

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

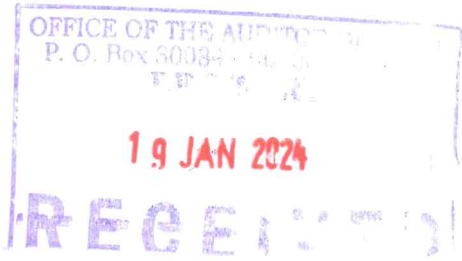
OF

THE AUDITOR-GENERAL

ON

TOURISM FUND

**FOR THE YEAR ENDED
30 JUNE, 2023**



TOURISM FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2023**

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

10/10/10

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 stakeholder's engagement.

Core Values

- Teamwork
- Customer Focus
- Integrity
- Accountability
- Professionalism
- Innovation
- Equity

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

Table of Contents	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
2. THE BOARD OF TRUSTEES.....	viii
3. MANAGEMENT TEAM.....	xii
4. CHAIRMAN'S STATEMENT.....	xviii
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xix
6. STATEMENT OF TOURISM FUND'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023.....	xxi
7. CORPORATE GOVERNANCE STATEMENT.....	xxvi
8. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxxiii
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxiv
10. REPORT OF THE DIRECTORS.....	xxxix
11. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xl
12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF TOURISM FUND FOR THE YEAR ENDED 30 TH JUNE 2023.....	xlii
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 TH JUNE 2023.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023.....	2
15. STATEMENT OF CHANGES IN NET ASSETS.....	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023.....	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023.....	5
18. NOTES TO THE FINANCIAL STATEMENTS-.....	7

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Core Values

Team work: To create one family to deliver.

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.	Ag. Manager Finance & Accounts	David Wainaina
6.	Ag. Corporate Communications Marketing Manager	Alex Maina
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
11.	Ag. Manager Resource Mobilization	Laura Anyasi
12.	Manager- Research, Strategy and Planning	Willis O. Ondiek
13.	Manager - Training Revolving Fund	Enoch K Chebii

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

14.	Manager - Levy Enforcement	Edward Kisali
15.	Manager - Risk & Quality Assurance	Peter Otieno
16.	Ag. Corporate Secretary & Legal Services Manager	Margaret Jepkoech

(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 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: The members are: Susan Ongalo (Chairperson), Biko Gwendo, Geoffrey Kibanda, Zeinabu A. Hussein, and James Wangombe.

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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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: Diana Gitiba (Chairperson), Peter Ngori, Geoffrey Kibanda, Zeinabu A. Hussein, 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.

The members are: Mr. Peter Ngori (Chairperson), Biko Gwendo, Susan Ongalo, Diana Gitiba, Geoffrey Kibanda, and James Wangombe.

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), Diana Gitiba, Peter Ngori, Susan Ongalo, Zeinabu A. Hussein, and James Wangombe.

(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, +254 728 337499
Website: www.tourismfund.go.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: +254 728 337499

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Mombasa Regional Office

Pereira Building 3rd Floor Machakos Road.
P.O. Box 99832-80100 Mombasa, Kenya.
Tel: +254 792 187841

Kisumu Regional Office

Reinsurance Plaza 7th Floor Oginga Odinga Road
P.O. Box 1406-40100 Kisumu, Kenya
Tel: +254 795 765412

Nakuru Regional office

Generation House, 2nd Floor, Kenyatta Avenue
P.O. Box 2812-20100 Nakuru, Kenya
Tel: +254 706 405950

Nyeri Regional office

Sohan Plaza 4th Floor Nyayo Road
P.O Box 348-10100 Nyeri, Kenya
Tel: +254 792 181960

North Rift Regional Office

KVDA Plaza
P.O Box 348-10100 Nyeri, Kenya
Tel: +254 716 477478

(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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Equity Bank of Kenya Ltd
Mayfair Branch.
P.O Box 75104 - 00200 Nairobi.

