and the Performance Contract. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. TRA achieved its performance targets set for the financial year 2021/2022 period for its 13 strategic objectives as indicated in table 3.1 below:

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the Authority developed two project proposals and submitted the same to the Tourism Promotion Fund for funding, no feedback had been received by close of the financial year. Hence in the new financial year, the Authority may not be in a position to roll out the safety and hygiene project and the nationwide classification exercise due to the magnitude of finances required which cannot be sourced from the recurrent budget. Fourth, it is imperative to note that the remuneration structure currently attached to the grading structure has proven to be uncompetitive compared to peer regulators and has thus contributed to low staff morale and greatly affected ability of the Authority to attract and retain best talent. The low staff morale is evident from the employee satisfaction and work environment survey which produced a low satisfaction index as noted above.

To enhance the financial muscle and its financial sustainability, the Authority will continue to appeal to the National Treasury for allocation of development grants and approach development partners through implementation of the Resource Mobilization strategy to enable execution of mega projects on standards and quality assurance to enhance destination competitiveness and appeal. The Authority will also give priority to review of the Human Resource instruments namely Human Resource Policy and procedures manual, Career progression guidelines, review of the organization structure, staff establishment, and pursue re-categorization of the Authority for competitive remuneration in a bid to improve staff morale.



**Norbert Talam
Director General**

**Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022*

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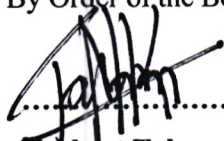
iv) Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, Tourism Regulatory Authority (T.R.A) remitted Kshs. 57,652,196 into Consolidated Fund of the Kenya Revenue Authority, being ninety per centum of its surplus funds reported in the un audited financial statements for FY 2020/21.

v) Auditors

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

By Order of the Board



.....
Norbert Talam

Secretary to the Board

**Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022.*

11. Statement of Directors Responsibilities

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the TRA for and as at the end of the financial year ended on June 30, 2022. These responsibilities include:

- (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 Authority
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the state of TRA transactions during the financial year ended June 30, 2021, 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 Authority 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 TRA will not remain a going concern for at least the next twelve months from the date of this statement.

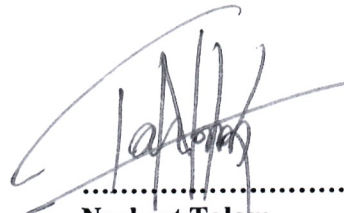
**Tourism Regulatory Authority
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Approval of the financial statements

The TRA financial statements were approved by the Chairperson on 23rd March 2023 and signed by:



.....
Pauline W. Muthigani
Board Chairperson

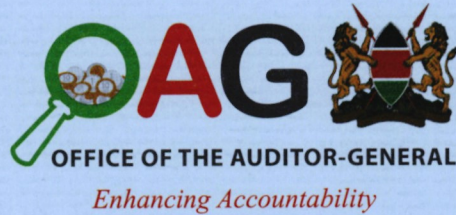


.....
Norbert Talam
Director General

**Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022.*

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TOURISM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tourism Regulatory Authority set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tourism Regulatory Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual basis) and comply with the Tourism Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported License Fees

The statement of financial performance and as disclosed in Note 6(b) to the financial statements reflects license fees totalling to Kshs.183,506,841 which includes Kshs.4,621,459 in respect of un-receipted license. However, supporting documents such as detailed list showing date of deposit, name of depositor and amounts paid were not provided for audit.

In the circumstances, the accuracy and completeness of unsupported license fees balance of Kshs.4,621,459 could not be confirmed.

2. Unsupported Expenditure

The statement of financial position and as disclosed in Note 13 to the financial statements reflects goods and services amounting to Kshs.143,284,337 which includes printing and stationery expenses of Kshs.2,383,216. However, included in the printing and stationery expenses were, goods valued at Kshs.183,398 captured in the printing ledger as issued but could not be traced in the store requisitions/issuing forms. Further, review of the store requisition/issue form revealed that goods valued at Kshs.439,058 that were issued in the financial year under review were not recognized as expenses.

In the circumstances, the completeness and accuracy of the printing and stationery balance of Kshs.622,456 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tourism Regulatory Authority Management in accordance with ISSAI 130 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 qualified opinion.

Key Audit Matters

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

Unresolved Prior Year Matters

In the audit report of the previous year, a number of paragraphs were raised. However, Management has not resolved and disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board templates. Management has not provided satisfactory explanation for the delay in resolving the issues.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Composition of Board Members

Review of the composition of the Board revealed that two (2) nominated members who were supposed to be nominated by registered tourism sector associations were nominated by the Cabinet Secretary. This is contrary to Section 8(g) (i) of the Tourism Act of 2011 which states that two (2) of the members shall be nominated by the registered tourism sector associations.

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

2. Annual Tourism Status Report

As previously reported, included under use of goods and services and Note 13 to the financial statements is an amount of Kshs.1,904,000 spent on annual tourism status report out of which Kshs.1,875,900 (or 98%) was used to cater for subsistence allowances and only Kshs.28,100 or 2% was spent for designing printing of tourism status report. This happened at the back drop of a similar report by the management referred to as State of Tourism Sector in Kenya. The report has not been approved by the Board and signed by Cabinet Secretary since 2015. It is not clear why the Authority has been allocating funds for an item which had no impact to the sector over the years.

In the circumstances, value for money from the expenditure could not be confirmed.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

Failure to Automate Revenue Collection of License Fees

The Authority started the automation of its financial systems in October, 2017 as per the contract between the Authority and a local supplier. The ERP was to automate the core functions of licensing and registration, automate corporate support services and payment and related integrations. However, five (5) years since the automation started, the audit revealed that collection of license revenue is still manual. The license fees are deposited directly into revenue account by the clients and the deposit slips forwarded to various the Authority's regional offices for receipting and license issuance.

