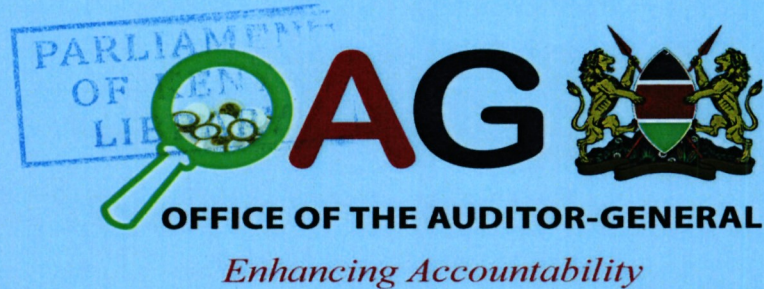


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
PAPER T A D

DATE: 15 FEB 2023

REPORT

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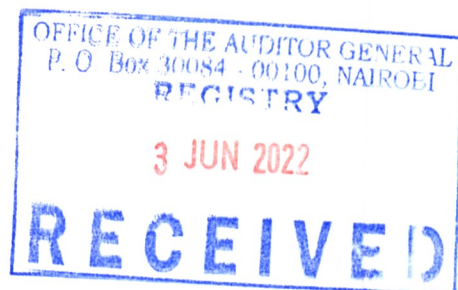
OF

THE AUDITOR-GENERAL

ON

TOURISM FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**



TOURISM FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2021**

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



Vision

To be the ultimate source of funding for sustainable development of the tourism industry in Kenya

Mission

To diversify the resource base for financing development of a sustainable tourism industry through innovation, service excellence and stakeholders engagement.

Core Values

Teamwork
Customer Focus
Integrity
Accountability
Professionalism
Innovation
Equity

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

Tourism Fund is a statutory body established by an Act of Parliament under Section 66 of The Tourism Act, 2011. Tourism Fund is domiciled in Kenya and has branches in Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, Nyeri and a satellite office in Garissa. The Tourism Act, 2011, documents the Fund's object and purpose as follows:

- a) Finance the development of Tourism Products and Services;
- b) Finance the marketing of Kenya as a tourist destination through the Kenya Tourism Board;
- c) Finance the activities of the Protection Service;
- d) Finance the Tourism Research, Tourism Intelligence and the National Tourism Information Management System;
- e) Finance the activities of the Tourism Sector Safety, Communication and Crisis Management Centre to be established and managed by the Ministry;
- f) Finance training and capacity development activities of the College and of such other tourism hospitality training institutions as may be established under this Act; and
- g) Mobilize resources to support tourism-related activities.

The Fund's organization structure is at two levels, namely, the Governance and, Management structures. The Fund has a Board of Trustees at the governance level and a management led by a CEO.

(b) PRINCIPAL ACTIVITIES

Mandate

Mobilize resources to finance the development of a sustainable tourism industry in Kenya.

Vision

To be the ultimate source of funding for the sustainable development of Tourism Industry in Kenya.

Mission

To diversify the resource base for financing development of a sustainable tourism industry through innovation, service excellence and stakeholder engagement.

Core Values

Team work: To create one family to deliver.

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Customer Focus: Meet and surpass expectations of all our customers.

Integrity: To uphold good conduct and ethics in all our operations.

Accountability: Transparent and socially responsible.

Professionalism: Committed to excellence through continuous improvement

Innovation: To promote and reward creativity and embrace best practices in service delivery.

Equity: Committed to fairness in all our undertakings

(c) KEY MANAGEMENT

Tourism Fund's day-to-day management is under the following key organs:

- Board of Trustees;
- Chief Executive Officer
- Directorate
- Management

(d) FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	David K. Mwangi
2.	Director Corporate Services	Lilians Wafukho
3.	Director Levy Services	Charles Okeyo
4.	Director Strategy, Risk & Resource Mobilisation	Eden Odhiambo
5.	Manager Finance & Accounts	Jennifer Chege
6.	Corporate Communications Marketing Manager	Patricia Ondeng
7.	Manager Supply Chain Management	Kevin Mungasio Kasaine
8.	Manager Internal Audit	Abraham Kiprono Kiptum
9.	Ag. Manager Human Resources & Administration	George Machooka
10.	Ag. Manager ICT	Isaiah Rutto

(e) FIDUCIARY OVERSIGHT ARRANGEMENTS

i) Committees of the Board

The Board has four standing committees that meet under the terms of reference set out by the Board namely:

ii) Finance & Strategy Committee

The Finance & Strategy Committee has the role of assisting the Board of Trustees to discharge its role and functions in matters relating to financial sustainability, proper stewardship of

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organization's assets, governance, performance contracting and procurement. The Committee oversees the development of annual budgets that support strategic plan, the approval of budgets and monitor adherence to the budget to ensure budgeted expenditures and incomes are on track. The committee require management to prepare and present financial statements and reports and subsequently submit to relevant government bodies within the statutory timelines. Ensure policies, procedures and financial controls for financial transactions are documented, reviewed and updated as per changing needs and followed by staff

The Committee also reviews procurement policies and practices ensuring that they are in compliance with current laws, regulations and recognized good practices. Ensure Procurement Plan is in place, is within approved budgets and is executed effectively and efficiently. The committee oversee development and implementation of the Strategic Plan, review strategic direction and initiatives.

The members are: CPA Caroline Ng'ang'a (Chairperson), John Macharia, Peter Ngori, Biko Gwendo, Geoffrey Kibanda and Kiprop Chirchir.

iii) Audit and Risk Assurance Committee

The Audit Risk Assurance Committee plays a key role in providing oversight of TF's governance processes, risk management and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its roles by providing an independent oversight to the Board of Trustees. The committee is responsible for reviewing audit reports, compliance with relevant laws, procedures and standards, quality of financial reporting and oversight on internal controls among others. The Committee is also responsible for reviewing, approval or recommendation for Board approval of policies and procedures from Internal Auditors reports, Management letter and Management's responses to the Auditor General's findings and recommendations and review of the enterprise risk management framework.

During the FY under review the following were the members are: Abdulhakim Saleh Balala (Chairperson), CPA Caroline Ng'ang'a, Kiprop Chirchir, Peter Ngori, John Macharia, Geoffrey Kibanda and James Wangombe.

iv) Staff and Technical Committee

This Committee is responsible for review, approval or recommend for Board approval of policies and procedures in relation to human resource management & development, ICT, legal services, strategy, corporate communication and procurement. The committee is also responsible for monitoring and appraising the performance management, review of human resource policies and making recommendations on issues to do with general staff welfare to the board.

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The members are: Mr. Kiprop Chirchir (Chairperson), Biko Gwendo, John Macharia, CPA Caroline Ng'ang'a, Susan Ongalo, James Wangombe and Abdulhakim Saleh Balala.

v) *Revenue Management and Projects Committee*

The committee is responsible for monitoring and appraising projects. The Committee reviews periodic reports to ensure quality of projects.

The members are: Biko Gwendo (Chairperson), Susan Ongalo, John Macharia, Geoffrey Kibanda, James Wangombe and Mr. Abdulhakim Saleh Balala

(f) Entity Headquarters

Tourism Fund, Valley Road, 5th Floor,
P.O Box 46987-00100, Nairobi, Kenya
Tourism Fund Building
Bishop Road
Tel: 020-2714900/1/2
Website: www.tourismfund.co.ke

(g) Regional offices:

Nairobi North Regional office and Nairobi South Regional office,

Tourism Fund, Valley Road, 3rd and 4th Floor.
P.O Box 46987-00100, Nairobi, Kenya.
Tel: 020-2730708

Mombasa Regional Office

Pereira Building 3rd Floor Machakos Road.
P.O. Box 99832-80100 Mombasa, Kenya.
Tel: 041-220493

Kisumu Regional Office

Reinsurance Plaza 7th Floor Oginga Odinga Road
P.O. Box 1406-40100 Kisumu, Kenya
Tel: 057-2022247

Nakuru Regional office

Generation House, 2nd Floor, Kenyatta Avenue
P.O. Box 2812-20100 Nakuru, Kenya
Tel: 051-2215660

Nyeri Regional office

Sohan Plaza 4th Floor Nyayo Road

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P.O Box 348-10100 Nyeri, Kenya
Tel: 061-2030778

North Rift Regional Office

KVDA Plaza
P.O Box 348-10100 Nyeri, Kenya
Tel: 061-2030778

(h) Entity Bankers

Kenya Commercial Bank
K.I.C.C Branch, Harambee Avenue
P.O. Box 48400-00100 Nairobi.

National Bank of Kenya Ltd,
Harambee Avenue Branch.
P.O Box 73866-00100 Nairobi

Co-operative Bank of Kenya Ltd
Parliament Road Branch.
P.O Box 5772-00200 Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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2. THE BOARD OF TRUSTEES

Ref	Directors	Details
1.	 Alphonse Kioko	Mr. Alphonse Kioko was appointed as the Chairman of the Board of Trustees of Tourism Fund in May 2019. Mr. Alphonse Kioko is a graduate of Harvard Business school Advanced Management programme (Amp). He also holds a Bachelor's Degree in Economics and Masters in Planning from University of Nairobi. He has done other management programmes from Cape town Business School in South Africa and Maastricht university in Netherlands. He has held various senior management positions both locally and abroad. He joined Kenya Airways in 1989 as a management trainee and rose to the position of Regional General Manager Middle East and Asia based in Dubai. He was Group managing Director & CEO for precision Air Tanzania for 10years. He is a businessman and a consultant.
2.	 Peter Ngori.	Mr Peter Ngori was appointed to Board of Tourism Fund in 2017. Mr Ngori has wealth of experience in Tourism Industry that spans to over 40 years. He holds Advanced Diploma in Hotel Management and Diploma in Hotel Management.

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3	 Geoffrey Kibanda	Mr. Geoffrey Kibanda was appointed as Alternate Trustee of Tourism Fund in 2020. Mr. Kibanda has over 28yrs wealth of experience in government. He holds MBA, Bachelors of Arts in History and Government and higher Diploma in Human Resource.
4	 CPA Caroline Ng'ang'a	Ms Caroline Ng'ang'a was re-appointed to the Board of Tourism Fund in 2019. She holds Bsc Statistics, MBA (Strategic Management Option) and CPA (K). She is also a member of ICPAK, Institute of Internal Auditors and Associate member of Chartered Institute of Arbitrators.
5	 Kiprop Chirchir	Kiprop Chirchir is a leading entrepreneur and a business man. He previously worked with Nation Media Group as a Marketer. Mr Kiprop is a graduate of Moi University from where he attained Bachelor of Business Management. Mr. Chirchir was re-appointed to the Tourism Fund board in 2019.

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6.	 Abdul Hakim Balala	Mr Abdul Hakim Balala was appointed to the Board of Tourism Fund in February 2019. He has experience in Hospitality and Banking industry that spans to over 30 years.
7	 Susan Ongalo	Ms Susan Ongalo was appointed to the Board of Tourism Fund in February 2019. Ms Ongalo has wealth of experience in Tourism Industry. She holds Bachelor of Leadership and Management in International Relations, Diploma in Occupational Health and Diploma in Public Relations. She is an Associate member of AIGM. She is currently pursuing a Masters in Arts - Ethics in Organizational Leadership. She is currently the Chief Executive Officer of Kenya Tourism Federation.
8.	 Biko Gwendo	Mr. Biko Gwendo was appointed to the Board of Tourism Fund in February 2019. He is the Executive Director at the International Research and Development Actions (IRDAC) and has worked in the field of Project Cycle Management for over 15 years. Mr Biko has been a consultant for the Ford Foundation's Office for Southern Africa office and Eastern Africa office. He has consulted for the United Nations, European Union, Deloitte East Africa, Palladium International and Australian Agency for International Development, County Governments and the Government of Kenya. He holds MA in Economics and International Development and is a keen stakeholder in the hospitality industry in Kenya.