Safaricom PLC Limited
P.O Box 66827-00800 Nairobi.
Paybill No. 884500 (closed)

(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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

2. THE BOARD OF TRUSTEES

Ref	Directors	Details
1.	 <p data-bbox="395 913 667 949">Mr. Samson Some</p>	<p data-bbox="817 501 1497 1084">Mr. Samson Some was appointed to the Tourism Fund Board of Trustees in 2023. Mr. Some was born in November 1982. Mr. Some has a wealth of experience in the tourism industry as he is experienced in leading and reinvigorating a travel society (American Society of Travel Advisors- ASTA), establishing working relationships between regional government institutions, private associations and the local travel industry. Mr. Some currently serves as the president of the American Society of Travel Advisors (ASTA). He holds a Masters in Business Administration (MBA) and a bachelor of commerce (Finance major).</p>
2.	 <p data-bbox="373 1749 612 1785">Ms. Zippy Metto</p>	<p data-bbox="804 1323 1497 1606">Ms Zippy Metto was appointed to the Tourism Fund Board of Trustees in 2023. She has a solid 23 years' experience in the aviation industry and business experience in agribusiness. She is a holder of a Masters in Business Administration (MBA) and a bachelors in Education.</p>

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

<p>3.</p>	 <p>Ms. Diana Muthee</p>	<p>Ms Diana Muthee- Gitiba was appointed to the Tourism Fund Board of Trustees in 2023. She is experienced in setting up structures and systems for new businesses, managing complex business projects, accessing new markets, sales operations management, business analysis and brand management. She is a holder of a Masters in Business Information Technology, Masters in Business Administration and a BSc Civil Engineering.</p>
<p>4.</p>	 <p>Geoffrey Kibanda</p>	<p>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.</p>
<p>5.</p>	 <p>Peter Ngori</p>	<p>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.</p>

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

6.	 <p>Susan Ongalo</p>	<p>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.</p>
7.	 <p>Biko Gwendo</p>	<p>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.</p>
8.	 <p>Michael Nkodi Tialal</p>	<p>Mr. Michael Tialal was appointed as Alternate Trustee of Tourism Fund in 2022. Mr. Tialal has 32yrs of experience in government. He holds a Masters in Community Development (Chuka University) and a Bachelor's degree in Education (University of Nairobi)</p>

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

<p>9.</p>	 <p>David K. Mwangi Ag. Chief Executive Officer</p>	<p>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)</p>
<p>10.</p>	 <p>Margaret Jepkoech Ag. Corporate Secretary & Legal Services Manager</p>	<p>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 an M.A in Peace & Conflict Management. She's also a Certified Mediator.</p>




**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

3. MANAGEMENT TEAM



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

	Management	Details
1.	 <p>David K. Mwangi Ag. Chief Executive Officer</p>	<p>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)</p>
2.	 <p>CPA Lilians Wafukho Director Corporate Services</p>	<p>CPA Lilians Wafukho has MBA (Finance/Operations Management), B Com (1st Class Hons) (Accounting), Current pursuing PHD Strategic Management. She 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.</p>
3.	 <p>Charles Okeyo Director of Levy Services.</p>	<p>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.</p>




**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

<p>4.</p>	 <p>Eden Robbinson Odhiambo Director Strategy and Resource Mobilization</p>	<p>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</p>
<p>5.</p>	 <p>David Wainaina Ag. Manager, Finance & Accounts</p>	<p>Mr. David Wainaina joined Tourism Fund in 2010 as an Accountant and rose through the ranks to his current position Ag. Manager – Finance & Accounts. He holds a Bachelor of Commerce in Accounting Option</p>
<p>6.</p>	 <p>Alex Maina Njuguna Ag. Corporate Communication and Marketing Manager</p>	<p>Alex is a seasoned Marketing Professional with over 12 years practicing experience. He Holds a Master of Arts degree in Marketing and a Bachelor of Arts in Tourism and Sociology from the University of Nairobi. Prior to his appointment as the Acting Manager, Corporate Communications and Marketing, he served in various capacities within the Fund, having also previously worked in other industry sectors. He is a registered member of the Marketing Society of Kenya (MSK) and Public Relations Society of Kenya.</p>