Further, from the collection method used, it was not possible to timely determine which deposits qualify to be accounted for as revenue from licenses, unless the bank deposit slips are provided by the client to the regional offices. Further, erroneous deposits might be accounted for as license revenue to the Authority.

In the circumstances, the effectiveness of internal controls on revenue collection could not be confirmed.

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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 Authority's financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 controls.
- 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 applicable 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 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 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 controls 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 April, 2023

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2022.**

13. Statement of Financial Performance for the year ended 30 June 2022

REVENUE	Note	2021/2022	2020/2021
Revenue from non-exchange transactions		Kshs.	Kshs.
License Fees	6 (b)	183,506,841	158,609,117
Governments - grants	7 (b)	190,599,000	242,691,250
Deferred Income Recognized	8	<u>3,159,424</u>	<u>34,823,228</u>
		<u>377,265,265</u>	<u>436,123,595</u>
Total revenue			
EXPENSES			
Employee costs	9	199,353,190	192,426,727
Board Expenses	10	14,762,053	14,314,380
Depreciation & Amortization expense	11	26,706,974	23,155,824
Repairs and maintenance	12	4,038,117	2,888,837
		<u>143,284,337</u>	
Use of Goods & Services	13		<u>139,279,831</u>
Total expenses		<u>388,144,671</u>	<u>372,065,600</u>
Surplus (Deficit) for the period		(10,879,407)	64,057,995

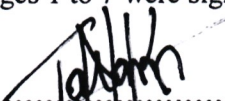
The notes set out on pages 8 to 42 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....


Manager, Finance & Accounts
Nkatha Mugambi

Date: 22/03/2023.....


.....

Director General
Norbert Talam

Date: 23/03/2023.....


.....

Chairperson of the Board
Pauline Muthigani

Date: 23/03/2023.....

*Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022.

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2022.**

14. Statement of Financial Position as at 30 June 2022

ASSETS	Note	2021/2022	2020/2021
Current assets		Kshs.	Kshs.
Cash and cash equivalents	14	176,336,486	174,319,518
Receivables from non - exchange transactions	15	22,761,175	83,352,974
Inventories	16	<u>1,610,204</u>	<u>2,320,853</u>
Total Current Assets		<u>200,707,865</u>	<u>259,993,344</u>
Non-current assets			
Property ,plant and equipment	17	56,511,183	46,028,008
Intangible assets	18	1,873,337	2,388,117
Intangible assets(W.I.P)	18	<u>4,050,000</u>	<u>4,050,000</u>
Total Non-current assets		<u>62,434,521</u>	<u>52,466,125</u>
Total Assets		263,142,386	312,459,469
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	19	12,218,374	31,712,029
Provisions	20	6,352,650	-
Deferred income	22	<u>97,476,148</u>	<u>101,778,172</u>
Total liabilities		<u>116,047,173</u>	<u>133,490,201</u>
Net assets			
Retained Earnings	23(a)	84,660,693	126,503,143
Capital Fund	23(b)	35,809,520	52,466,125
Revaluation Reserve	23(c)	<u>26,625,000</u>	-
Total net assets		<u>147,095,213</u>	<u>178,969,268</u>
Total Net Assets & Liabilities		263,142,386	312,459,469

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

.....
Manager, Finance & Accounts
Nkatha Mugambi,
ICPAK Mbr No:9687

.....
Director General
Norbert Talam

.....
Chairperson of the Board
Pauline Muthigani

Date: 22/3/23.....

Date: 23/03/2023.....

Date: 23/3/2023.....

**Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022*

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2022.**

15. Statement of Changes in Net Assets for the year ended 30 June 2022

		Retained Earnings	Revaluation Reserve	Capital Fund	Total
	Note	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1st July, 2020		40,717,826	-	62,827,403	103,545,229
Remission to National Treasury (90%)		(1,428,503)	-	-	(1,428,503)
Transfer of Depreciation / Amortization from Capital Fund to Retained Earnings		23,155,824	-	(23,155,824)	-
Transfer to Deferred Income		-	-	-	-
Income Capitalized		-	-	12,794,545	12,794,545
Surplus for the year		64,057,996	-	-	64,057,996
As at June 30,2022		126,503,143	-	52,466,124	178,969,267
Balance as at 30th June, 2021		126,503,143	-	52,466,124	178,969,267
Revalued Assets	17	-	35,500,000	-	35,500,000
Remission to National Treasury (90%)		(57,652,196)	-	-	(57,652,196)
Transfer of Depreciation / Amortization from Capital Fund to Retained Earnings	11	26,706,975	(8,875,000)	(17,831,975)	-
Loss on Assets	12	210,078	-	(210,078)	-
Retained earnings Capitalized	17	(227,900)	-	227,900	-
Transfer of Deferred to capital fund	18	-	-	1,142,600	1,142,600
Recurrent Capitalized	17	-	-	14,949	14,949
Surplus(deficit) for the year		<u>(10,879,407)</u>	<u>-</u>	<u>-</u>	<u>(10,879,407)</u>
As at June 30,2022		<u>84,660,693</u>	<u>26,625,000</u>	<u>35,809,520</u>	<u>147,095,213</u>

**Tourism Regulatory Authority
Annual Report and Financial Statements
for the year ended June 30, 2022.**

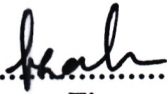
16. Statement of Cash Flows for the year ended 30 June 2022