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9.	 John Kibe Macharia	Mr. John Kibe Macharia was appointed as Alternate Trustee of Tourism Fund in 2020. Mr Macharia holds a Masters in Education and Degree in administration and planning.
10.	 David K. Mwangi Ag. Chief Executive Officer	Mr David Mwangi joined Tourism Fund in the year 2008 as a Management Trainee. Prior to his appointment as the Acting Chief Executive, Mr Mwangi had served as a Regional Manager for a period of seven years. He holds Masters in Business Administration (Finance option) from Kenyatta University and a Bachelor's degree in Business & Banking (Egerton University)
11.	 Margaret Jepkoech Ag. Corporate Secretary & Legal Services Manager	Ms Margaret Jepkoech joined Tourism Fund then Catering Levy Trustees in 1993 as Levy Officer. Ms. Margaret holds Bachelor of Law (LLB), Post Graduate Diploma in Law (Kenya school of Law).She is also a member of Law Society of Kenya (LSK). She is currently pursuing Masters in Peace & Conflict Management

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3. MANAGEMENT TEAM

The Management comprises of the Chief Executive Officer, three directorates, 8 departments at the headquarters and offices in five regions headed by Regional Manager

	Management	Details
1.	 David K. Mwangi Ag. Chief Executive Officer	Mr David Mwangi joined Tourism Fund in the year 2008 as a Management Trainee. Prior to his appointment as the Acting Chief Executive, Mr Mwangi had served as a Regional Manager for a period of seven years. He holds Masters in Business administration (Finance option) from Kenyatta University and a Bachelor's degree in Business & Banking(Egerton University)
2.	 Lilians Wafukho Director Corporate Services	Ms. Lilians Wafukho has MBA (Finance/Operations Management), B Com (1st Class Hons) (Accounting), CPA (K) and is a member of ICPAK, AWAK, AAPAM & KIM She has a Diploma in Purchasing & Supplies Management (KIM), is a Certified Monitoring & Evaluation, M&E specialist (KIM), She has over 18 years' experience in Financial Planning, Management & Reporting.
3.	 Charles Okeyo Director of Levy Services.	Mr Charles Okeyo was appointed as Acting Director Levy Services in 2018 and confirmed in January 2021. Mr Charles Okeyo is a graduate of Bachelor of Arts Economics from the University of Nairobi. He also holds bachelor of Law degree from University of Nairobi. Prior to his appointment Mr Okeyo was the head of Levy services for a period of 5 years. He joined Tourism Fund then Catering Levy Trustees in 1994 as a management trainee.

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4.	 Eden Robinson Odhiambo Director Strategy and Resource Mobilization	Mr. Eden holds a Bachelor of Arts (Economics) with 29 years' experience in Revenue Management. He is a trained and gazetted Prosecutor and Investigator. Previously Head of Levy Operations for 15 years. A Board Member of Cedar Holdings Ltd and Patron of Kamondi School. Has worked as Managing Partner of Greenpoint Exporters Ltd and Lev Investment Ltd for 5 years. Has attended The Dale Carnegie Leadership training
5.	 Jennifer Chege Manager Finance & Accounts	Ms. Jennifer Chege graduated from the University of Nairobi in 1990 with Bachelor of Commerce (Accounting Option) degree. She has also worked as a Regional Manager from 2008 to 2018 prior to appointment as Manager Finance and Accounts. She is also a member of ICPAK.
6	 Patricia Ondeng Corporate Communication and Marketing Manager	Patricia T. Ondeng joined the then CLT from the Ministry of Health, as an Admin. Assistant rose through the ranks to her current position Manager – Corporate Communication and Marketing. She is pursuing her Masters of Arts – Corporate & Development Communication – Daystar University. Holds Bachelors in Business & Office Management (JKUAT), Diploma in Business & Office Management, (KSPS), Certificate and Advanced Certificate in Business Management – KIM, Secretarial studies stage III, typing 60 wpm shorthand, 120 WPM - Kenya National Examination Council (KNEC) & Pitman studies. She is a member of the Public Relations Society of Kenya. Has 12 years in administration and 13 years practising Corporate communication and Public Relations management.

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7	 Margaret Jepkoech Ag. Corporate Secretary & Legal Services Manager	Ms Margaret Jepkoech joined Tourism Fund then Catering Levy Trustees in 1993 as Levy Officer. Ms. Margaret holds Bachelor of Law (LLB), Post graduate Diploma in Law (Kenya school of Law). She is also a member of Law Society of Kenya (LSK). She is currently pursuing Masters in Peace & Conflict Management.
8	 Abraham Kiptum Internal Audit Manager	CPA Abraham Kiptum joined Tourism Fund in 2018 as Head of internal Audit & Risk. Prior to this, he had worked for Kenya Post office savings bank (KPOSB) for a period of 27 years He holds MBA (Corporate Management), Bachelor of Commerce (accounting option) from Kenya College of accountancy. Diploma in Criminology & social order from University of Nairobi. He is also a member of ICPAK.
9	 George Machooka Ag. Manager Human Resource and Administration	Mr. George Machooka joined Tourism Fund in 1996 as Human Resource officer. He holds Degree in Arts from University of Nairobi and Post Graduate Diploma in Human Resource and Administration.

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10	 Mr. Isaiah Rutto Ag. Information, Communication & Technology Manager	Mr. Isaiah Rutto joined Tourism Fund in 1990 as Levy Inspector. Prior to his appointment as Acting ICT Manager, Mr Rutto had previously worked as Senior System analyst. He is a graduate of Bachelor of Science Information Technology from JKUAT and Masters in Business Administration strategic Management option from Kenyatta University
11	 Mr. Kevin Mungasio- Manager Supply Chain Management Chain	Mr. Kevin Kasaine Mungasia holds a professional Diploma in Procurement and supply from Chartered Institute of Procurement and Supply (CIPS), Bachelor of Commerce and Masters (MSC) in procurement and logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT).He is licensed procurement Practitioner and a Member of chartered Institute of Procurement and Supply (MCIPS).

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4. CHAIRMAN'S STATEMENT

First and foremost, I wish to express my gratitude to all members of Tourism Fund fraternity and stakeholders who have enabled us to deliver such an unexpected result for the financial year 2020/2021. Given the COVID-19 pandemic, ban on international travel, economic uncertainties and the significant changes in the tourism sector, being able to deliver results in line with expected target represents an excellent turnout.

The COVID-19 pandemic has been the most significant economic problem that the world has faced in recent years. Our people, businesses, and communities, like others throughout the world, have faced a myriad of challenges with many fearing for loss of lives and livelihoods.

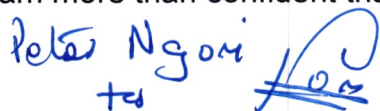
In view of the globally disruptive environment, we as a Board put in place strategies that enhanced our focus on being a more agile, resilient, and future-ready organization, that has helped us face these evolving business difficulties. We are particularly delighted on how we were able to use our digital expertise to provide solutions that assisted our stakeholders throughout this difficult time. We made major investments in our digital capabilities over the last two years, allowing our stakeholders to file and remit the 2% Tourism Levy with ease as well as convey all relevant information in time during the period under review.

It is now evident that human relations will become more contactless, yet even more connected, in the post-COVID-19 pandemic world. This is precisely where our competitive advantage will emerge: technology will determine who survives and thrives in the same way that technology for good will determine who makes a difference.

Tourism Fund will continue to be innovative and attentive to the demands of its stakeholder in this area. Despite the effects of COVID-19, we are reporting a substantially good result for the fiscal year.

Finally, I wish to thank both the national, county governments and the private sector players especially in the Tourism industry for the unwavering support during this very difficult period.

I will not forget to also thank the domestic tourists who bridge the gap left by international tourists. I am more than confident that Tourism Fund family will continue to fulfil its mandate with more vigor.


to

Alphonse Kioko
Chairman Board of Trustees

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is a great pleasure to present the Tourism Fund Annual financial report for the financial year 2020/2021. This was a challenging year as the country was hit by the COVID-19 pandemic, which led to drastic measures that the Government put in place in order to mitigate on the spread of the virus. Among them was the shutdown of hotels and restaurants, lockdown of the airspace that led to decline in international tourism arrivals and further drastic decrease in the revenue generated for the industry. The entire period saw the industry facing a varied of challenges. However, efforts were made to cushion all stakeholders aimed at supporting the sector.

Tourism Fund suffered a big blow due to this pandemic as it affected its revenue collection that is remitted by levy agents who operate regulated tourism activities in the country. Over the last 12 months, the Fund reported a closure of 8,362 establishments accounting for 80% of revenue source, the construction of Ronald Ngala Utalii College also came to a halt as a result of this pandemic.

We ensured that all government directives were strictly adhered to during this trying period. From the onset all Funds offices were closed with few operational staff allowed to work in the office, of whom all were provided with transport, masks and sanitizer's, while those operating from home were provided with all the necessary tools to do so. I take this opportunity to acknowledge the strength and resilience displayed by all during this period.

Secondly, for our stakeholders starting with the levy agents, we provided an expedited means of providing compliance certificates in support of hoteliers who required them to qualify for the stimulus package offered by the National Government through the Tourism Finance Corporation. Equally we took part in creating awareness on the loans by disseminating information through the tools we developed to provide information to stakeholders thus ensuring that the beneficiaries received the information on time.

Thirdly, we helped take care of our communities, starting with Tourist Police Unit, where we donated masks and hand sanitizers as they take care of the needs of both tourists and also the service providers in the industry who are our stakeholders.

Further we developed a dashboard for the frontline workers in the industry in collaboration with the parent Ministry of Tourism & Wildlife, Ministry of Health through Nairobi Metropolitan Services together with the Tourism Regulatory Authority to facilitate registration of industry frontline workers- (waiter staff, chefs, cleaners, tour guides) among others for the COVID-19 vaccination drive that saw many of the industry's front workers get vaccinated.

The second half of the year was dominated by a deluge of information that was often complex, sometimes conflicting, and not always accurate. However, we significantly stepped up our industry communications and engagement during this period, providing a reliable and trusted source of truth with up to date and accurate information. This was aimed at keeping the tourism industry up to date

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on the latest tourism news, research, insights, marketing tools, industry briefings and newsletters through use of regular emails and participation in industry forums.

The team also undertook direct engagement with industry and stakeholders during COVID-19. This included collating insights and monitoring industry sentiment and providing these insights to inform our strategic planning and recovery processes. We redeveloped our online marketing strategy as well as tools and website together with social media activities to generate awareness and stimulate conversations. Our social media approach shifted in response to COVID-19. Despite all these pivots, we were able to maintain strong, positive engagement across all channels

The revenue collected for the financial year 2020/2021 is 1.49 billion. This revenue collected clearly indicates a struggle in the tourism industry as compared to the previous years. In 2018/2019 the Fund collected a revenue of 2.7 billion, in 2019/2020 the fund collected 2.3 billion while in this financial year (2020/21) the revenue collected was 1.49 billion. This clearly shows a great dip in the revenue collection due to the effect of the COVID 19 pandemic.

Ronald Ngala Utalii College (RNUC) is currently at a 58.53% completion status. The project resumed construction on Saturday 15th May 2021. Currently, 7.3 billion has been disbursed in favor of the project. The project has been subdivided into two phases Funds. Funds required to complete the first phase of the project amounts to 1.9 billion while phase two requires 5.8 billion with about 10% margin error for revision. In order for Tourism Fund to see this project to completion we will require certain support from various parties. Tourism Fund will require the receipt of the remaining disbursement from Tourism Promotion Fund (TPF) for the completion of the first phase of RNUC, increased consistent funding from National Treasury to clear the pending bills and commence phase two of RNUC. Lastly, the fund seeks to engage in public private partnerships for further funding of phase two.

I would like to thank Tourism Fund staff, for every effort they have put into ensuring that revenue is collected to help boost the tourism industry during the 2020/21 financial year. After a difficult year, we are cautiously optimistic about 2021/22. Much depends on the effort to slow the spread of the virus, how quickly vaccines are distributed, whether fiscal stimulus is maintained, and whether geopolitical risks intensify or are mitigated.

I am incredibly proud of the progress we made in the financial year, and we never would have done it without the extraordinary efforts of our team. I am humbled by the commitment I saw across the organization. Despite the challenges, I am optimistic on the potential for the Fund in the coming years. I believe that the strategies in place, the leadership team, our culture, and our members of staff, together, we will achieve our mandate of mobilizing resources to sustain the development of the tourism industry in Kenya.



David K. Mwangi
Ag. Chief Executive Officer

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6. STATEMENT OF TOURISM FUND'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

The Fund is formalized and legally operates as a body corporate with defined legislated mandate documented in Tourism Act CAP 383. Structured into Board and Management levels, the Fund has established credible, accountable and governance guided operations for the functions for which it exists. This is guided by a number of operation Manuals and Schedules that the day-to-day undertakings, services delivery and outputs are premise on.

The four (4) strategic pillars (column one) shall be operationalized through a set of twenty-two (22) strategies as summarised in the tabulation below.