**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

<p>7.</p>	 <p>Margaret Jepkoech Ag. Corporate Secretary & Legal Services Manager</p>	<p>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. She's also a Certified Mediator.</p>
<p>8.</p>	 <p>CPA Abraham Kiptum Internal Audit Manager</p>	<p>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 KCA University. He is a Diploma in Criminology & Social Order from University of Nairobi. He is also a member of ICPAK and IIA Kenya in good standing.</p>
<p>9.</p>	 <p>George Machooka Ag. Manager Human Resource and Administration</p>	<p>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.</p>


**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

<p>10.</p>	 <p>Mr. Isaiah Rutto Ag. Information, Communication & Technology Manager</p>	<p>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</p>
<p>11.</p>	 <p>Mr. Kevin Mungasio- Manager Supply Chain Management Chain</p>	<p>Mr. Kevin Kasaine Mungasio 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).</p>
<p>12.</p>	 <p>Laura Anyasi Ag. Manager, Resource Mobilization</p>	<p>Ms. Laura Anyasi joined the then CTDLT in 2012 as an assistant levy officer and rose through the ranks to her current position Ag. Manager – Resource Mobilization and Partnerships. She holds a Masters Degree in Strategic Management from Kenyatta University and a Bachelors in Actuarial Science. She is a member of The Fundraising Association of Kenya and has 10 years' experience in the public sector.</p>

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

<p>13.</p>	 <p>Mr. Willis O. Ondiek Manager- Research, Strategy and Planning</p>	<p>Willis is a seasoned tourism professional with over 25 years' experience. He holds MBA (Strategy) and a BSc. in Tourism both from Moi University. He has been with the Fund for about 18 years, with over ten (10) years in senior management position and, a prior three years as an Advisor, Head Staff and PA to the Minister responsible for Tourism. During the period, he headed Standards Department that established the National Tourism Sector Standards prior to founding and heading Research, Strategy and Planning Department. Besides holding several certificates in leadership, sustainable dev't and, performance management, he is a Certified EAC Classification and Grading Trainer and, a Full Member of Kenya Institute of Management.</p>
<p>14.</p>	 <p>Mr. Enoch K Chebii Manager Training Revolving Fund</p>	<p>Mr. Enoch Chebii is in charge of Tourism Training Revolving Fund Docket. Before his appointment he was Finance and Administration manager at KNCB and previously Regional Manager at Tourism Fund. He has over 20 years' experience in public sector in areas of Finance, Administration Paralegal and Training. He has also been chairman of Tourism Fund Defined benefits and defined contribution (DB &DC) pension schemes for 15 years. He holds MBA degree from Kenyatta University and Bachelor of Commerce from catholic University of Eastern Africa. He is a certified Public Accountant (K)</p>
<p>15.</p>	 <p>Mr. Edward Kisali Manager, Levy Enforcement</p>	<p>Mr Edward Kisali joined Tourism Fund in the year 2008 as a Management Trainee. Prior to his appointment as the Manager- Levy Compliance, Mr Kisali had served as a Regional Manager for a period of 10 years. He holds Masters in Strategic Management, from Jomo Kenyatta University of Agriculture & Technology, Masters in Leadership Studies, From Global University USA and a Bachelor's degree in Applied Statistics (Maseno University)</p>

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

16.	 <p>Mr. Peter Otieno Manager, Risk & Quality Assurance</p>	<p>Mr. Peter Otieno holds a Bachelor of Arts in Sociology and Communications from the University of Nairobi. He is a certified Risk and Quality Assurance professional. Prior to his appointment as the Manager- Risk & Quality Assurance, Mr. Otieno served in various capacities within the Fund, amassing extensive knowledge and experience of over 30 years in the Human Resource and Administration field. He is a registered member of Institute of Human Resource Management of Kenya (IHRM)</p>
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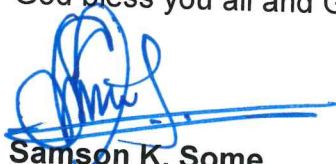
**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