Cash Flow from Operating Activities	notes	2021/2022	2020/2021
		Kshs.	Kshs.
Receipts			
License Fee	6 (b)	183,521,790	158,609,117
Recurrent Government grants	7	190,599,000	189,006,373
Accrued Grants	15	<u>63,002,125</u>	=
Total Receipts		<u>437,122,915</u>	<u>347,615,490</u>
Payments			
Compensation of employees		193,373,310	189,403,784
Board expenses		15,122,053	13,672,380
Contracted services		6,765,609	5,197,330
Use of goods and services		156,768,504	135,431,166
Repair & Maintenance		4,038,825	2,695,198
Remission to National Treasury (90%)		57,652,196	1,428,503
Total Payments		<u>433,720,497</u>	<u>347,828,361</u>
Net cash flows from operating activities	29	<u>3,402,418</u>	<u>(212,871)</u>
Cash Flow From Investing Activities			
Purchase of property, plant, equipment	17	(242,849)	(12,794,545)
Purchase of intangible assets	18	<u>(1,142,600)</u>	=
Net cash flows used in investing activities		<u>(1,385,449)</u>	<u>(12,794,545)</u>
Cash Flow From Financing Activities		-	-
Increase in deposits		=	=
Net cash flows used in financing activities		=	=
Net increase/(decrease) in cash and cash equivalents		2,016,969	(13,007,415)
Cash and cash equivalents at 1 July 2021		174,319,518	187,326,933
Cash and cash equivalents As At 30 June 2022		176,336,487	174,319,518

**Tourism Regulatory Authority
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TRA presents its cash flow statement using the direct method as recommended in IPSAS 2. For the purposes of these financial statements, cash and cash equivalents includes bank balances and cash at hand for the offices holding approved float for ease of operations.

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....
Manager, Finance & Accounts
Nkatha Mugambi
ICPAK Mbr No:9687
Date: 29/3/23.....


.....
Director General
Norbert Talam
Date: 23/03/2023.....


.....
Chairperson of the Board
Pauline Muthigani
Date: 23/03/2023.....

**Tourism Regulatory Authority
Annual Report and Financial Statements
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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Differences	% of Utilization
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Revenue	a	b	c=(a+b)	d	e=(c-d)	e=d/c*100
Licenses Fee & Arrears	215,000,000	-	215,000,000	183,521,790	31,478,210	85 %
Government grants and subsidies	190,599,000	-	190,599,000	190,599,000	-	100 %
Other Incomes(Deferred recognized)	-	<u>3,159,424</u>	<u>3,159,424</u>	<u>3,159,424</u>	-	100 %
Total income	<u>405,599,000</u>	<u>3,159,424</u>	<u>408,758,424</u>	<u>377,280,214</u>	<u>31,478,210</u>	92 %
Expenses						
Compensation of employees	196,682,592	-	196,682,592	199,353,190	(2,670,598)	101%
Board Expenses	15,000,000	-	15,000,000	14,762,053	237,947	98%
Use of Goods and services	170,830,604	3,409,424	174,240,028	143,284,337	30,955,691	82%
Depreciation & Amortization expense	14,771,399	-	14,771,399	26,706,974	(11,935,575)	181%
Repairs and maintenance	4,590,100	(250,000)	4,340,100	4,038,117	301,983	93%
Income Capitalized	=	=	=	<u>14,949</u>	<u>(14,949)</u>	
Total expenditure	<u>401,874,695</u>	<u>3,159,424</u>	<u>405,034,119</u>	<u>388,159,620</u>	<u>16,874,499</u>	96%
Surplus (Deficit) for the period	3,724,305	-	3,724,305	(10,879,407)		
Capital expenditure	4,125,303	14,949	4,140,252	1,385,449		

**Tourism Regulatory Authority
Annual Report and Financial Statements
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Budget notes

1. As required IPSAS 24.14 to report on variances, TRA had a variance of 8 % between the actual and budgeted revenues resulting from the decline in collected License Fees (A.I.A). This was largely as a result of impact post Covid -19 pandemic where most of the stakeholders are yet to resume operation. Also due to limited resources the Enforcement and Compliance department was not able to enforce their services in a wide coverage as envisaged during the budgeting period. This also had an impact on financing of activities resulting to 82%
2. Based on IPSAS 24.29 There was a change of the original budget and the final budget during the year. This was due to reallocation of budget through the budget implementation committee. Reallocations were to caution the Authority against the shortfall in the revenue realisation and ensure continued execution of critical performance contracting activities.

**Tourism Regulatory Authority
Annual Reports and Financial Statements
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18. 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. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. Its principal activity as outlined under section 7(1) of the Act is to regulate the tourism sector in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

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

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

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

**Tourism Regulatory Authority
Annual Reports and Financial Statements
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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid-19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The Standard had no impact to the Authority.</p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

**Tourism Regulatory Authority
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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The Standard had no impact to the Authority.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard had no impact to the Authority.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The Standard had no impact to the Authority.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p>

**Tourism Regulatory Authority
Annual Reports and Financial Statements
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Standard	Effective date and impact:
	<p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Standard had no impact to the Authority.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The Standard had no impact to the Authority.</p>

iii. *Early adoption of standards*

The Authority did not adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Licenses Fees

The Authority recognizes revenues from License fees, penalty and interest when the event occurs. 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.

Transfers from other government entities

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

TRA annual budget is partially financed using recurrent grants as a subsidy towards the personnel emolument vote. Recurrent grants when received are recognized in the statement performance. Development / capital grants are recognized in the statement of financial position and realised in the statement of performance over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Tourism Regulatory Authority
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

ii) Revenue from exchange transactions

The Authority has no revenue from exchange transactions such as dividends, rental incomes etc.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on June 2021. There were no subsequent revisions or additional appropriations that were made to the approved budget in accordance with specific approvals from the appropriate authorities. Accordingly, the Authority recognised the deferred income amount of Kshs 3,159,424 from the previous year to the budget.