Strategic Pillar	Strategies
1.Sustainable Environment	1.1 Facilitate the development and review of policies, legal and regulatory instruments
	1.2 Establish and promote Institutional and Operation Research, Development and Innovation
	1.3 Support and Incorporate Implementation of the National and Sector Strategies, Statutory obligations, Government and Presidential Directives
	1.4 Establish and Nurture Strategic Partnerships and Networks
	1.5 Promote Environmental Sustainability
	1.6 Promote and invest in Tourism Sector's capacity building and training of human capital for the destination
	1.7 Marketing, Public Engagement, Awareness, Public Relations and Communication
	1.8 Develop and enhance Tourism Sector training capacity and skills for sustainability and continuous improvement
	1.9 Entrench and maintain Customer Centricism and Focus
	2.1 Re-engineer the Fund's Human Resource Capacity to Deliver the Strategy

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2. Institutional Capability and Competence	2.2 Institutionalize efficiency in the funds operations, resource mobilization and use
	2.3 Modernize and reengineer Internal Systems and Processes
	2.4 Corporate & Environmental Social Responsibility
	2.5 Enhance and maintain quality and effective internal and external communication
	2.6 Align and allocate resources to/ for Strategic Plan Implementation and Targets realization
3. Resource Mobilization	3.1 Establish sustainable resource base for funding tourism sector activities
	3.2 Establish, involve and maintain dependable development and investment partnerships for resource mobilization
	3.3 Increase and Diversify Revenue Volume and Stream
	3.4 Establish and maintain effective enabling capacity and quality relationship with levy payers
4. Support Tourism Sector's Sustainable Development	4.1 Fund Tourism Product Development and Activities
	4.2 Establish accountability and value for funds invested
	4.3 Support strengthening of institutionalization of tourism sector workforce competency development, ethics and professionalism

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Operationalizing the foregoing strategies were operationalized by various Departments into 556 activities vide work plans as tabulated below.

	Department	Budget (Kshs)					Strategic and Administrative Activities Spread by Quarter				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
1	Resource Mobilization	57,040,000	57,190,000	39,440,000	39,440,000	196,110,000	16	16	14	14	60
2	Research, Strategy and Planning	11,785,000	12,390,000	3,570,000	9,145,000	32,675,000	11	10	8	11	40
3	Quality Assurance and Risk Management	20,333,000	6,150,000	3,330,000	310,000	30,126,000	5	4	2	2	13
4	Levy Operations (Compliance & Enforcement)	50,090,000	62,630,000	41,660,000	33,630,000	189,060,000	21	25	24	24	94
5	Corporate Communication and Marketing	24,415,305	24,745,505	17,985,305	14,135,305	81,281,420	24	25	33	26	108
6	Legal Services	68,000,000	3,000,000	24,000,000	3,000,000	98,000,000	6	3	5	3	17
7	Human Resource and Administration	87,145,000	39,135,000	33,280,000	39,365,000	198,925,000	19	20	19	29	87
8	Supply Chain	3,200,000	3,200,000	7,760,000	17,830,000	31,970,000	10	11	11	11	43
9	ICT	29,500,000	31,500,000	32,500,000	26,000,000	130,000,000	8	10	11	11	40
10	Finance and Accounts	0	0	0	500,000	500,000	6	5	3	5	19
11	Internal Audit	2,400,000	3,100,000	2,400,000	3,500,000	11,400,000	8	9	8	10	35
	Totals	353,908,305	243,040,505	205,925,305	186,855,305	1,000,047,420	134	138	138	146	556

Pursuant to the foregoing the Strategic Plan implementation closed with the following as status summary:

ITEM	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Levy Collection level	2.029B	2.299B	2.458	2.844B	2.433B	1.477B
Registration of Establishment	1,271	1,474	2,067	2,464	2820	362
Cumulative No. of Establishments	18,501	19,975	22,042	24,506	8302	12,003
Compliance/ Conformance Level (%)	61.03	62.72	69.31	71.23	75%	49%
Resources Mobilized (Other than Levy and Rent)	-	-	-	-	-	-
Staffing Level	212	215	215	219	221	249
Performance Contract	2.4691	2.6909	3.0579	3.0940*	3.35	3.17

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SP Implementation rate by activity	-	-	-	65%	78%	49.7%
Funding KUC	283.5M	318M	495M	570M	427.5M	70M
Funding KTB	276M	328M	264M	430M	322.5M	20M
RNUC Funding (TF)	784M	630M	530M	572M	55M	459M
Funds Operating Expenses	652M	710M	705M	784M	878.9M	1.066B
Operation Efficiency Ratio (%)	32.13	30.88	28.68	27.56	40.33*	67.44*

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7. CORPORATE GOVERNANCE STATEMENT

Corporate governance pre-suppose balancing the interests of the organization's many stakeholders and provides the framework for attaining the objectives, it encompasses practically every sphere of management, from planning; ensuring presence of internal controls; performance measurement and necessary disclosure.

Tourism Fund is committed to the highest standards of corporate governance and has effectively adopted and applies strict rules of conduct based on best corporate practices including conforming to the guiding principles set by Government for public sector from time to time including applicable laws and regulations.

The Board of Tourism Fund is responsible for the long-term strategic direction of promoting the object for which the Fund is established by formulating sound policies for its regulation and management including attaining the mandate under Tourism Act or any other law while recognizing the legitimate interest of all stakeholders and maintain highest standards of corporate governance and ethics. The Board also attaches great importance to integrity and compliance with generally accepted good corporate governance practice in line with Constitutional guidelines for operations of the Public Sector.

Board of Trustees

The Board of Trustees jointly oversees the activities of the organization. The Board of Tourism Fund is comprised of Nine (9) Members, six (6) of whom are independent including the Chairman. The Board is availed appropriate and timely information to enable maintenance of full and effective control over strategic, financial, operational and compliance requirements. The day-to-day running of Fund has been delegated to the Chief Executive Officer; but The Board retains responsibility for oversight, establishing and maintaining internal controls over the strategic, financial, operational and compliance issues. The Board further ensures availability of succession plan and facilitates recruitment of the Chief Executive Officer. The following was the list of the Board Members;

No	Name	
1	Alphonse Kioko	Chairman
2	CPA Caroline E.N. Ng'ang'a	Trustee
3	Susan M. Ongalo	Trustee
4	Said Athman	Rep' PS State Department of Tourism Wildlife
5	Peter S. Ngori	Trustee
6	Geoffrey A. Kibanda	Rep' CS National Treasury
7	James K. Wangombe	Rep' Inspectorate of State Corporation
8	John Macharia	Rep' PS State department of Tourism Wildlife
9	Kiprop Chirchir	Trustee
10	Biko Gwendo	Trustee
11	Abdulahakim Balala	Trustee

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THE BOARD CHARTER

The Board Charter is a pivotal document of the Board. The charter is developed and adopted by the Members to provide guidance in its proper functioning. The charter defines the composition, role, responsibilities and functions of Board Members in governance of the organization. It imparts guidelines on conduct of the Board, Committee Meetings, facilitates decision making, independent judgement and ensures professional competencies. The Charter is reviewed regularly by the Board of Trustees as guided by Mwongozo code of governance for State Corporations.

ROLE AND FUNCTIONS OF THE BOARD

The Board offers strategic guidance, leadership guidelines, sets objectives and values to be complied with. The role and functions of the Board are provided for both in the Tourism Act Cap 383 Laws of Kenya and the Mwongozo “Code of governance for State Corporations” These includes;

- Collecting the tourism levy imposed under section 105 of Tourism Act or any other written law;
- Formulate sound policies for the regulation and management of the Fund;
- Ensure that the strategy of the organization is aligned to the long-term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
- Approve the organization structure
- Determine the organization’s mission, vision, purpose and core values’

BOARD MEETINGS

The Board of Trustees meet on quarterly basis or as required. The Board work plan and calendar are prepared at the beginning of the financial year and adequate notice given to Members for all scheduled meetings. The agenda and the board papers are circulated within stipulated timelines. The Board is responsible for monitoring implementation of the planned strategy and reviews the same where necessary in conjunction with its financial performance. Specific reviews are also undertaken on operational matters and future planning. At the end of each financial year, Board Members are evaluated to ascertain performance and establish professional areas requiring improvement. The Board evaluates the Chief Executive Officer and Senior Management Staff against targets set at the beginning of the year.

The board of Trustees held the following tabled Meetings during the period under review;

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MEMBERS ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Other meetings	Total meetings attended
1	Alphonse Kioko	3	12	2	17
2	CPA Caroline E.N. Ng'ang'a	3	12	2	17
3	Susan M. Ongalo	3	11	2	16
4	Said Athman	0	4	1	5
5	Peter S. Ngori	3	12	2	17
6	Geoffrey A. Kibanda	2	10	2	14
7	James K. Wangombe	3	5	0	8
8	John Macharia	3	9	0	12
9	Kiprop Chirchir	3	12	1	16
10	Abdulhakim Balala	3	12	2	17
11	Dominic Katiku	0	1	0	1
12	Biko Gwendo	3	11	1	15

*Trustee Said Athman representing State Department of Tourism and Wildlife was replaced by Trustee John K. Macharia in the Month September, 2020.

THE BOARD COMMITTEES

The Board Committees are established with written terms of reference to facilitate delivery of respective mandate. The Board has four Board Committees which are expected to meet regularly under a well-defined and materially delegated terms of reference set by the Board.

Below is the list of Board Committees Memberships;

BOARD AUDIT& RISK COMMITTEE	STAFF&TECHNICAL COMMITTEE	FINANCE&STRATEGY COMMITTEE	REVENUE MANAGEMENT & PROJECTS COMMITTEE
CPA Caroline Ng'ang'a- Chair	Biko Gwendo- Chair	Abdulhakim Balala- Chair	Kiprop Chirchir-Chair
Susan M. Ongalo	Kiprop Chirchir	Peter Ngori	Biko Gwendo
Said Athman	CPA Caroline Ng'ang'a	Susan Ongalo	Abdulhakim Balala
Peter S. Ngori	Abdulhakim Balala	Geoffrey Kibanda	CPA Caroline Ng'ang'a
Geoffrey Kibanda	Said Athman	Kiprop Chirchir	Abdulhakim Balala
John Kibe Macharia	John Kibe Macharia	John Kibe Macharia	John Kibe Macharia
James Wangombe	James Wangombe	James Wangombe	James Wangombe

- Following Changes made at State Department of Tourism & Wildlife, Trustee Said Athman was replaced by Trustee John Kibe Macharia in September, 2020.

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THE AUDIT AND RISK BOARD COMMITTEE

The Audit Risk Assurance Committee plays a key role in providing oversight of TF's governance processes, risk management and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its roles by providing an independent oversight to the Board of Trustee. The committee is responsible for reviewing audit reports, compliance with relevant laws, procedures and standards, quality of financial reporting and oversight on internal controls among others. The Committee is also responsible for reviewing, approval or recommendation for Board approval of policies and procedures from Internal Auditors reports, Management letter and Management's responses to the Auditor General's findings and recommendations and review of the enterprise risk management framework.

During the FY under review the Committee attended Meetings as follows:

BOARD AUDIT AND RISK COMMITTEE MEMBERS ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Total meetings attended
1	CPA Carolyne E.N. Ng'ang'a- <i>Chair</i>	3	10	13
2	Susan M. Ongalo	2	6	8
3	Said Athman	0	6	6
4	Peter S. Ngori	3	9	12
5	Geoffrey A. Kibanda	2	8	10
6	James K. Wangombe	0	3	3
7	John Macharia	2	3	5
8	Kiprop Chirchir	1	0	1
9	Abdulhakim Balala	1	0	1

THE STAFF & TECHNICAL COMMITTEE

This Committee meets quarterly to review human resource policies, and resolve technical issues and also approve matters relating to staff. The Committee monitors and advises Management on matters that affect the Human Resource Strategy and employees. The Committee monitors policies and practices of Tourism Fund in relation to human resources, and offers advice and recommendations to the organizations. The Committee continually reviews the organizational structure, core functions & optimum establishment, policies and procedures on staff recruitment and selection, staff training and development, and recommends amends to the Board of Trustees

The Committee held the following Meetings during the FY under review.