4. CHAIRMAN'S STATEMENT

It is an honour to give a statement as Chair of the Tourism Fund Board of Trustees. Firstly, I wish to give thanks to the Lord Almighty God, the President of the Republic of Kenya, His Excellency President William Samoei Ruto for appointing me to this distinguished position, the cabinet secretary Hon. Peninah Malonza for her numerous counsels on matters running the organization, my board members, management and staff of Tourism fund fraternity. Not forgetting the very many levy agents who collect the 2% tourism levy on behalf of the organization and ensure they remit the same on or before the 10th day of every month and lastly, to all consumers of Tourism activities without whom the 2% tourism levy would not be available. Indeed, for a long time the 2% tourism Levy has been misconceived that it is the hotels and restaurants owners who pay this levy but on the contrary, this is a consumer directed levy paid by the consumer and utilized by the industry.

During the year under review, we did see tremendous improvements in the Tourism and hospitality industry despite the many challenges brought about by Covid-19 in the recent past. However, given the numerous strategic networking and collaborative efforts made between our various levy agents and partner institutions, the organization managed to collect a total of 3.8B therefore surpassing the set target of Kshs 3.1B by 700M and disbursements done towards; Capacity building and training activities for Kenya Utalii College; Financing the development of the upcoming Ronald Ngala Utalii College (RNUC) in Kilifi; Marketing of Kenya as Preferred tourism destination through Kenya Tourism Board and; financing of various tourism activities through Tourism Associations at both the National and County Governments.

I therefore humbly appeal that even as we continue to recover as an industry, we pull together all resources to ensure that the industry thrives and shines towards world class excellence for the benefit of not just the current but also future generations. God bless you all and God bless Kenya.



Samson K. Some
Chairman Board of Trustees

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

I'm delighted to be introducing Tourism Fund's Annual Report and financial statements for the year 2022/2023. The tourism sector was faced with challenges during the last financial year which included a general election, global economic growth is slowing more broadly and sharply than projected, with inflation higher than it has been in recent decades. The cost-of-living problem, tighter financial conditions in most regions, Russia's invasion of Ukraine, and the persisting COVID-19 epidemic all loom large in the forecast. Despite the outlook of the sector International tourism is well on its way to returning to pre-pandemic levels and Tourism Fund improvement in revenue collection.

Tourism Fund's bouncebackability was stimulated by High compliance and enforcement levels achieved by increased surveillance, inspections, collaboration with multi-agency teams, and ongoing investigations into establishments that submitted no returns. The new internet-enabled tax registers (ETRs) assist KRA in receiving sales and invoice data on a daily basis, hence reducing tax evasion by requiring all clients, including tourism establishments, to comply. Because establishments who file valid returns with KRA are less likely to submit fraudulent returns to Tourism Fund, this has aided Tourism Levy collection.

Tourism Fund used its communication strategy for the fiscal year ended 2022/2023 to bridge the information gap between its stakeholders while also assisting in the implementation of its main mandate. This included particular stakeholder involvement that enabled smooth levy operations with a consistent standard in the preparation, management, and eventual transmission of the 2% tourism levy and its benefits to the tourism industry. The activities included; financing industry trainings imparting wine knowledge and handling skills to the industry players in Nyandarua and Migori counties respectively, sponsorship of symposiums through our partner networks such as Kenya Association of Hotel and Caterers (KAHC), Tourism Professional Associations, Kenya Tourism Federation, both National and county tourism ministerial and Agency (MDAs) support, participation in various industry fora's at both the regional and international fronts.

The Fund also had the privilege of supporting and participating in various Sports Tourism activities in select counties which was leveraged on enhancing our strategic partnerships, networks and collaborations. This ensured enhancement of the brand visibility thus raising the 2% Tourism Levy collections. Additionally, in line with our strategic pillar on sustainable environmental practices as per the presidential directives, we were able to work with stakeholders in undertaking corporate social responsibility and investment (CSR&I) activities which included; tree planting initiatives in Nakuru county, Narok county, Uasin Gishu County and Kilifi county. The Fund also took part in contributing to the well-

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

being of communities and society through health promotion in line with the Universal Health Coverage Policy through sponsoring the renovation of the Kenyatta National Hospital Maternity ward.