The Authority'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. 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 page 6 and 7 of these financial statements.

Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite. Amortization is calculated on a straight line basis over estimated useful lives not exceeding a period of 5 years. No amortization is charged on work-in-progress.

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

e) Inventories

TRA maintains general inventory for office operations which includes printing and stationery materials, office utilities etc. Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

**Tourism Regulatory Authority
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 Authority.

f) Provisions

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

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

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

g) Nature and purpose of reserves

TRA creates and maintains reserves in terms of specific requirements. The Authority maintains accumulated Reserve and Capital Fund. The Authority also maintains accumulated reserve where all surpluses net of deficits from previous year are accumulated. The fund is also net of any transfers from/ to the accumulated surplus fund.

h) 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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its pensionable employees at the rate of 20% of basic pay and to the National Social Security Fund (NSSF). Contributions to NSSF are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity, 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.

j) Related parties

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 TRA or vice versa. Members of key management are regarded as related parties and comprise the managers, directors, the DG and board of Directors. Balances and transactions between Tourism Regulatory Authority and its related parties have been disclosed as per IPSAS 20 in note 29 of the accounts.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at 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.

For the purposes of these financial statements, cash and cash equivalents comprises of the bank balances held at the commercial banks and the office floats approved for various holders for smooth running of offices.

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Tourism Regulatory Authority 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.

Estimates and assumptions

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

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20

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

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Notes to the Financial Statements (Continued)

6. License Fees

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Received License Fees	178,900,331	154,940,169
Un Received License Fees	<u>4,621,459</u>	<u>3,668,948</u>
Total	<u>183,521,790</u>	<u>158,609,117</u>

6 (b) License Fee

Description	Amount recognized in Statement of Comprehensive Income Kshs.	Amount deferred Kshs.	Amount recognized in capital fund. Kshs.	Total A-I-A during the year Kshs.
Appropriation In Aid (A.I.A)	183,506,841	-	14,949	183,521,790

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 as outlined under the ninth (9th) schedule of Tourism Act, no. 28 of 2011. During the FY under review the Authority had targeted to collect Kshs. 215 Million. However due to closure of many establishment and lack of wide coverage of enforcement and compliance team due to lack of resources, there was a short fall in revenue budgeted by Kshs. 31.4 Million. Also to note, there was un-receipted revenue amounting to Kshs. 11,078,455 from the regional offices. This is attributed to tourism establishments depositing money directly into the bank account and failing to present slips to the respective offices for receipting. From the collected revenue of Kshs 183.5 Million, Kshs 14,949 was capitalised for purchase of capital items at the regional offices.

7. (a) Transfers from Other Government entities

	2021-2022	2020-2021
Unconditional grants	Kshs.	Kshs.
Operational G.o.K Grant	190,599,000	259,664,810
Development Grant	-	-
Total	<u>190,599,000</u>	<u>259,664,810</u>

The grants are as a subsidy to cushion the Authority against limited resources. Its provided to cater for the expenditure towards personnel emolument.

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Notes to the Financial Statements (Continued)

(b) Transfers from Ministries, Departments and Agencies (MDAs)

Entity sending the grant	Amount recognized in Statement of Comprehensive Income	Amount deferred	Amount recognized in capital fund.	Total grants during the year
	Kshs.	Kshs.	Kshs.	Kshs.
State Department of Tourism	190,599,000	-	-	190,599,000

The grants received were used towards the expenditure for personnel emolument and hence fully recognized in the statement of financial performance.

8. Deferred Income

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Deferred Recurrent grants Recognised	3,159,424	34,823,228

This is income from recurrent budget that was deferred in the last FY for carrying out specific activities / programs that had been initiated but had not been completed as at 30th June 2021 and the Authority had not derived economic benefit from these activities. The activities were undertaken / goods and services received during the period under review and hence the income recognized in the income statement.

9. Employee Cost

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Salaries and wages	109,513,785	108,911,090
Employer Contributions to pensions and NSSF	19,105,853	18,830,058
Commuter & travel Allowances	11,935,555	12,979,421
Housing benefits and allowances	41,714,000	41,521,605
Gratuity Paid	4,031,341	3,228,005
Provision for Gratuity	5,882,650	-
Other Employee related Costs	<u>7,170,005</u>	<u>6,956,548</u>
Total Employee costs	<u>199,353,190</u>	<u>192,426,727</u>

**Tourism Regulatory Authority
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Notes to the Financial Statements (Continued)

This is expenditure towards compensation of in post staff for the services rendered and based on the various approved human resource documents such as the salary scales by SRC and Human Resource procedures manuals that addressed items such as leave allowances, Gratuity, transfer allowances among others. The annual increment from Kshs. 192.4Million to Kshs. 199.3 Million is due to the annual basic salary incremental and provision for gratuity of staff who are under long term contract.

10. Board Expenses

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Chairman's Honoraria	960,000	960,000
Sitting Allowances	6,620,000	6,180,000
Medical Insurance	432,781	390,593
Induction and Training	310,823	1,528,000
Travel & Accommodation	5,754,752	4,487,622
Other allowances	<u>683,698</u>	<u>768,165</u>
Total	<u>14,762,053</u>	<u>14,314,380</u>

This refers to expenses and facilitation of Board of Directors in the activities and programs towards management of the Authority. Detailed analysis of the activities held by directors during the period under review is outline under page xxxiii and xxxvi.

11. Depreciation and Amortization

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Property, plant and equipment	25,049,596	21,721,364
Intangible assets	<u>1,657,379</u>	<u>1,434,459</u>
Total	<u>26,706,974</u>	<u>23,155,823</u>

This is the estimated reduction in the value of asset over time, due to wear & tear and amortization of the Assets owned by the Authority both tangible and intangible. The depreciation is applied on a reducing balance basis over the estimated useful life of an asset. A full year's depreciation is charged in the year of acquisition and none on the year of disposal. The depreciation and amortization charge for the year are as computed under note 17 and 18 respectively.