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MEMBER ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Other meetings	Total meetings attended
1	CPA Caroline E.N. Ng'ang'a	3	15	5	23
2	Susan M. Ongalo	1	0	0	1
3	Said Athman	0	2	0	2
4	Biko Gwendo	3	15	5	23
5	James K. Wangombe	1	0	0	1
6	John Macharia	2	12	5	19
7	Kiprop Chirchir	3	15	5	23
8	Abdulahakim Balala	3	15	5	23

- The increased number of the Special Committee Meetings was necessitated by the staff disciplinary hearings and subsequent determinations.

THE FINANCE AND STRATEGY COMMITTEE

The Committee plays a critical role in the consideration of the organization's proposed annual budget and Procurement and Asset Disposal Plan and recommends the same for the Board of Trustees approval and submission to the National treasury for approval. The Committee also review the finance strategies and policies relating to finance matters and procurement matters in line with applicable laws.

The Committee held the below Meetings during the period under review;

MEMBER ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Total meetings attended
1	CPA Caroline E.N. Ng'ang'a	1	2	3
2	Susan M. Ongalo	2	1	3
3	Theodora Gichana	0	1	1
4	Peter S. Ngori	4	2	6
5	Geoffrey A. Kibanda	3	1	4
6	James K. Wangombe	1	1	2
7	John Macharia	2	2	4
8	Kiprop Chirchir	4	2	6
9	Abdulahakim Balala	3	1	4
10	Biko Gwendo	3	2	5

BOARD REVENUE MANAGEMENT AND PROJECTS COMMITTEE

The Committee reviews progress reports, implementations and policies relating to the Ronald Ngala Utalii College (RNUC) Project, Tourism Fund Building and the Revenue Management System. The

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Committee further reviews Strategies and Policies for Resource Mobilization Strategies and efforts to ensure sustained progress as per set timelines and programs.

The Committee held the bellow Meetings during the FY under review;

MEMBER ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Total meetings attended
1	CPA Caroline E.N. Ng'ang'a	2	0	2
2	Susan M. Ongalo	1	0	1
3	Geoffrey A. Kibanda	1	0	1
4	James K. Wangombe	1	0	1
5	John Macharia	2	0	2
6	Kiprop Chirchir	2	0	2
7	Abdulhakim Balala	3	0	3
8	Biko Gwendo	3	0	3

BOARD SUCCESSION PLANNING

The organizations succession plan in place and reviewed regularly to achieve proper succession planning for both the Board and Management. For example, appointment of Members of the Board of Trustees is staggered to ensure availability of the Board Quorum for continuity of the Fund's mandate.

Appointment and Removal of Directors

The Cabinet concerned is involved with the selection of the Members of the Board of Trustees. The appointments are made by name and become effective upon gazettelement in the Kenya Gazette. Appointment shall cease if the Board Member commits among others the following;

- Serves the Fund with a written notice of resignation in writing, copied to the Chairperson of the or
- Is absent without the permission of the Chairperson from three consecutive Meeting or;
- Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or a fine exceeding twenty thousand shillings etc.

Induction and Training

Tourism Fund complies with the Mwongozo "the code of governance for state corporations" in that Board Members undergo training on the code and other relevant trainings as organised by the State Corporation Advisory Commission in conjunction with other state agencies. In 2020/2021 FY Board

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Members attended training on Board Induction organised by the Kenya School of Government and a further training on the Procurement Processes and procedures for oversight purposes.

Board and Member Performance

The Board conducts self-annual evaluations to appraise its performance in accordance with the Board Evaluation Tool. The Board conducted its annual evaluation performance in August 30, 2020 in the year under review.

Conflict of Interest

The Office has put in place the Conflict of Interest Register which is signed by all the Board Members in attendance and the register is accessed at the office of the Board Secretary.

Board Remuneration

The Board Members are remunerated for their services in accordance with the applicable legislative provisions. In accordance with the Office of the President guidelines on term and conditions of the service, The Board Members are paid sitting allowance. The Chairperson of the Board is paid a monthly honorarium of up to Eighty Thousand (80,000/=) as per The Presidential guidelines dated 23rd November, 2021. The Board is also paid accommodation allowance.

Ethics and Conduct

Code of Ethics

Tourism Fund is committed to the Public Officers Integrity and Ethics Act 2003, Leadership and Integrity Act 2012 and Kenya Anti-Corruption and Economic Crimes Act 2003.

The Board of Trustees has developed a code of conduct for both the Board of Trustees which is strictly adhered to. The code is reviewed occasionally in line with the applicable laws.

Governance Audit.

The self-governance audit is intended to ensure the organization conforms to the highest standards of good governance. The audit ought to be carried out on yearly basis. However, the last Audit was conducted in 2016. During the year under review, the Audit was not carried out due to the effects of Covid -19 pandemic on the Tourism sector, which affected the Funds collection targets and its budgetary plans. The Board has allocated funds for conducting the governance audit in the current year.

Directors' Emoluments

The aggregate amounts of emoluments paid to Directors for services rendered during the Year 2020/2021 is disclosed in Note 28 to the Financial Statements.

Peter Ngom
Chairman

CHAIRMAN AG. CHIEF EXECUTIVE OFFICER.....



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8. MANAGEMENT DISCUSSION AND ANALYSIS

Tourism Fund financial performance for the financial year 2020/2021 faced great challenges in revenue collection due to the effects of Covid-19 pandemic on the tourism Industry which led to containment measures that the Government put in place in order to mitigate on the spread of the virus.

Over the last 12 months, the Fund reported a closure of 8,362 establishments accounting for 80% of revenue source. The revenue collected for the financial year 2020/2021 is 1.49 billion. This revenue collected clearly indicates a struggle in the tourism industry as compared to the previous years. In 2018/2019 the Fund collected a revenue of 2.7 billion, in 2019/2020 the fund collected 2.3 billion while in this financial year 2020/21 the revenue collected was 1.49 billion. This clearly shows a great dip in the revenue collection due to the effect of the COVID 19 pandemic.

Ronald Ngala Utalii College (RNUC) is currently at a 58.53% completion status. Currently, 7.3 billion has been disbursed in favour of the project. The project has been subdivided into two phases. Funds required to complete the first phase of the project amounts to 1.9 billion while phase two requires 5.8 billion with about 10% margin error for revision. In order for Tourism Fund to see this project to completion support is required from various parties. Tourism Fund will require the receipt of the remaining disbursement from Tourism Promotion Fund (TPF) for the completion of the first phase of RNUC, increased consistent funding from National Treasury to clear the pending bills and commence phase two of RNUC.

The Management takes this opportunity to acknowledge the strength and resilience displayed by all during this period. We redeveloped our online marketing strategy as well as tools and website together with social media activities to generate awareness and stimulate conversations. Our social media approach shifted in response to COVID-19. Despite all these challenges, we were able to maintain strong, positive engagement across all channels

Tourism Fund Management wishes to thank all staff for every effort they put into ensuring that revenue is collected to help boost the tourism industry during the 2020/21 financial year. The Management is cautiously optimistic about 2021/22. Much depends on the effort to slow the spread of the virus, how

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quickly vaccines are distributed, whether fiscal stimulus is maintained, and whether geopolitical risks intensify or are mitigated.

Despite the current challenges, Management is hopeful on the potential for the Fund in the coming years and believes that the strategies in place, the leadership, teamwork, and the diligence of our members of staff, we will achieve our mandate of mobilizing resources to sustain the development of the tourism industry in Kenya.

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9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Tourism Fund 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 goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

I. Employee welfare

Tourism Fund recognizes that, in addition to offering pay benefits, and a healthy working environment to employees, their emotional and social needs should also be catered for as they discharge their duties. The Fund undertakes social responsibility to promote welfare amongst its employees. The Fund pursues a policy that addresses the various social and health challenges confronting employees in the workplace.

II. HIV /Aids

The Fund recognizes the impact of HIV/AIDS in the workplace and its far reaching effects on productivity. The Fund is therefore committed to developing programs to mitigate the effects of the pandemic. It developed a workplace policy on HIV and AIDS. The main objective of the policy will be to provide a framework to address HIV and AIDS issues in the Fund. No employee is discriminated and/or stigmatized on the basis of real or perceived HIV status.

Management ensures that arrangements are made to provide counselling services to the employees for their well-being and in order to develop a psychologically healthy workforce as per the Public Service Policy on Guidance and Counselling.

III. Drug and Substance Abuse

Drugs or substance is treated like any other disease. An employee who is determined to deal with drug and substance abuse problem by engaging in rehabilitation services is referred to a Medical facility for evaluation.

The Fund provides both in-patient and out-patient rehabilitation services within the limits that are provided in the Medical Insurance Scheme.

IV. Work Environment

Each employee is duty-bound to maintain a clean and healthy working environment.

V. Medical Cover

The Fund has procured a comprehensive medical cover for members of staff which shall include last expense cover of not less than Kshs. 100,000 (one hundred thousand shillings) for the employee, one spouse and up to four (4) dependent children.

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VI. Recruitment

The Fund is an equal opportunity employer and does not in its recruitment and selection process, discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution is observed alongside any policies issued by the National Cohesion and Integration Commission.

VII. Career Growth and Development

Tourism Fund has provided career progression guidelines for all cadres in Tourism Fund which:-

- I. Provide norms and standards for the specific cadres for the determination of qualifications and progression;
- II. Prescribe relevant competencies for all cadres; and
- III. Advise on relevant technical and professional training for all carders.

VIII. Health and Safety

The Fund recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters. The policies and programmes are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

IX. Market place practices/ Responsible Supply Chain & Supplier Relations

The Management and Board of Trustees of the Fund has put in place a system of internal mechanisms to ensure all Supply chain partners needs are addressed promptly in a mutual beneficial relationship.

The Fund has a list of prequalified Suppliers that is continuously updated as the Provisions of the Public Procurement Act and Regulations. Once Suppliers are awarded to supply good or provide a service their items are inspected and payment processes commences. The Fund has Service Level Agreements with Contracted Service Providers that outlines quality of service agreed and performance monitoring and evaluation.

The Fund is also key on building supplier relationship by organising supplier engagement conferences however due to the Covid-19 Protocols and guidelines the conferences are now be organised to take place virtually.

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The Fund's core system has also greatly improved efficiency and effectiveness of processing suppliers' payment by enabling electronic payment and subsequently fastening the payment to suppliers.

X. Responsible marketing and advertisement

Tourism Fund has been able to enforce and maintain ethical marketing and advertising practises by observing the following:

- Ensuring adherence to the provisions of Data Protection Act 2019 that cover, amongst other clauses; the principles of personal data protection, processing for direct marketing, collection of personal data, duty to notify and conditions for consent.
- The Fund's strategic plan gives guidance to the marketing and communication policy and procedures that sets the guidelines for ensuring that all marketing and advertising practises are aligned to the budget, procurement plan and the departmental work plan. This ensures that all activities undertaken are as approved appropriately.
- The Public procurement and Asset Disposal Act, revised edition of 2016 provides for; establishing and maintaining good supplier relations through timely processing of all advertising documentation, publishing of all procurement opportunities through the different channels (print, media, social media etc) as well procedures for reporting on conflict of interest on all matters that guide supplier relations. Additionally, the PPAD Act clearly outlines how to dispose of organisational assets such as furniture and vehicles in an environmentally friendly and sustainable manner of which the Fund strictly adheres to.
- The Finance Act, 2021 provides for timely processing of all works undertaken by suppliers to the Fund. This ensures that all marketing and advertising payments comply with budget allocations which are also in compliance with the Fund's Strategic plan.
- Monitoring and evaluation- The Fund has developed well-defined monitoring and evaluation tool kits that guide in reporting and analysis of all marketing and advertising activities conducted. This helps in ensuring that Management reports to the Board on activities undertaken while monitoring on budget expenditure.
- The Fund's Service Delivery Charter gives proper guidance on our service provision standards as a Fund; from handling of official complaints to settling creditor's debts.
- The code of practice for the deployment of communications infrastructure in Kenya provides for a clear legal framework on advertising practises as relates to confidentiality of information, data privacy and verification of facts. The Fund adheres to all relevant Government laws,

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regulations and industry standards that protect our stakeholders in all our marketing and advertising practises.

XI. Product stewardship

Product Stewardship (PS) and Extended Producer Responsibility (EPR) are terms that are often used interchangeably to describe a long-term solution to manage waste products by shifting the responsibility for collection, transportation, and management of products away from local governments to the manufacturers. The Fund as a service oriented organisation does not directly engage in physical production or sales of a commodity, hence product stewardship does not apply to the Fund.