These activities played a key role in improving the organizations reputation as well as performance as exhibited in the performance contract evaluation report for the FY2020/2021, which placed the Fund at position 11 against a composite score of 2.45 as compared to the FY 2021/2022 which saw a noteworthy elevation to position 10 with score of 2.26, ranking the performance category as Excellent. Equally during the year under review, the collection of 2% tourism levy improved as evidenced by the increase in the organization's revenue turnover of Kenya shillings 3.8B as compared to 2.81 billion collected in the last financial year 2021/2022.

Further, significant steps were made in seeking to improve on capacity building in the tourism sector by making tremendous progress towards the completion of the Ronald Ngala Utalii College (RNUC) in Kilifi with the college component completion rate currently standing at 78%.

As previously discussed, technology, teamwork, and public good will were vital to the fund's performance. While concerns surrounding the general election and the global economic crisis persist, we see a plethora of enticing chances for the industry, including, but not limited to, the reopening of businesses that had previously closed owing to Covid-19. Thus, revenue growth is likely to continue in the event of a cease-fire between Ukraine and Russia in west Europe.

We will continue to drive change in the tourism industry by participating in and supporting actions that promote sustainable tourism. I am convinced that our initiatives and collaborations will continue to transform the sector's long-term sustainability while ensuring ongoing value creation for our stakeholders.



David K. Mwangi
Ag. Chief Executive Officer

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

**6. STATEMENT OF TOURISM FUND'S PERFORMANCE AGAINST
PREDETERMINED OBJECTIVES FOR FY 2022/2023**

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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

2. Institutional Capability and Competence	2.1 Re-engineer the Fund's Human Resource Capacity to Deliver the Strategy
	2.2 Institutionalize efficiency in the fund's 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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Tourism Fund Corporate Work Plan for FY2022/23 (Summary)

Department	Staffing		Budget (Kshs Million)				Total	Strategic and Administrative Activities Spread by Quarter				Total Output Items				
	PS	I P	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
1 Resource Mobilization	5		99.44	97.34	100.04	68.56	365.38	35	35	36	36	59	56	57	57	229
2 Research, Strategy and Planning	5		6.22	12.03	2.22	4.57	35.64	21	23	19	25	33	35	26	35	129
3 Quality Assurance and Risk Management	3		20.33	6.15	3.33	0.31	30.13	14	12	4	4	26	22	9	9	66
4 Levy Operations (Compliance)			19.00	17.50	15.00	12.50	64.00	15	12	12	12	21	17	18	15	71
5 Levy Operations (Enforcement)			60.3	59.3	57.3	55.3	232.70	16	12	13	10	20	16	17	14	67
6 Corporate Communication and Marketing			9.5	5.35	6.38	8.9	30.13	27	21	21	21	41	26	27	26	120
7 Legal Services			28.56	4.00	1.00	17.00	53.50	9	6	8	6	13	9	14	9	45
8 Human Resource and Administration			166.4	104.8	91.7	90.8	454.26	22	23	21	26	42	44	41	48	175
9 Supply Chain			3.225	4.825	5.075	3.325	13.30	15	15	16	15	22	22	23	22	89
10 ICT			0.70	1.00	0.90	0.80	3.40	9	9	9	8	12	11	12	11	46
11 Finance and Accounts			0.50	2.50	0	1.00	4.00	7	7	4	6	7	7	4	6	24
12 Internal Audit			2.80	3.00	2.60	2.60	11.00	7	6	8	8	8	7	9	9	33
13 Office of the CEO's			13.55	9.65	10.45	8.25	41.90	20	20	20	20	28	29	29	28	114
14 Revolving Fund			6.391	27.45	60.05	25.05	124.7	8	17	12	14	13	28	16	20	77
Totals Staff Allowed																
Total Staff In Post																
Staffing Gap																
FY2022/23 Work Plan Based Cash Flow by Quarter																