**Tourism Regulatory Authority
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Notes to the Financial Statements (Continued)

The Authority also had minimal additional capital items due to constrained resources and directive on procurements of the same. During the year under review only 4.1M was approved towards funding of capital items.

12. Repair and Maintenance

	2021-2022	2020-2021
Description	Kshs.	Kshs.
General Repairs	202,410	191,158
M/Vehicles	<u>3,835,707</u>	<u>2,697,679</u>
Total	<u>4,038,117</u>	<u>2,888,837</u>

The expenditure on the repairs and Maintenance has increased from previous year due to high wear and tear on the Motor Vehicles over their useful life. The vehicles had been revaluated after completion of their useful life as the Authority was still drawing economic benefit from their usage.

13. Use of Goods and Services

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Utilities	530,378	477,173
Communication Expenses	2,864,246	2,252,544
Travelling & Subsistence	10,072,037	11,391,218
Advertising Expenses	1,275,688	1,078,963
Publicity & CSR	1,972,023	595,390
Corporate Expenses	4,140,660	3,660,629
Newspapers & Periodicals	486,401	396,901
Tourism standards & Quality Assurance	5,363,016	8,971,260
Rent & Rates	41,490,199	31,819,769
Printing and stationery	2,383,216	2,382,940

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Hospitality Services	3,825,877	2,569,872
Inspection and Enforcements	20,700,920	20,582,600
Contracted Services	6,883,703	6,353,079
Internet & ICT Consumables	2,634,369	2,759,064
Fuel , Oil & Lubricants	4,004,942	3,690,200
Annual Tourism Status Report	1,904,000	4,579,250
Staff Development & Welfare	2,531,640	2,042,296
Covid-19 Related Expenses	162,281	1,106,333
Professional Services	2,313,200	419,800
Bank Charges & Commissions	467,883	455,181
Insurances	27,067,580	31,695,370
Loss of Asset	<u>210,078</u>	=
Total use of goods	<u>143,284,337</u>	<u>139,279,831</u>

These are expenses relating to the general day to day running of the Authority including utility bills, contractual obligations, general administration and the implementation of core mandate activities. These are programmes relating to Quality Assurance, development of standards, enforcement and compliance and preparation of the Annual Tourism Sector Status Report. The reported expense on loss of Asset refer to asset lost during the period under review. These were assets that were reported to the insurance and upon receipt of compensation from the insurance, this will be treated as an income in the year received.

14. Cash and Cash Equivalent

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Current account	175,994,305	173,995,383
Others(specify) Cash In hand	<u>342,182</u>	<u>324,135</u>
Total	<u>176,336,487</u>	<u>174,319,518</u>

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Notes to the Financial Statements (Continued)

14. (b) Current account	2021-2022	2020-2021
Financial institution	Kshs.	Kshs.
Kenya Commercial bank: ACC- 1178921034	25,456,771	61,502,853
Cooperative bank of kenya:ACC-01141173587300	<u>150,537,534</u>	<u>112,492,530</u>
Sub- total	<u>175,994,305</u>	<u>173,995,383</u>

The cash and cash equivalents represent the liquidity the Authority had as at the closure of the FY both at the bank and float balances that have been approved and issued to regional offices and units as per the policy for the smooth running of the operations. The Authority operates two bank accounts as listed above, where Cooperative Bank is the Operational Account while the Kenya Commercial Bank is the revenue collection account.

15. Receivables from Exchange Transactions (Current)

	2021-2022	2020-2021
Current Receivables	Kshs.	Kshs.
Prepayment for Fuel & Oil	242,449	806,248
Prepaid Insurances	21,518,244	18,560,221
Debtors	1,000,482	984,380
Accrued Income	<u>-</u>	<u>63,002,125</u>
Total Current Receivables	<u>22,761,175</u>	<u>83,352,974</u>

The above relates to resources / revenues or incomes due to the organizations for services or goods yet to be received. Transactions such as the deposits help to ensuring that key services are carried out without any delays or shortfalls. The decrease from Kshs. 83.3 Million to Kshs. 22.7 Million was due to recurrent grants of Kshs. 63,000,000 Million grants for the 4th Quarter of FY 2020-21 which the Authority had not received from the parent Ministry as at closure of FY but accrued for the period in which they related to.

16. Inventories

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Consumable Items	1,610,204.14	2,320,852.60

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Notes to the Financial Statements (Continued)

These are storable office supplies that are used by the staff in day-to-day operations and requisitioned on need basis. Procurement to replenish the inventory is based on reorder levels in line with the approved procurement plan and upon requisition.

**Tourism Regulatory Authority
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Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

	Motor vehicles	Furniture & Fitting	Office Equipment	Computers & other ICT electronics	Total
<u>Cost</u>	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1st July 2020	47,717,800	56,605,330	4,518,009	12,109,660	120,950,799
Additions	-	958,868	1,047,820	10,787,857	12,794,545
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2021	47,717,800	57,564,198	5,565,829	22,897,517	133,745,344
Additions	-	67,900	160,000	14,949	242,849
Disposals	-	-	-	-	-
Transfer/adjustments	<u>35,500,000</u>	-	-	<u>(315,117)</u>	<u>35,184,883</u>
At 30th June 2022	<u>83,217,800</u>	<u>57,632,098</u>	<u>5,725,829</u>	<u>22,597,349</u>	<u>169,173,076</u>
<u>Depreciation & Impairment</u>					
At 1st July 2021	44,261,550	26,619,657	2,389,705	14,446,424	87,717,336
Depreciation	12,331,250	7,247,534	715,729	4,755,083	25,049,596
Transfer/adjustments	-	-	-	<u>(105,039)</u>	<u>(105,039)</u>
At 30th June 2021	<u>56,592,800</u>	<u>33,867,191</u>	<u>3,105,433</u>	<u>19,096,468</u>	<u>112,661,893</u>
Net book values					
At 30 June 2022	26,625,000	23,764,907	2,620,396	3,500,880	56,511,183
At 30 June 2021	3,456,250	30,944,541	3,176,124	8,451,093	46,028,008

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Notes to the Financial Statements (Continued)

During the financial year under review, the Authority lost some asset through theft and accumulated depreciation together with the net book value of the asset were hence removed from the books. The net book value was treated as a loss and factored in under expenses for reporting purposes while the accumulated depreciation was written off.