XII. Corporate Social Responsibility / Community Engagements

Corporate Social Responsibility and Investment practises (CSR&I) is the way in which organisation's meets her wider economic, social and ecological environment obligations through promoting a vision of business accountability to a wide range of stakeholders, shareholders and investors. The Fund's mandate is to mobilise resources to finance the development of a sustainable tourism industry in Kenya. Besides this, it has the responsibility of looking into activities that contribute to /or that have positive impact on the community which it operates in.

The Fund aims to transform people's lives through impactful and sustainable Tourism practises, this is our purpose and the driving force behind everything we do. It's what guides us to deliver on our strategy; by putting our stakeholders first and delivering efficient and effective services that promote overall sustainability, and improving operational excellence. The Fund's key areas of concern are environmental protection, the well-being of employees, the community and public in general, both now and in the future.

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During the FY 2020/2021, the Fund engaged the following CSR&I activities:

CSR&I Activity	Impact to Society
Tree Planting in Chepalungu Forest	Tourism fund in partnership with Safaricom supported the tree planting exercise, and other logistics, planting over 3,000 tree seedlings that support the local community initiatives through: • Conservation initiatives to further enhance Tourism development in Bomet County. • Supporting wildlife re-introduction once the forest is secured • Acting as a water catchment area as part of the larger Mau-for-conse • Strengthening strategic collaborative efforts with the County Government of Bomet.

The Fund carried out the following community engagement activities:

Activity	Outcome
1) Sponsored to a tune of Kshs. 1,000,000 (One million only) the Nakuru County Training of Directors and General Managers of Hotels and Hospitality and Hostels in preparation to hosting WRC Safari Rally	• Successful skill and knowledge transfer on various tourism functions • Enhanced Strategic partnerships and collaborative efforts with the County Government of Nakuru and the Nakuru Tourism Association • Successful undertaking of the WRC event 2021. • Enhanced corporate image and Brand awareness • Improved social media engagements
2) Sponsored the Eldoret Half Marathon to a tune of Kshs. 500,000	• Promotion of sports Tourism in the County • Planted over 500 trees incorporating other Corporate sponsors • Promotion of climate change action
3) Sponsored the Machakos Golf	• Foster stakeholder partnerships with other collaborative engagements among the various industry players.

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tournament to a tune of Kshs. 600,000	• 85 direct participants and over 200 indirect participants • Promotion of sports Tourism in the County. • Increase Brand visibility and awareness amongst our stakeholders.
4) Sponsored the Lake Victoria Golf festival to a tune of kshs. 2,500,000	• Promotion of sports Tourism in the County • Foster stakeholder collaborative engagements and partnerships with the various industry players. • Increase Brand visibility and awareness amongst our stakeholders.

N/B: Most organizational activities were hindered by the COVID-19 pandemic that negatively affected the industry during the year under review.

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10. REPORT OF THE DIRECTORS

The Board of Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of Tourism Fund's affairs.

i) Principal activities

The principal activities of the Tourism Fund are as follows:

- a) Finance the development of tourism products and services;
- b) Finance the marketing of Kenya as a tourist destination through the Tourism Board;
- c) Finance the activities of the Protection Service;
- d) Finance the tourism research, tourism intelligence and the national tourism information management system;
- e) Finance the activities of the Tourism Sector Safety, Communication and Crisis Management Centre to be established and managed by the Ministry;
- f) Finance training and capacity development activities of the College and of such other tourism hospitality training institutions as may be established under this Act;
- g) Mobilize resources to support tourism-related activities.

ii) Results

The results of Tourism Fund for the year ended June 30, 2021 are set out on pages 42-46

iii) Directors

The members of the Board of Trustees who served during the year are indicated under section 7 on Corporate Governance Statement.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Tourism Fund did not make any surplus during the year 2020/2021 (FY 2019/2020; Ksh Nil) and hence no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board

Name Margaret Jepkoech Signature MJE Date 3/06/2022

Corporate Secretary/Secretary to the Board

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 69 of the Tourism Act, 2011, require the Board of Trustees to prepare financial statements in respect of Tourism Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that year. The Board of Trustees is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Board of Trustees is also responsible for safeguarding the assets of the Fund.

The Board of Trustees is also responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- c) 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;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Board of Trustees accept responsibility for Tourism Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Tourism Act 2011. The Trustees are of the opinion that Tourism Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Board of Trustees further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

Tourism Fund's financial statements were approved by the Board on _____ 2021 and signed on its behalf by:

Peter Ngom'
for *[Signature]*

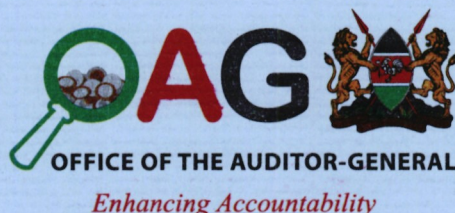
**Alphonse Kioko
Chairperson of the Board**

[Signature]

**David K. Mwangi
Accounting Officer**

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON TOURISM FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that consider 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 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

Opinion

I have audited the accompanying financial statements of Tourism Fund set out on pages 1 to 45, which comprise the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of budget and actual amounts for the year then ended and a

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tourism Fund as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act, 2011 and Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised in the Report on Financial Statements, the Reports on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on the Effectiveness of Internal Controls and Risk Management. However, the Management has not resolved the issues or given any explanation for the failure to act on the recommendations.

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. Construction Works for Proposed Ronald Ngala Utalii College

The construction works of the proposed Ronald Ngala Utalii College was awarded to a local contractor on 14 May, 2013 at a contract sum of Kshs.8,961,370,998. The contract commencement date was on 20 June, 2013 and the date of practical completion on 19 June, 2018. The following issues were noted in the execution of the contract.

- (i) The first addendum to the contract was made on 14 May, 2013 which introduced sectional completion of the project into five (5) phases. The first (1) Phase was on site clearance, boundary wall/fencing, excavations and earth works for the entire site, sub-structure works up to and including ground floor beds/slabs for all buildings, erection, and completion of the administration block, tuition block (1No.) and kitchen/dining hall all estimated to take 12 months from the start date of 20 June, 2013 and at a cost of Kshs.1,900,000,000.
- (ii) The second addendum to the contract dated 25 August, 2014 scaled down the contract sum from Kshs.8,961,370,998 to Kshs.4,923,005,000 and revised the contract completion date to 28 February, 2017.
- (iii) A third addendum to the agreement was agreed on 20 April, 2021 valid for a period of twelve (12) months from the date of execution which provided that:
 - The main contractor and the sub-contractors would grant to the Fund a rebate in the sum of Kshs.85,509,569 or 20% of Kshs.435,133,292 being the total outstanding interests, penalties and contractual claims certified by the project consultants as at 1 August, 2020.
 - The outstanding amount of Kshs.349,623,722 was due and payable to the main contractor and subcontractor as at the date of the execution of the addendum and was to be settled no later than 30 days.
 - The main contractor and subcontractors shall complete the specific works within twelve (12) months as per the annexed schedule of uncompleted works and bills of quantities.
- (iv) According to Interim certificate No.39 dated 31 May, 2021 which reflects the total amount of work certified as Kshs.4,025,996,193 out of which Kshs.3,900,353,661 relates to the main contractor. Included in the amount payable to the main contractor is Kshs.432,596,500 claim on interests on delayed payments attributed to underfunding on grants by The National Treasury to the Project.
- (v) The project approved completion date was 28 February, 2017. However, at the time of the audit in February, 2022, the completion period had lapsed by about five (5) years while the project completion rate was at 71% as per the progress report dated 28 February, 2022.

Under the circumstances, the value for money on project expenditure incurred on account of the project has not been realised.

2. Contract for Consultancy, Supervision, and Management of the Proposed Ronald Ngala Utalii College

The Fund Management entered into a contract for consultancy, supervision and management of the Ronald Ngala Utalii College on 25 May, 2012. The details were:

- (i) The consultancy fees were based on the initial contract sums of Kshs.8,961,370,998 of the construction works of the project signed on 14 May, 2013. The contract was revised on 25 August, 2014 vide the second addendum which scaled down the contract sum from Kshs.8,961,370,988 to Kshs.4,923,005,669.
- (ii) Addendum between Tourism Fund and a consortium of consultants was executed on 8 April, 2021 where the consortium granted a rebate in the sum of Kshs.214,490,430 being 20% of the total outstanding professional fees, penalties and interest of Kshs.1,091,479,332.
- (iii) A review of the consultants' fee notes and payments revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs.2,278,603,612 as at 30 June, 2021 as shown below;

Consultant	Interim Fee Note No.	Reference	Interest Penalty (Kshs.)
Lead Architect	Interim Fee Note	TF/021 INV /20/BSL	1,012,920,347
Quantity Surveyors	9	UC/P/105/FN/09	374,305,369
Civil and Structural Engineers	42	220/100FN/12	459,687,377
Mechanical and Electrical Engineers	14	WC/GEN/RNUC/F/2020	431,690,519
Total			2,278,603,612

Although the Fund Management has explained that the reason for levying of interest penalties is due to insufficient disbursements of budgeted amounts to the Project by The National Treasury over the years, the continued delay in disbursements of funds to the project may lead to the continued escalation of project costs from interests and penalties which were not budgeted for.

In view of the above, there is no value for money on the project expenditure incurred on account of interest charged on delayed payments to project consultants.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Trustees

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund to cease to continue 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 July, 2022

Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2021

1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021.

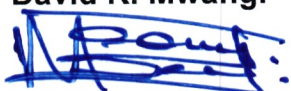
	Note	CUMULATIVE TO DATE 2020-2021 Kshs	ACTUAL AUDITED 2019-2020 Kshs
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Transfers from other government entities	6	850,000,000	300,000,000
Levy Income	7	1,408,462,057	2,391,144,528
Levy interest & penalties	7	69,051,690	-
Levy Arrears	7	79,456,544	119,245,485
Total revenue from non-exchange transactions		2,406,970,291	2,810,390,013
Revenue from exchange transactions			
Rental revenue from Tourism Fund Building	8	69,911,144	5,596,085
Finance income	9	1,209,156	364,460
Total revenue from exchange transactions		71,120,300	5,960,545
Total revenue		2,478,090,591	2,816,350,558
EXPENSES			
Use of goods and services	10	193,180,625	216,961,880
Employees costs	11	628,894,211	476,364,995
Remuneration of Directors - Trustees	12	28,503,180	43,190,407
Depreciation and Impairment expense	13	77,054,941	77,278,078
Repairs & Maintenance	14	97,096,985	116,596,733
Grants and Subsidies	15	987,759,516	1,599,973,841
Total expenses		2,012,489,458	2,530,365,934
Other Gains / (Losses)			
Gain on disposal	21(b)	685,000	-
(Deficit) / Surplus for the period before tax		466,286,133	285,984,624

NOTE: In order to comply with the current reporting template based on the various classifications provided therein, some expense items have been reclassified leading to restatement of comparative audited amounts of the previous year e.g Levy Collection expenses from Employee cost to General Operating expenses.