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

FY2022/23 Proposed Activity Based Operating Annual Budget by Departmental Work Plans Total																				
FY2022/23 Proposed Strategic Plan Based Activities by Departmental Work Plans Submitted for Budget Process										225	218	203	211							
Consolidated Proposed Corporate FY2022/23 Strategic Plan Based Activities by Departmental Work Plans Submitted for Budget Process										857										
Quarterly Corporate OVIs Based on Strategic Plan Activities of FY2022/23 –derived from Departmental Work Plans used in Budgeting per Quarter														345	329	302	309			
Consolidated Annual Corporate OVIs Based on Strategic Plan Activities of FY2022/23 –derived from Departmental Work Plans used in the Budget Process										1,285										

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**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Performance Highlights (Table 1.3)

ITEM	2019/20 END YEAR STATUS	FY20/21 END YEAR STATUS	FY2021/22 END YEAR STATUS	FY22/23 END YEAR STATUS
Levy Collection level	2.433B	1,452,683,338	2.8B	3.977B
Registration of Establishment	2820	980	816	1,621
Cumulative No. of Establishments	8302	14,516	12,277	13,898
Compliance/ Conformance Level (%)	75%	63.5%	69%	71%
Resources Mobilized (Other than Levy and Rent)	-	850M	80M	500M
Staffing Level	221	261	258	265
Performance Contract	3.35	2.6129	2.2648	2.2648
SP Implementation rate	78%	62.1%	80%	77.7%
Funding KUC	427.5M	70M	352.7M	360M
Funding KTB	322.5M	20M	191M	300M
RNUC Funding (TF)	55M	1,237.6M	693.6M	1.351B
Funds Operating Expenses	878.9	996.4M	1.3B	1.433B
Operation Efficiency Index (%)	40.33*	41.7*	45.1	36.0

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

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	Designation
1	Samson Some	Chairman
2	Alfonse Kioko	Chairman (Former)
3	Zeinabu A. Hussein	PS State department of Tourism Wildlife
4	Michael Tialal	Rep' PS State department of Tourism Wildlife
5	Geoffrey A. Kibanda	Rep' PS National Treasury
6	James K. Wangombe	Rep' Inspectorate of State Corporation
7	Susan M. Ongalo	Trustee
8	Peter S. Ngori	Trustee
9	Biko Gwendo	Trustee
10	Diana Muthee Gitiba	Trustee
11	Joel Kamau	Trustee
12	Zippie Metto	Trustee

Tourism Fund Annual Reports and Financial Statements For the year ended 30th June 2023

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;

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

MEMBERS ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Other meetings	Total meetings attended
1	Samson Some	0	0	0	0
2	Alfonse Kioko	0	2	0	3
3	Biko Gwendo	0	2	0	2
4	Susan M. Ongalo	0	2	0	3
5	Joel Kamau	0	0	0	0
6	Peter S. Ngori	0	2	0	3
7	Geoffrey A. Kibanda	0	2	0	3
8	Diana Gitiba	0	1	0	2
9	James K. Wangombe	0	1	0	1
10	Zeinabu A. Hussein	0	0	0	0
11	Julius Musau*	0	1	0	0
12	Zippie Metto	0	0	0	0
13	Michael Tialal	0	0	0	0

* The Board of Trustees was not fully constituted thus was not able to hold the meetings.

* Samson Some was appointed the Chairperson effective 17th February 2023, and Alfonse Kioko's appointment revoked on the same date.