Valuation

TRA carries out valuation of its assets both tangible and intangible in order to ascertain the value for use / reporting on specific asset based on need basis such as zero net book value and the Authority is still drawing economic benefits from them. During the period under review Motor vehicles for the Authority were valued in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30th June 2020) after having fully depreciated. However, the Authority was still drawing economic value from them. The cost of revaluation was Kshs 35,000,000 and this amounts was adopted on 1st July 2021.

17. (b) Property, Plant and Equipment at Cost

If the assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles	83,217,800	56,592,800	26,625,000
Computers And Related Equipment	22,597,349	19,096,469	3,500,880
Office Equipment, Furniture and Fittings	<u>63,357,927</u>	<u>36,972,624</u>	<u>26,385,303</u>
Total	<u>169,173,076</u>	<u>112,661,893</u>	<u>56,511,183</u>

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
	Kshs	Kshs
Motor Vehicles	35,500,000	8,875,000
Computers and Related Equipment	<u>12,109,660</u>	<u>4,036,553</u>
Total	<u>47,609,660</u>	<u>12,911,553</u>

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Notes to the Financial Statements (Continued)

18. Intangible Assets

Description	2021-22	2020-21
Cost	Kshs.	Kshs.
At beginning of the year	7,172,293	7,172,293
Additions During the year	1,142,600.00	-
At end of the year	8,314,893	7,172,293
Work In progress	<u>4,050,000</u>	<u>4,050,000</u>
Total Cost At end of the year	<u>12,364,893</u>	<u>11,222,293</u>
Amortization and impairment		
At beginning of the year	4,784,176	3,349,718
Amortization During Yr. 21/22	<u>1,657,379</u>	<u>1,434,459</u>
Total Amortization At end of Yr. 21/22	<u>6,441,555</u>	<u>4,784,176</u>
NBV As At 30 June 2021	5,923,338	6,438,117
Work In Progress As At 30 June 2022	4,050,000	4,050,000
NBV As At 30 June 2021	<u>1,873,338</u>	<u>2,388,117</u>
Total Intangible Asset	<u>5,923,338</u>	<u>6,438,117</u>

Work In Progress (W.I.P)

TRA purchases property plant and equipment (PPE) and intangible assets for use in its operations. An asset that is not ready for use (still being developed and/ or not delivered) at the reporting date is considered as work in progress (WIP). The assets are shown in PPE & Software movement schedules but are only capitalized on delivery or full installation. The WIP assets are recognized at cost; they are not depreciated or amortized. The depreciation and amortization start on the capitalization date. The reported W.I.P under the intangible assets comprises of the ongoing project on Automation of TRA services under phase II

**Tourism Regulatory Authority
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Notes to the Financial Statements (Continued)

19. Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Trade payables (Merchants)	5,833,031	9,526,365
Employee Payable	3,402,174	3,664,944
Accruals	<u>2,983,170</u>	<u>18,520,720</u>
Total	<u>12,218,375</u>	<u>31,712,029</u>

The trade payables are present obligations of the entity arising from past events/ programmes or activities. Their settlement is expected to result in an outflow of liquidity in the subsequent period. The Accruals refers to expenses that have been recognized in the books but are yet to be settled since there are in process. These expenses are recorded in the accounting period in which they are incurred in line with general principles of accounting.

20. Current Provisions

Description	Gratuity Provision	Audit Fees Provision	Total
	Kshs.	Kshs.	Kshs.
Balance B/f	-	-	-
Additional Provisions	5,882,650	470,000	6,352,650
Over provision Reversed	-	-	-
Provision Utilized	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>5,882,650</u>	<u>470,000</u>	<u>6,352,650</u>

Provisions are recognized when TRA has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits or Service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. TRA currently has two kind of provision;

- i. Provision for gratuity for staff on contracts- estimated based on the basic salary in line with the approved terms and conditions of service
- ii. Provision for audit fees based on uncharged audit fees from the statutory audit by the office of the Auditor General

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Notes to the Financial Statements (Continued)

21. Employee Benefit Obligations

Retirement benefit Asset/ Liability

TRA operates a defined contribution benefit scheme for all permanent & pensionable employees. Under this scheme the member's and employer' contributions are fixed at a percentage (10% & 20% respectively) of the pensionable earnings. The current contributions are managed under umbrella scheme by CIC. The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. TRA's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month. As at closer of the FY 2021-2022 the Authority had remitted all contributions in relation to both pension and NSSF hence had no outstanding retirement benefit obligation.