The notes set out on pages 6 to 45 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Trustees by:

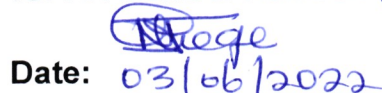
Accounting Officer
David K. Mwangi



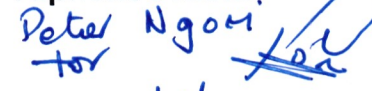
Date: 03/06/2022

Manager Finance & Accounts
Jennifer Chege

ICPAK Member Number: 6449


Date: 03/06/2022

Chairman of the Board
Alphonse Kioko



Date: 3/6/2022

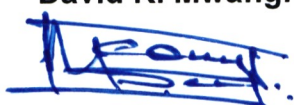
Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2021

14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	CUMULATIVE TO DATE 2020-2021 Kshs	ACTUAL AUDITED 2019-2020 Kshs
ASSETS			
Current Assets			
Cash and cash equivalents	16	281,664,809	85,776,027
Receivables from exchange transactions	17	31,695,879	24,838,683
Receivables from non-exchange transactions	18	341,499,512	354,030,620
Inventories	19	1,778,445	13,794,687
Total Current Assets		656,638,645	478,440,017
Non-Current Assets			
Property, plant and equipment	20	2,975,763,074	2,813,860,796
Intangible assets	21(a)	11,854,353	20,745,117
Total Non-Current Assets		2,987,617,427	2,834,605,913
Total Assets		3,644,256,072	3,313,045,930
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	22	606,926,801	136,973,996
Total current liabilities		606,926,801	136,973,996
NET ASSETS			
Reserves		307,070,681	308,090,464
Capital Fund		1,984,062,150	1,984,062,150
Accumulated Surplus		746,196,440	883,919,320
Total Net Assets		3,037,329,271	3,176,071,934
Total Net Assets and Liabilities		3,644,256,072	3,313,045,930

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Trustees by:

Accounting Officer
David K. Mwangi



Date: 03/06/2022

Manager Finance & Accounts
Jennifer Chege

ICPAK Member Number: 6449



Date: 03/06/2022

Chairman of the Board
Alphonse Kioko



Date: 3/6/2022

Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2021

15 STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Revaluation Reserve Kshs	Capital Fund Kshs	Accumulated surplus /(Deficit) Kshs	Total Kshs
Balance as at 30 JUNE 2019 (Bal b/d 1.7.2019)		308,090,464	1,984,062,150	597,934,696	2,890,087,310
Surplus for the period				285,984,624	285,984,624
Prior Year Adjustment					-
Balance as at 30 JUNE 2020 (Bal b/d 1.7.2020)		308,090,464	1,984,062,150	883,919,320	3,176,071,934
Surplus/ deficit for the year				466,286,133	466,286,133
Prior Year Adjustment	33			(598,241,957)	(598,241,957)
Pending bills				(3,480,000)	(3,480,000)
Audit fees				(2,287,056)	(2,287,056)
Legal fees					
Revaluation Reserve on disposal of Motor Vehicle		(1,019,783)			(1,019,783)
Balance as at 30 JUNE 2021		307,070,681	1,984,062,150	746,196,440	3,037,329,271

The notes set out on pages 6 to 45 form an integral part of these Financial Statements.

Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2021

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	CUMULATIVE TO DATE 2020-2021 Kshs	ACTUAL AUDITED 2019-2020 Kshs
Cash flows from operating activities			
Receipts			
Transfer from other government entities	6	850,000,000	300,000,000
Levies income, interest, penalties & arrears	7	1,408,462,057	2,391,144,528
Rental revenue from Tourism Fund building	8	69,911,144	5,596,085
Finance income	9	1,209,156	364,460
Total receipts		2,329,582,357	2,697,105,073
Payments			
Use of goods	10	(162,058,227)	(212,911,297)
Employees costs	11	(628,894,211)	(476,364,995)
Board of Trustees remuneration	12	(28,503,180)	(43,190,407)
Repairs & maintenance	14	(97,096,985)	(116,596,733)
Grants and Subsidies	15	(987,759,516)	(1,599,973,841)
Total payments		(1,904,312,119)	(2,449,037,273)
Net cash flows from (used in) operating activities	23	425,270,238	248,067,800
Cashflows from investing activities			
Purchase of property, plant, equipment and intangible assets	22	(231,941,456)	(243,007,459)
Proceeds from sale of property, plant, equipment	21(b)	2,560,000	-
Finance income - Interest on Loans & Investments		-	-
Net cash flows used in investing activities		(229,381,456)	(243,007,459)
Cashflows from financing activities			
Net increase in cash and cash equivalent		195,888,782	5,060,340
Cash and Cash Equivalent 1st July 2020		85,776,027	80,715,687
Cash and Cash Equivalent 30th June 2021		281,664,809	85,776,027

NOTE: In order to comply with the current reporting template based on the various classifications provided therein, some expense items have been reclassified leading to restatement of comparative audited amounts of the previous year e.g Levy Collection expenses from Employee cost to General Operating expenses. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Trustees by:

Accounting Officer

David K. Mwangi

[Signature]

Date 03/06/2022

Manager Finance & Accounts

Jennifer Chege

ICPAK Member Number: 6449

Date 03/06/2022

Chairman of the Board

Alphonse Kioko

[Signature]

Date 3/6/2022

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2021**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual comparable basis	Performance difference	% of utilization	Explanation of Material Variances
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
Transfers from other government entities	100,000,000		100,000,000	850,000,000	750,000,000	750%	1
Levy Income, Interest & Penalties	1,363,650,234	400,000,000	1,763,650,234	1,556,970,291	(206,679,943)	-12%	2
Rental revenue from Tourism Fund Building	25,903,500	-	25,903,500	69,911,144	44,007,644	170%	3
Finance income	500,000	-	500,000	1,209,155	709,155	142%	4
Other Income – Gain on Disposal	-	-	-	685,000	685,000	-	-
Total income	1,490,053,734	400,000,000	1,890,053,734	2,478,775,591	588,721,857	31%	
Expenses / Payments.							
Use of goods	271,033,000	(14,462,750)	256,570,250	193,180,625	63,389,625	25%	5
Employees costs	636,080,000	68,982,605	705,062,605	628,894,211	76,168,394	11%	
Board of Trustees remuneration	30,753,000	-	30,753,000	28,503,180	2,249,820	7%	
Repairs & maintenance	111,875,000	5,240,879	117,115,879	97,096,985	20,018,894	17%	6
Grants and Subsidies	261,500,000	301,000,000	562,500,000	987,759,516	(425,259,516)	-76%	7
Total expenditure	1,311,241,000	360,760,734	1,672,001,734	1,935,434,517	(263,432,783)	-16%	
Surplus for the period	178,812,734	39,239,266	218,052,000	543,341,073	852,154,640	391%	

Explanation of Material Variances

1. Received more grants than anticipated from Tourism Promotion Fund for the ongoing construction of Ronald Ngala Utalii College.
2. The expected earnings from International Tourist Arrivals was lower than expected due to the Covid 19 pandemic, which also affected Local Tourists numbers.
3. A large section of Tourism Fund building still remains un-occupied.
4. More interest income was realized from Staff Mortgage Loan repayments.
5. Savings were realized from implementation of cost-cutting measures.
6. Savings were realised from implementation of cost-cutting measures.
7. More disbursements to the ongoing construction of Ronald Ngala Utalii College were effected because more funds were received from Tourism Promotion Fund.

Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Tourism Fund is established by and derives its authority and accountability from Tourism Act, 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to fund tourism activities.

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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. 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 Tourism Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and Tourism Act, 2011 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Impact
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendmen ts to Other IPSAS resulting from IPSAS 41, Financial Instrument s	Applicable: 1st January 2023: 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

iii. Early adoption of standards

Tourism Fund did not early – adopt any new or amended standards in year 2020/2021.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Levies, penalties and interests

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Interest income

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

ii) Revenue from exchange transactions

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on 3rd August 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 15 of these financial statements.

c) Taxes

Current income tax

The Trustee is a wholly owned government organization hence is exempt from taxation on investment income.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)**

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

e) 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. Repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation is calculated to write off the cost or valuation of each asset to its residual value where applicable over the expected useful life of the asset in equal instalments. A full year's depreciation is charged in the year of purchase but no charge is made in the year of disposal.

The estimated rates are as follows:

Computers and Accessories	30%
Furniture, Fittings & Equipment	25%
Motor Vehicles	25%
Building	2%
Levy Software System	33.3%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease.

The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)**

ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) 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.

h) Financial instruments

1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Impairment of financial assets

Tourism Fund assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

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

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

i) Inventories

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)**

inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

j) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

k) Contingent liabilities

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

l) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m) 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.

n) Employee benefits

Retirement benefit plans

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

Tourism Fund also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Fund's obligations under the scheme are limited to specific contributions legislated from time to time.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Cash and cash equivalents

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)**

r) Comparative figures

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

s) 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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Significant Judgments and Sources of Estimation Uncertainty
(Continued)**

i) Useful lives and residual values

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 2020/21	Prior year
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Tourism – RNUC Government Grants	50,000,000	-	-	50,000,000	300,000,000
Tourism Promotion Fund - RNUC Government Grants	800,000,000	-	-	800,000,000	-
Total	850,000,000	-	-	850,000,000	300,000,000

7. Levies, Interests and Penalties

Description	2020/2021	2019/2020
	Kshs	Kshs
Tourism levy	1,408,462,057	2,391,144,528
Interests	25,380,000	-
Penalties	43,671,690	-
Levy arrears	79,456,544	119,245,485
Total	1,556,970,291	2,510,390,013

8. Rental Revenue from Facilities and Equipment

Description	2020/2021	2019/2020
	Kshs	Kshs
Operating lease/rental revenues	69,911,144	5,596,085
Total rentals	69,911,144	5,596,085

9. Finance Income

Description	2020/2021	2019/2020
	Kshs	Kshs
Interest income on loans & investments	9,156	-
Interest on Staff Mortgage Loans – KCB & Co-operative Bank	1,200,000	364,460
Total finance income	1,209,156	364,460

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Use of Goods and Services

Description	2020/2021	2019/2020
	Kshs	Kshs
Electricity & Water	10,743,605	9,378,005
Professional services (Note 10 ii)	1,312,143	1,441,975
Subscriptions	1,968,597	1,582,318
Telecommunication & postage	7,827,450	5,976,606
Office Rent- HQ & Branches	21,085,086	22,981,412
Fuel Expenses	8,415,677	6,100,121
Printing and stationery	4,965,727	4,681,207
Travel, accommodation, subsistence and other allowances	25,439,037	26,549,492
Advertising & Publicity	7,352,881	46,371,180
Audit Fees	3,480,000	-
Legal expenses	11,198,667	9,175,070
Office security	15,842,501	10,797,800
Staff Development Training	18,241,564	21,582,273
General Insurance	16,130,586	27,013,491
Asset Valuation (Property)	-	9,598,720
Other general office expenses (Note 10 i)	39,177,104	13,732,210
Total	193,180,625	216,961,880
Note: Further disclosures		
(i) Other general office expenses		
General expense	813,578	1,628,317
Corporate Social Responsibility	1,583,325	-
Strategic partnership & Collaborations	5,529,127	2,300,000
Land Rent, Rates & Services	1,260,141	-
Newspapers & Periodicals	97,345	708,453
Entertainment & Public Relations	323,560	1,787,770
Shows & Exhibitions	700,000	-
Levy Recruitment Drive	1,077,347	1,257,505
Email & Internet	8,927,470	-
Bank Charges	2,117,313	1,046,578
Office Cleaning	14,967,897	4,566,994
Tourism Development Seminar & workshops	1,780,002	436,593
Total	39,177,104	13,732,210
(ii) Professional services		
PC Surveys	277,075	498,225
HIV	-	792,000
ISO 9001-2008 Expenses	1,035,068	151,750
Total	1,312,143	1,441,975

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Employee Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and wages (Basic Pay)	363,108,873	276,563,371
Medical Insurance	40,246,724	32,874,830
Pension & Gratuity	40,381,822	36,710,747
Housing benefits and Allowances (Note 11 i)	161,437,262	117,794,274
Performance & other bonuses (Levy Collection Incentives)	36,750	5,565,390
Other employee related costs (Note 11 ii)	23,682,780	6,856,383
Employee costs	628,894,211	476,364,995
Note: Further disclosures		
(i) Housing benefits and Allowances		
House Allowances	107,137,943	82,082,667
Acting Allowance	7,254,380	3,505,440
Leave Allowance	6,833,220	5,684,100
Transfer Allowance	3,363,100	98,800
Transport Allowance	34,075,219	25,823,267
Remunerative Allowance	1,650,000	600,000
Extraneous Allowance	810,000	-
Disability Allowance	240,000	-
Hardship Allowance	73,400	-
Total	161,437,262	117,794,274
(ii) Other employee related Costs		
Staff Uniforms	3,180	1,464,697
Staff Tea & Consumables	2,842,444	5,372,166
Covid-19 Related Expenses	20,801,696	-
Staff Contingencies	35,460	19,520
Total	23,682,780	6,856,383

12. Board of Trustees Expenses

Description	2020/2021	2019/2020
	Kshs	Kshs
Chairman Honoraria	960,000	960,000
Trustees sitting allowances	12,080,000	11,262,000
Trustees traveling & accommodation	15,463,180	30,968,407
Total	28,503,180	43,190,407

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Depreciation and Amortization Expense

Description	2020/2021	2019/2020
	Kshs	Kshs
Motor vehicles	32,814,960	33,439,960
Furniture and fittings	8,600,313	8,600,313
Partitions	4,924,688	4,924,688
Computers & Accessories	19,811,255	19,550,664
Office Equipment	2,012,960	1,871,689
Total PPE	68,164,176	68,387,314
Intangible Assets	8,890,765	8,890,765
Total depreciation and amortization	77,054,941	77,278,078