22. Deferred Income

	2021-2022	2020-2021
22.(a) Description	Kshs.	Kshs.
G.o.K Deferred Recurrent	70,801,483	73,960,907
G.o.K Deferred Capital	<u>26,674,665</u>	<u>27,817,265</u>
Total	<u>97,476,148</u>	<u>101,778,172</u>

22(b) Deferred income movement is as follows;

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Balance Brought Forward	101,778,171	140,078,695
Additions: For the year	-	7,656,313
Transfer to capital fund	(1,142,600)	(11,133,608)
Transfer to Income Statements	<u>(3,159,424)</u>	<u>(34,823,228)</u>
Balance Carried Forward	<u>97,476,147</u>	<u>101,778,171</u>

The deferred income relates to funds transferred from the income statement under government grants and appropriation funds (A.I.A) to the deferred income accounts. These grants relate to funds received in the year but for which the specific programme / activity had not been implemented and/or was ongoing. Hence the total element of deferred amount is reduced from the revenue accounted in that particular year and recognized in the year its utilized.

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Notes to the Financial Statements (Continued)

23. Net Assets

23.(a) Retained Earnings

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Balance b/f	126,503,143	40,717,826
Additions		
Remission to KRA (90%) Surplus	(57,652,196)	(1,428,502)
Transfer of Depreciation	26,706,975	23,155,823
Loss of Asset	210,078	-
Retain Earnings Capitalized	(227,900)	-
Surplus (Deficit) for the period	<u>(10,879,407)</u>	<u>64,057,996</u>
Total Accumulated Fund	<u>84,660,693</u>	<u>126,503,143</u>

23.(b) Capital Fund

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Balance b/f	52,466,126	62,827,403
Deferred Income Capitalized	1,142,600	12,794,545
Retain Earnings Capitalized	227,900	-
Recurrent Capitalized	14,949	-
Loss of Asset	(210,078)	-
Transfer of Depreciation to Retain Earnings	<u>(17,831,975)</u>	<u>(23,155,823)</u>
Total Capital Fund	<u>35,809,522</u>	<u>52,466,126</u>

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Notes to the Financial Statements (Continued)

23.(c) Revaluation Reserves

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Balance b/f	-	-
Revalued Assets	35,500,000	-
Transfer of Depreciation to Retain Earnings	<u>(8,875,000)</u>	-
Total Capital Fund	<u>26,625,000</u>	<u>-</u>

24. Cash Generated from Operations

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Surplus (Deficit) for the year before tax	(10,879,407)	64,057,996
Adjusted For:		
Depreciation & Impairment	26,706,974	23,155,824
Loss of Asset	210,078	-
Contributed Assets	1,370,500	11,133,608
Contribution to provisions	6,352,650	-
Working Capital Adjustments		
(Increase) / Decrease in Inventory	710,649	(124,413)
(Increase) / Decrease in Receivables	(2,410,327)	(2,485,449)
Increase / (Decrease) in Payables	(19,443,835)	5,070,296
Increase / (Decrease) in Deferred Income	(4,302,024)	(36,872,020)
Increase / (Decrease) in Employee Payables	(262,770)	281,916
(Increase) / Decrease in Accrued Income	63,002,125	(63,002,125)
Cash outflow 90% Surplus to National Treasury	<u>(57,652,196)</u>	<u>(1,428,503)</u>
Net Cash from Flow from Operating Activities	<u>3,402,418</u>	<u>(212,870)</u>

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Notes to the Financial Statements (Continued)

25. Financial Risk Management

The Authority activities exposes it to a variety of financial risks such as liquidity risks. TRA'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. TRA does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

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

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

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

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

Description	Total Amount Kshs.	Fully Performing Kshs.	Past Due Kshs.	Impaired Kshs.
As At 30 June 2022				
Receivable from non-Exchange Transactions			-	
Prepayments	21,760,693	21,760,693	-	-
Bank Balances	<u>176,336,487</u>	<u>176,336,487</u>	-	-
Total	<u>198,097,180</u>	<u>198,097,180</u>		-

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Notes to the Financial Statements (Continued)

As At 30 June 2021			-	
Receivable from non-Exchange Transactions			-	-
Prepayments	19,366,469	19,366,469	-	-
Bank Balances	<u>174,319,518</u>	<u>174,319,518</u>	-	-
Total	<u>193,685,986</u>	<u>215,215,966</u>	-	-

The board of directors sets the TRA's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. TRA is currently implementing a licensing module which will aid in better management of debtors hence well accountable receivables.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the TRA's directors, who have built an appropriate liquidity risk management framework for the management of the Authority'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 TRA under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Liquidity risk management

Description	Less than 1 Month Kshs.	Between 1-3 Months Kshs.	Over 5 Months Kshs.	Total Kshs.
As At 30 June 2022				
Trade Payables	3,408,984	316,079	2,107,910	5,832,973
Provisions	6,352,650	-	-	6,352,650
Deferred Income	-	-	97,476,148	97,476,148
Employee Benefit Payable	<u>3,402,174</u>	<u>-</u>	<u>-</u>	<u>3,402,174</u>
Total	<u>13,163,809</u>	<u>316,079</u>	<u>99,584,058</u>	<u>113,063,946</u>

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As At 30 June 2021

Trade Payables	2,587,363	3,989,787	2,949,215	9,526,365
Deferred Income - Recurrent	7,656,313	-	94,121,859	101,778,172
Employee Benefit Obligation	<u>3,664,944</u>	<u>-</u>	<u>-</u>	<u>3,664,944</u>
Total	<u>13,908,620</u>	<u>3,989,787</u>	<u>97,071,074</u>	<u>114,969,481</u>

Financial Risk Management

i) Market risk

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

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

TRA Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

iv) Capital Risk Management

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

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Retained Earning	84,660,749	126,503,143
Capital Reserves	-	52,466,125
Revaluation Reserve	<u>26,625,000</u>	<u>-</u>
Total Funds	<u>147,095,270</u>	<u>178,969,268</u>

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Total Borrowings	-	-
Less Cash & Bank Balances	<u>176,336,487</u>	<u>174,319,518</u>
Net Debt (Excess Cash & Cash Equivalents)	<u>(29,241,216)</u>	<u>4,649,750</u>
Gearing Ratio	19.88%	2.60%

29 Related Party Disclosures

Nature of related party relationships

TRA 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 TRA, or vice versa. The Board of Directors and Members of key management are regarded as related parties and comprise the Director General, directors and senior managers.