14. Repairs and Maintenance

Description	2020/2021	2019/2020
	Kshs	Kshs
Repairs - Motor vehicle	9,946,712	9,362,910
Repairs - Building (Investment property earning rentals)	8,950,146	3,110,407
Repairs - Furniture	38,630	4,300
Repairs & Maint. - Equipment and Machinery	49,666,648	217,400
ICT Maint. expenses (Computer & Accessories)	28,007,737	103,901,716
Minor repairs	487,112	-
Total repairs and maintenance	97,096,985	116,596,733

15. Grants and Subsidies

Description	2020/2021	2019/2020
	Kshs	Kshs
Grants to Kenya Utalii College	70,000,000	427,500,000
Grants to Kenya Tourist Board	20,000,000	301,680,000
Grants to Ronald Ngala Utalii College	70,022,451	555,151,236
Grants - Other Training Activities (Perak)	7,619,374	4,355,000
Grants - Kenya National Convention Bureau	40,500,000	8,000,000
Product Development	1,129,000	3,287,605
RNUC Government Disbursements	778,488,690	300,000,000
Total grants and subsidies	987,759,516	1,599,973,841

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Cash and Cash Equivalents

Description	2020/2021	2019/2020
	Kshs	Kshs
Current account	266,673,023	75,154,495
Savings account	310,051	302,270
Staff car loan/ mortgage	14,481,735	10,119,262
Others-Specified	200,000	200,000
Total cash and cash equivalents	281,664,809	85,776,027

16 (b) Detailed Analysis of the Cash and Cash Equivalents

Detailed Analysis of the Cash and Cash Equivalents	2020/2021	2019/2020
	Kshs	Kshs
Current Accounts		
KCB-Revenue a/c	6,996,859	23,713
NBK- Operational A/C	88,601,844	26,980,228
NBK Ksm-Operational A/C	272,183	784
NBK Msa-Operational A/C	127,535	127,777
NBK Nyeri-Operational A/C	2,299	85,760
NBK Nkr-Operational A/C	110,495	4,035
NBK Nrb North -Operational A/C	355,820	160,280
NBK Nrb South - Operational A/C	11,920	187,820
KCB - Collection a/c	2,085,578	6,020,491
Coop-Collection A/C	3,443,594	905,195
Co-op Bank Donor A/C	5,169,770	5,631,704
Equity Collection Account	2,542,946	4,889,874
M-pesa collection a/c	2,217,695	24,421,243
Equity Operation Account	3,040	5,006,040
NBK - RNUC a/c	154,486,090	564,562
NBK North Rift-Operational A/C	245,356	144,990
Total	266,673,023	75,154,495
Savings account		
Co-Op Bank Savings A/C-Hekima	310,051	302,270
Total	310,051	302,270
Loan Accounts		
KCB - Staff Loan A/C	108,132	102,492
KCB Mortgage Account	-	-
Co-op Mortgage Account	14,373,603	10,016,770
Total	14,481,735	10,119,262
Others-Specified		
Petty cash imprest a/c	194,000	6,000
Cash at hand/Petty cash	6,000	194,000
Total	200,000	200,000
Grand total	281,664,809	85,776,027

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Receivables from Exchange Transactions

17 (a) Receivables from Exchange Transactions

Description	2020/2021	2019/2020
Current receivables	Kshs	Kshs
Rent debtors	17,035,644	16,695,644
Prepayments	14,660,235	8,143,039
Total current receivables	31,695,879	24,838,683

18 Receivables from Non-Exchange Transactions

Description	2020/2021	2019/2020
Levy Debtors	Kshs	Kshs
Levies, Interests, Penalties (Levy debtors)	182,084,984	102,628,440
Levy debtors for RD cheques	16,617,045	16,617,045
Total	198,702,029	119,245,485
Less: provision for RD Cheques (Note 18 a)	(16,617,045)	(16,617,045)
Total levies, fines & penalties (Levy Debtors)	182,084,984	102,628,440
Other Debtors		
Other Debtors (Non-Exchange Transactions)	159,414,528	251,402,180
Other debtors for RD cheques	3,826,797	3,826,797
Sub-total (Note 18 b)	163,241,325	255,228,977
Less: provision for RD Cheques (Note 18 c)	(3,826,797)	(3,826,797)
Total other debtors	159,414,528	251,402,180
Total current receivables	341,499,512	354,030,620
Notes:		
(a) Provision for RD cheques		
Levy debtors - Nairobi	510,512	510,512
Levy debtors - Mombasa	1,946,359	1,946,359
Levy debtors - Western	176,815	176,815
Levy debtors – Rift Valley	78,597	78,597
Levy debtors – Additional Cases	681,089	681,089
Levy debtors – Additional Cases	3,723,250	3,723,250
Levy debtors – Africa Safari Club	9,500,423	9,500,423
Total	16,617,045	16,617,045

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Other Debtors		
Staff Imprest	125,901	89,565,354
Salary advances	117,000	-
Engine Overhaul	50,000	-
Medical Advances	3,000,000	-
Staff Housing Loans & Mortgages	159,948,423	165,663,622
Total other debtors from non-exchange transactions	163,241,324	255,228,976
(c) Provision for RD cheques		
Insurance	649,958	649,958
External loans	1,678	1,678
Staff debtors	880,000	880,000
Furniture and Fridge loans	95,613	95,613
Staff Housing Loans	691,015	691,015
Medical Advances	1,508,532	1,508,532
Sub-total	3,826,796	3,826,796

19. Inventories

Description	2020/2021	2019/2020
	Kshs	Kshs
Stationery & office Inventory	-	9,144,754
Catering Consumables	-	185,469
Computer & Printer consumable	1,602,810	3,660,595
Accountable Documents	175,635	775,192
Staff Mortgage-KCB	-	28,677
Total inventories at the lower of cost and net realizable value	1,778,445	13,794,687

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (a) Property, Plant and Equipment

	Land	Motor vehicles	Furniture and fittings	Partitions	Computers & Accessorie s	Office Equipment	WIP Building	Intangible assets	Levy software	WIP Partitioning	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost											
As at 30th June 2019	522,800,000	86,750,000	62,061,096	39,397,500	30,364,161	9,335,511	1,563,350,922	29,635,882	98,432,854	226,748,606	2,668,876,532
Additions	-	47,009,840	6,741,409	-	34,804,720	5,638,000	25,762,532	-	98,060,504	24,990,454	243,007,459
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2020	522,800,000	133,759,840	68,802,505	39,397,500	65,168,881	14,973,511	1,589,113,454	29,635,882	196,493,358	251,739,060	2,911,883,991
As at 1st July 2020	522,800,000	133,759,840	68,802,505	39,397,500	65,168,881	14,973,511	1,589,113,454	29,635,882	196,493,358	251,739,060	2,911,883,991
Additions	-	-	-	-	868,636	1,130,172	202,917,854	-	2,424,400	24,600,394	231,941,456
Disposals	-	(2,500,000)	-	-	-	-	-	-	-	-	(2,500,000)
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2021	522,800,000	131,259,840	68,802,505	39,397,500	66,037,517	16,103,683	1,792,031,308	29,635,882	198,917,758	276,339,454	3,141,325,447
Depreciation and impairment											
As at 30th June 2019	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(33,439,960)	(8,600,313)	(4,924,688)	(19,550,664)	(1,871,689)	-	(8,890,765)	-	-	(77,278,078)
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2020	-	(33,439,960)	(8,600,313)	(4,924,688)	(19,550,664)	(1,871,689)	-	(8,890,765)	-	-	(77,278,078)
Depreciation and impairment											
As at 1st July 2020	-	(33,439,960)	(8,600,313)	(4,924,688)	(19,550,664)	(1,871,689)	-	(8,890,765)	-	-	(77,278,078)
Depreciation	-	(32,814,960)	(8,600,313)	(4,924,688)	(19,811,255)	(2,012,960)	-	(8,890,765)	-	-	(77,054,941)
Disposal	-	625,000	-	-	-	-	-	-	-	-	625,000
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2021	-	(65,629,920)	(17,200,626)	(9,849,375)	(39,361,919)	(3,884,649)	-	(17,781,529)	-	-	(153,708,019)
As at 30 June 2021	522,800,000	65,629,920	51,601,879	29,548,125	26,675,598	12,219,034	1,792,031,308	11,854,353	198,917,758	276,339,454	2,987,617,427
Net book values											
As at 30th June 2021	522,800,000	65,629,920	51,601,879	29,548,125	26,675,598	12,219,034	1,792,031,308	11,854,353	198,917,758	276,339,454	2,987,617,427
As at 30th June2020	522,800,000	100,319,880	60,202,192	34,472,813	45,618,217	13,101,822	1,589,113,454	20,745,117	196,493,358	251,739,060	2,834,605,913

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	522,800,000	-	522,800,000
Motor vehicles	131,259,840	(65,629,920)	65,629,920
Furniture and fittings	68,802,505	(17,200,626)	51,601,879
Partitions	39,397,500	(9,849,375)	29,548,125
Computers & Accessories	66,037,517	(39,361,919)	26,675,598
Office Equipment	16,103,683	(3,884,649)	12,219,034
WIP Building	1,792,031,308	-	1,792,031,308
WIP Partitioning	276,339,454	-	276,339,454
Amortization			
Intangible assets	29,635,882	(17,781,529)	11,854,353
Levy software	198,917,758	-	198,917,758
	3,141,325,447	(153,708,019)	2,987,617,427

21 (a) Intangible Assets

Description	2020-2021	2019-2020
	Kshs	Kshs
Cost		
At beginning of the year	29,635,882	29,635,882
Additions	-	-
At end of the year	29,635,882	29,635,882
Additions—internal development	-	-
At end of the year	29,635,882	29,635,882
Amortization and impairment		
At beginning of the year	(8,890,765)	-
Amortization	(8,890,765)	(8,890,765)
At end of the year	(17,781,529)	(8,890,765)
Impairment loss	-	-
At end of the year	11,854,353	20,745,117
NBV	11,854,353	20,745,117

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 (b) Gain on Write-off of Motor Vehicle

Motor vehicle: KCH 287 Q	
	Amount (Kshs.)
Fair Value	2,500,000
Accumulated Depreciation	(625,000)
Net Book Value	1,875,000
Insurance compensation	2,560,000
Gain on Write-off	685,000

22 Trade and Other Payables

Description	2020/2021	2019/2020
	Kshs	Kshs
Pending Bills	598,241,957	94,839,483
Audit fee payable	3,480,000	-
Legal fee payable	2,287,056	-
Sundry creditors	101,764	1,510,022
Withholding taxes	385,589	-
Good receipts	-	37,969,856
Staff vendors	1,844,311	1,844,311
P.A.Y.E	569,349	810,324
Court Attachment	16,776	-
Total trade and other payables	606,926,801	136,973,996

23 Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance b/d (1.07.2020)					
Additional Provisions					
Provision for RD cheques				(20,443,841)	(20,443,841)
Provision utilised					
Change due to discount and time value for money					
Transfers from non - current provisions					
Total provisions as at 30.6.2021	-	-	-	(20,443,841)	(20,443,841)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 Retirement benefit Asset/ Liability

The entity contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity'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. Other than NSSF, Tourism Fund operates a Defined Contributory scheme for all full-time employees from July 1, 2012. The scheme is administered by Zamara Actuaries, Administrators & Consultants Ltd. While Standard Chartered Bank are the custodians and Gen Africa Assets managers are the fund managers of the Scheme. The scheme's replacement ratio is dependent on the employees fund value at retirement and averaged 32% of salary of an employee at the time of retirement during the period under review. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

25 Cash Generated from Operations

Description	2020/2021	2019/2020
	Kshs	Kshs
Adjusted Surplus for the year before tax	466,286,133	285,984,624
Working Capital adjustments		-
Depreciation and Amortization	77,054,941	77,278,078
Accrued rent incomes	(57,339,954)	(5,596,085)
Accrued levy arrears	(79,456,544)	(119,245,485)
Gain on Disposal of Assets	685,000	-
Working Capital Adjustments		
Increase in inventory	12,016,242	9,144,754
Increase in receivables	(162,308,392)	(153,221,484)
Increase in payables	170,207,812	153,723,398
Net cash flow from operating activities	427,145,237	248,067,800

26 Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity'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. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

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a) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. 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 entity's management based on prior experience and their assessment of the current economic environment.

b) Financial Risk Management

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	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Receivables from exchange transactions	31,695,879	31,695,879		
Receivables from non-exchange transactions	341,499,512	341,499,512		
Bank balances	-	-		
Total	373,195,391	373,195,391		
As at 30 June 2020				
Receivables from exchange transactions	24,838,683	24,838,683		
Receivables from non-exchange transactions	354,030,620	354,030,620		
Bank balances	-	-		
Total	378,869,303	378,869,303		

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

i) Liquidity risk management

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

The table below represents cash flows payable by the entity 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables	606,926,801			606,926,801
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total	606,926,801			606,926,801
As at 30 June 2020				
Trade payables	136,973,996			136,973,966
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total	136,973,966			136,973,966

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

ii) Market risk

Tourism Fund 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

iii) Interest rate risk

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

Management of interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

iv) Fair value of financial assets and liabilities

Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

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

27 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry – Ministry of Tourism
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management;
- i) Board of directors;

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Description	2020/2021	2019/2020
	Kshs	Kshs
Transactions with related parties		
Grants /Transfers from the Government		
Grants from National Govt	850,000,000	300,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	850,000,000	300,000,000
Key management compensation		
Directors' emoluments	28,503,180	43,190,407
Compensation to key management		
Total	28,503,180	43,190,407

28. Contingent Assets

Tourism Fund Cases against

Cmcc No. 780 Of 2019 - Milimani Commercial Courts, Board Of Trustees Of Tourism Fund -Vs- George Kithi T/A Kithi & Company Advocates

High Court No. 1 Of 2005 In The Matter Of Tourism Fund-vs-African Safari Club Limited

The Fund, has filed legal action against the above firms, with the likelihood of settlement reasonably possible. Assignment of guilt, detailed terms, and potential damages, in favor of the Fund, have not been established. A reasonable assessment of an inflow of the financial impact to the Fund, is currently unknown.

29. Contingent Liabilities

Cases against Tourism Fund

Petition No 278 Of 2017 Council Of Governors -Vs- Tourism Fund & 19 Others

Petition No. 45 Of 2019 Ale Mosei T/A Molly's Bar -Vs- Tourism Fund & Tourism Regulatory Authority

Elrcpet E011 Of 2021 Nairobi Employment And Labour Relations Court Mercy Murrey -Vs- Tourism Fund & Board Of Trustees Tourism Fund

Ronald Ngala Utalii College Land Titles

[Arbitration] Professional Marketing Services Limited -Vs- Tourism Fund

Pparb Application No. 60 Of 2014 Glama Electrical And Mechanical Company Ltd - Vs- Tourism Fund

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Elrcpet/E124/2021

Okiya Omtata Okoiti -Vs- The Tourism Fund Board & 11 Others

The claimants, have filed legal action, as shown above, against Tourism Fund with the likelihood of settlement reasonably possible. Assignment of guilt, detailed terms, and potential damages, against the Fund, have not been established. A reasonable assessment of an outflow of the financial impact to the Fund, is currently unknown.

30 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Tourism Fund did not make any surplus during the year (FY 2020 Nil) and hence no remittance to the Consolidated Fund.

31 Events after the Reporting Period

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

32 Ultimate And Holding Entity

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

33 Prior Year Adjustment

CREDITOR	2020/2021	2019/2020
	Kshs	Kshs
RNUC	389,082,791.07	-
TF Office Block	202,917,853.53	-
Professional Marketing Services Ltd	6,241,312.14	-
Audit Fees	3,480,000.00	-
Legal Fees	2,287,056.00	-
TOTAL	604,009,013.74	-

34 Currency

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

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APPENDIX 1 : PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the External Audit Report	Prior Year Issues Raised	Management Comments	Focal Point person to resolve the issue (Name & Designation)	Status (Resolved /Not Resolved)	Time Frame (Date for resolving issue)
	Unreconciled Cash and Cash Equivalents The statement of financial position reflects cash and cash equivalents balance of Kshs. 85,776,027 as disclosed in Note 13. However, the bank reconciliation statements in support of the Fund's bank balances were not provided for audit review. In addition, a bank transfer of Kshs. 5 million dated 7 January, 2020 was made from KCB Revenue Account to Equity Operations Account. This amount was not reflected or received in the Equity operations Account. The amount was also not captured as a reconciling item in the bank reconciliation statement for the Equity Account. Consequently, the accuracy and completeness of the cash and cash equivalents balances of Kshs. 85,776,027 as at 30 June, 2020 could not be confirmed.	The monthly bank reconciliations have been availed for review. The Fund is also working in conjunction with banks where the Fund holds accounts so that Tourism Fund SAP ERP and respective banks ERPs are integrated to facilitate real time monthly reconciliations	The CEO	Not Resolved	
	Irregular Transfers to Kenya National Convention Bureau The Fund transferred Kshs. 8 million to the Kenya National Convention Bureau (KNCB) during the year under review to carry out functions meant to be carried out by the Kenyatta International Convention Centre (KICC) as per Section 42 of the Tourism Act, 2011. The KNCB was gazette on 16 August, 2019 vide a gazette notice No. 7263 and its mandate is to market Kenya as a Meeting, Incentive, Conference and Events destination. The Management is therefore in breach of the Act. Consequently, the regularity of the transfer could not be confirmed.	The Fund wrote to Attorney General for an advisory opinion regarding funding of KNCB and in their opinion, the funding was consistent with purposes and mandates for which the Fund was Established, and the roles that the KNCB Board was to play in the Tourism Sector	The CEO	Resolved	

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Reference No. on the External Audit Report	Prior Year Issues Raised	Management Comments	Focal Point person to resolve the issue (Name & Designation)	Status (Resolved /Not Resolved)	Time Frame (Date for resolving issue)
	Avoidable Penalties and Interests The Fund's continued delay to pay Ronald Ngala Utalii College (RNUC) contractors on time as per the contract requirements and section 48 of the Public procurement and Disposal Act 2005, has led to imposition of penalties and interests amounting to Kshs. 1,520,489,236 out of which Kshs. 516,166,749 was outstanding as at 30 June, 2020. In the circumstances, the validity and value for money on expenditure incurred due to continued delay in disbursements to the project could not be confirmed.	The computation of interest has been reviewed and based on Section 48 of the Procurement Act 2005, taking into consideration the lapse of fourteen (14) days (as provided for in the contract) from the date of receipt of the certificate in question by Tourism Fund and upon which interest charges shall apply until the amount in default is fully settled. Section 48 of the Procurement Act, 2005. <i>The following shall apply with respect to overdue amounts owed by a procuring entity under a contract for a procurement —</i> <i>(a) Unless the contract provides otherwise, the procuring entity shall pay interest on the overdue amounts; and</i> <i>(b) The interest to be paid under paragraph (a) shall be in accordance with prevailing commercial bank rates.</i> In all cases of payments to the contractor, Tourism Fund has been taking cognizance of the prevailing withholding income tax and withholding VAT rates (for which payment vouchers were availed for review) and filing with the Kenya Revenue Authority.	The CEO	Not Resolved	

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Reference No. on the External Audit Report	Prior Year Issues Raised	Management Comments	Focal Point person to resolve the issue (Name & Designation)	Status (Resolved /Not Resolved)	Time Frame (Date for resolving issue)
	Delayed Installation of Revenue Management System A contract was signed on 12 February, 2018 between the Fund and a local company for the Implementation and commissioning of an integrated Revenue Management System for Kshs. 144,503,960.27 for a period not exceeding eight months that was to end on 12 October, 2018. The first addendum to the contract introduced a consulting company to the project. The second addendum dated 1 October, 2019 varied the contract by Kshs. 28,900,792 and extended the contract by a further 5 months which has since expired. The consultant was to provide seamless integration to the clients' financial systems through its application protocol, Interference, Jambo pay online payments, which supports multi payment. interface to be defined namely mobile banking, credit and debit cards and agency cash collection. However, by the time of audit in April, 2021, the Fund had already started paying for the maintenance services even though the project was 70% complete. In addition, prior consultations between the parties before the variations and inclusion of consulting company to the project were not availed for audit verification. Consequently, it was not possible to confirm that the Tourism Fund obtained value for the services offered by the local company and if the company	a) Tourism Fund procured buy and build application. b) The application was customized to meet The Fund's needs, and the customized needs were agreed and signed in form of a blueprint. c) The completed modules were activated and The Fund commenced Utilization of the completed part of the application. d) The licenses for the completed modules were acquired to enable the user's access in utilizing the system. e) The service level agreement was thus signed to maintain the completed modules. f) The pending issues and modules are to be completed by the end of this financial year The Client and Consultant have not entered into Software Escrow Agreements that permit an independent specialist to hold and test a copy of software applications source code to make sure it is accurate, complete and can be compiled independently in the event of Consultant failure.	The CEO	Not Resolved	

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	had the capacity to complete the works as envisaged in the spirit of the contract.				
Reference No. on the External Audit Report	Prior Year Issues Raised	Management Comments	Focal Point person to resolve the issue (Name and Designation)	Status (Resolved /Not Resolved)	Time Frame (Date for resolving issue)
	Incomplete Contact Center The Fund entered into a contract with a local company for installation, supply, and configuration of a contact center. The contract was dated 13 February, 2020 for a contract sum of Kshs. 34,631,976.44 and was to be completed in three months. During the year under review only Kshs. 6,627,843 was paid to the contractor. This is after some minor works were done and few items delivered that were not as per the specification. As at the time of audit in April, 2021, the project had not been completed and there was no evidence that the project was going on. In the circumstances, it was not possible to confirm that the Fund obtained value for its money on the incomplete project.	The delay was as a result of Covid-19 Pandemic. However, the project is scheduled to be completed before end of June 2022.	The CEO	Not Resolved	
	Regularization and processing of Title Deed The Fund contracted a law firm to regularize and process a title deed for Kenya Utalii College from a law firm. As per letter Ref. TF/CONF/10/158 dated 17 December, 2019, the firm, had successfully obtained a certified deed plan for land ref 5035/5. However, a valid title in the name of Kenya Utalii College (KUC) was yet to be obtained due to change of user approval which had taken a long time. The total amount payable was Kshs. 11,492,655 which was paid in full by 19 February, 2020. As at the time of audit in April, 2021, the law firm had not obtained the title for the college despite being paid in full.	Regularization of the title processing is ongoing.	The CEO	Not Resolved	

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Reference No. on the External Audit Report	Prior Year Issues Raised	Management Comments	Focal Point person to resolve the issue (Name and Designation)	Status (Resolved /Not Resolved)	Time Frame (Date for resolving issue)
	Consequently, the regularity and value for money for the expenditure incurred could not be confirmed.				
	Irregular Administration of Staff Loans Section 5.3(a) of the Tourism Fund Finance Manual states that the Mortgage loans will be advanced to staff who may wish to buy already developed houses from the open market. In addition to the general rules, other requirement for advance of mortgage loans are required to be met. During the year under review, the former Chief Executive Officer (CEO), applied for a development loan that was repayable during his tenure of Office. The amount of loan applied was Kshs. 10 million to be recovered in 35 months. The advance was to be in line with the mortgage scheme of the Fund. However, this advance was not issued as per the prevailing time of the CEO's resignation the advance balance of Kshs. 7,461,000 as at 30 June, 2020 had not been recovered. Consequently, the regularity and recoverability of the amount owing could not be confirmed.	Management has since noted. Demand letters had been sent to the former CEO on 23 rd December 2021 and 5 th May 2022 as reminders to clear the outstanding loan, failure to which Tourism Fund will institute stricter measures to recover the same.	The CEO	Not Resolved	

APPENDIX II : PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

Project		Total project Cost (Million)	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Ongoing Construction of Ronald Ngala Utalii Colege	4,923	4,153	58.6%	100	1,237.50	GOK ; Tourism Fund ; Tourism Promotion Fund

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APPENDIX III : INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Tourism				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		14 / 09 / 2020	50,000,000	2020/2021
		Total	50,000,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	

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

Finance Manager

Tourism Fund

Sign 

Head of Accounting Unit

State Department of Tourism

Sign-----

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution		Recurrent							
Tourism Promotion Fund	23 / 04 / 2021	Development	300,000,000						300,000,000
Tourism Promotion Fund	29 / 04 / 2021	Development	300,000,000						300,000,000
Tourism Promotion Fund	18 / 05 / 2021	Development	200,000,000						200,000,000
USAID		Donor Fund							
Ministry of Planning and Devolution		Direct Payment							
Total			800,000,000						800,000,000