Government of Kenya

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

- i) The Ministry of Tourism and Wildlife (The Parent Ministry)
- ii) Board of directors.
- iii) Key management.

Description	2021-2022 Kshs.	2020-2021 Kshs.
(a) Grants from the Government		
Recurrent Grants	190,599,000	259,664,810
(b) Key Management Compensation		
Compensation to Director General	3,161,688	4,916,210
Compensation to Directors	12,749,277	8,508,335
Compensation to Key Management	<u>32,564,847</u>	<u>31,554,815</u>
Sub - Total	<u>48,475,813</u>	<u>44,979,360</u>
Total	239,074,813	304,644,170

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30 Surplus Remission

In accordance with the legal notice no 90 of 13th June 2019, the Cabinet secretary for The National Treasury amended Regulations 219 (2) of the Public Financial Management Act, and provided 31st October as the due date for remittance of 90% of the surplus funds reported by the management in the Unaudited Financial statements after the end of each financial year. The Authority remitted **Kshs 57,652,196** being 90% of surplus for FY 2020/21

The Surplus Remission has been computed as follows:

	2021-2022	2020-2021
	Kshs.	Kshs.
Surplus / (Deficit) For The Period	(10,879,407)	64,057,995
Less: Allowable deductions by NT	<u>-</u>	<u>-</u>
90% Computation	<u>(9,791,466)</u>	<u>57,652,196</u>

Surplus Remission Payable

	2021-2022	2020-2021
	Kshs.	Kshs.
Payable at Beginning of the Year	57,652,196	1,428,503
Paid during the year	<u>(57,652,196)</u>	<u>(1,428,503)</u>
Payable at the end of the year	<u>-</u>	<u>=</u>

31 Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent Liabilities	777,200	0
Court Case ELRC PET/E028/2022 LUCY SEREM -VS- TOURISM REGULATORY AUTHORITY & 3 OTHERS		
Total	777,200	-

This is a case on account of a disciplinary initiated against Ms. Lucy Serem staff P/NO 2010001155 who had been cited by the Management severally on account of insubordination. The officer was issued with a show cause letter in February, 2022 and filed a suit ELRC PET/E028/2022 LUCY SEREM -VS- TOURISM REGULATORY AUTHORITY & 3 OTHERS challenging the show cause letter, the matter is ongoing.

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32 Events after the Reporting Period

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

33 Ultimate and Holding Entity

TRA is a State Corporation under the Ministry of Tourism and Wildlife. Its ultimate parent is the Government of Kenya.

34 Currency

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


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2022/06/30

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	Variance in Revenue from Non-Exchange Transactions	The ERP has been implemented through various phases of different module and is due for completion by end of next FY. The completed system will see other areas such as upgrades being addressed including revenue reporting.	Not Resolved	30.06.2023
N/A	Over Expenditure on Board expenses	The approval was sought from the relevant Authorities and granted.	Resolved.	N/A
N/A	Lack of Approved Information and Communication Technology Strategic plan	Lack of substantive board in place had affected the finalisation of the IT Strategic plan which is in draft form. However, this will be addressed as a matter of priority in the next FY	Not Resolved	30.06.2023
N/A	Delayed Implementation of Enterprise Resource Planning (ERP) System	The setting up of infrastructure on which ERP is dependent upon to function at full capacity has been over the years affected by lack of resources. However, the Authority is reviewing its ICT Policy to address this challenge gradually and have the system up and running.	Not Resolved	30.06.2023


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Director General

Norbert Talam

Date: 23/07/2023

**Norbert Talam was appointed the Director General of the Authority effective 22nd July 2022*

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Appendix 11: Transfers from Other Government Entities

Name of the MDA Transferring Funds	Date Received as per the bank statement	Nature	Amount Kshs.	Statement of Financial Performance	Where recognized				Total Kshs.
					Capital Fund	Deferred Income	Receivables	Others	
State Dept'. for Tourism	31.08.2021	Recurrent	15,883,250	15,883,250	-	-	-	-	15,883,250
State Dept'. for Tourism	01.10.2021	Recurrent	31,766,500	31,766,500	-	-	-	-	31,766,500
State Dept'. for Tourism	28.10.2021	Recurrent	31,766,500	31,766,500	-	-	-	-	31,766,500
State Dept'. for Tourism	10.12.2021	Recurrent	15,883,250	15,883,250	-	-	-	-	15,883,250
State Dept'. for Tourism	22.03.2022	Recurrent	31,766,500	31,766,500	-	-	-	-	31,766,500
State Dept'. for Tourism	20.04.2022	Recurrent	15,883,250	15,883,250	-	-	-	-	15,883,250
State Dept'. for Tourism	22.06.2022	Recurrent	15,883,250	15,883,250	-	-	-	-	15,883,250
State Dept'. for Tourism	29.06.2022	Recurrent	15,883,250	15,883,250	-	-	-	-	15,883,250
State Dept'. for Tourism	30.06.2022	Recurrent	<u>15,883,250</u>	<u>15,868,301</u>	<u>14,949</u>	-	-	-	<u>15,883,250</u>
Totals			<u>190,599,000</u>	<u>190,584,051</u>	<u>14,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,599,000</u>

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Appendix 111- Inter-Entity Confirmation Letter

TRA wishes to confirm that amounts disbursed as at 30th June 2022 is as indicated in the table as per the attached letter from State Department of Tourism. The Authority is yet to receive a confirmation of the same from the State Department of Tourism