* Julius Musau Represented PS State Department for Tourism

* Michael Tialal was appointed to represent PS State Department for Tourism

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	FINANCE & STRATEGY COMMITTEE	STAFF & TECHNICAL COMMITTEE	REVENUE MANAGEMENT & PROJECTS COMMITTEE
Diana Gitiba - Chair	Susan Ongalo - Chair	Peter Ngori -Chair	Biko Gwendo -Chair
Peter Ngori	Biko Gwendo	Biko Gwendo	Diana Gitiba
Geoffrey Kibanada	Geoffrey Kibanda	Susan Ongalo	Peter Ngori
Zeinabu A. Hussein	Zeinabu A. Hussein	Diana Gitiba	Susan Ongalo
Geoffrey Kibanda		Geoffrey Kibanda	Zeinabu A. Hussein
James Wangombe	James Wangombe	James Wangombe	James Wangombe

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

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	Diana Gitiba	1	0	1
2	Peter S. Ngori	1	0	1
3	Geoffrey A. Kibanda	1	0	1
4	Zenabu A. Hussein	1	0	1
5	James K. Wangombe	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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

MEMBER ATTENDANCE LIST

No	Name	Regular Meetings	Special Meetings	Other meetings	Total meetings attended
1	Biko Gwendo	1	0	0	1
2	Susan M. Ongalo	1	0	0	1
3	Geoffrey Kibanda	1	0	0	1
4	James K. Wangombe	1	0	0	1

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	Susan M. Ongalo	1	0	1
2	Biko Gwendo	1	0	1
3	Geoffrey A. Kibanda	1	0	1
4	James K. Wangombe	0	0	0

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 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	Biko Gwendo	2	0	2
2	Susan M. Ongalo	2	0	2
3	Diana Gitiba	2	0	2
4	James K. Wangombe	1	0	1
5	Julius Musau*	1	0	1

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

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;

- a) Serves the Fund with a written notice of resignation in writing, copied to the Chairperson of the or
- b) Is absent without the permission of the Chairperson from three consecutive Meeting or;
- c) 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 2022/2023 FY Board 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, 2022 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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

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 2022/2023 is disclosed in Note 28 to the Financial Statements.

CHAIRMAN



AG. CHIEF EXECUTIVE OFFICER.....



8. MANAGEMENT DISCUSSION AND ANALYSIS

In the Financial year 2022/2023, the sector embarked on its recovery as a result of Post Covid 19 pandemic adverse effects. This also led to increased challenges and uncertainties with regard to the Tourism Sector. To curb these adverse effects, Tourism Fund employed its Communication Strategy for the year ended 2021/2022 which aimed at bridging the knowledge gap between its stakeholders as well as aiding in the implementation of its core mandate. This included specific stakeholder engagement that enabled smooth Levy operations with a consistent standard in the preparation, handling and eventual dissemination of the 2% tourism levy related information and its benefits to the tourism industry. The activities included; financing industry trainings, Imparting wine knowledge and handling skills to the industry players in Migori and Nyandarua, Sponsorship of Symposiums through our partner networks such as Kenya Association of Hotel and Caterers (KAHC), Tourism Professional Associations, Kenya Tourism Federation, both National and County tourism Ministerial and Agency (MDAs) support, participation in various industry fora's, at both the regional and international fronts.

The Fund also had the privilege of supporting and participating in various Sports Tourism activities in select counties which was leveraged on enhancing our strategic partnerships, networks and collaborations. This ensured enhancement of the brand visibility thus raising the 2% Tourism Levy collections. Additionally, in line with our strategic pillar on sustainable environmental practices as per the Presidential directives, we were able to work with stakeholders in undertaking Corporate social responsibility and Investment (CSR&I) activities which included; tree planting initiatives in Nyandarua, Uasin Gishu, Kisii and Kitui counties.

These activities played a key role in improving the organizations reputation as well as performance as exhibited in the performance contract evaluation report for the FY2020/2021, which placed the Fund at position 11 against a composite score of 2.45 as compared to the FY 2021/2022 which saw a noteworthy elevation to position 10 with score of 2.26, ranking the performance category as Excellent. Equally during the year under review, the collection of 2% tourism levy improved as evidenced by the increase in the organization's revenue turnover of Kenya shillings 3.8B as compared to 2.81 billion collected in the last financial year 2021/2022. Further, significant steps were made in seeking to improve on capacity building in the tourism sector by making tremendous progress towards the completion of the Ronald Ngala Utalii College (RNUC) in Kilifi with the college component completion rate currently standing at 78%.

Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023

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 it's 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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

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.

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.
- IV. Career progression in line with the approved organization structure.

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. Retirement benefits

Tourism Fund provides retirement benefits for its employees under its scheme CTDLT SPS -2011. 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
Annual Reports and Financial Statements
For the year ended 30th June 2023**

Fund Overview – In the year 2021; the fund value increased from KES 1.10Bn to KES 1.12Bn. This was due to net contributions during the quarter as well as an investment growth of KES 9.7Mn. The performance was 0.87% mainly due to a positive performance in fixed income. The one-year performance was 12.43%

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

In the year under review the Fund's Board of Trustees approved the Tourism Fund Procurement policy that promotes a procurement system that is fair, equitable, transparent, competitive and cost effective. To ensure adherence to public procurement laws and best practices, all purchases and acquisitions in the year under review were undertaken based on a market survey accompanied by a professional opinion to the Chief Executive Officer. Supplier relationships were also enhanced in the year under review in terms of conducting pre-tender meetings and debriefing meetings to the interested bidders. All ongoing contracts have now been uploaded in the SAP system and through the contract management module all contractors' invoices are processed and paid promptly as per the terms of the respective contracts."

XI. Responsible marketing and advertisement

The 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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

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

a) Product stewardship:

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.

b) Corporate Social Responsibility / Community Engagements:

Corporate Social Responsibility and Investment practises (CSR&I) is the way in which an organisation 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 the 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.

During the FY 2022/2023, the Fund engaged on the following CSR&I activities:

- 1) Tree planting aimed towards the promotion of environmental sustainability initiatives in line with the presidential directives under the Mwongozo Act.

Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023

- 2) Sponsorship towards the renovation of the Kenyatta National Hospital Maternity Ward.

Equally, the Fund carried out the following community and stakeholder engagement activities during the period under review: -

1. Support towards industry training was carried out in the following areas: -
 - a. Sensitization of hotels and restaurants service providers on wine knowledge and handling to offer better quality services. This was done in Migori County and Nyandarua County.
2. Promotion of Cultural tourism through sponsorships e.g. The Narok Cultural Festival which aimed at supporting County initiatives toward Cultural tourism promotion and The National Cultural Tourism Festival which was held in Kakamega.
3. Sponsorship of Magical Kenya Tembo naming festival aimed at elephant conservation and reducing the human-wildlife conflicts in Amboseli Park while supporting the annual world elephant day.
4. Promotion of sports tourism through sponsorships of various golf tournaments aimed at promoting the brand visibility of the organization as well as creating awareness on the role and mandate of the Fund.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

10. REPORT OF THE DIRECTORS

The Board of Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 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, 2023 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 is in the Financial Services Sector since reclassification in 2018. It is not a regulatory entity and hence doesn't fall within the entities that remit surpluses into 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 MJR
Corporate Secretary/Secretary to the Board

Date 13/12/2023

Tourism Fund

Annual Reports and Financial Statements

For the year ended 30th June 2023

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, 2023. 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, 2023, 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.


**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

Approval of the financial statements

Tourism Fund's financial statements were approved by the Board on _____
2023 and signed on its behalf by:



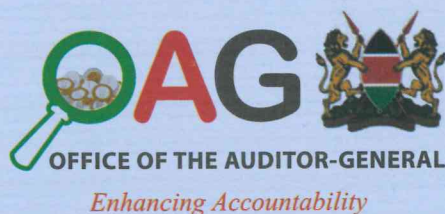
**Samson K. Some
Chairperson of the Board**



**David K. Mwangi
Accounting Officer**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TOURISM FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Tourism Fund set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2023, 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, 2023 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 the 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.

Emphasis of Matter

Negative Working Capital

During the year, the current liabilities of the Fund balance of Kshs.1,280,146,473 exceeded its current assets of Kshs.1,057,118,757 resulting to a negative working capital of Kshs.223,027,716 as at 30 June, 2023. The Fund's continued existence as a going concern is dependent on financial support from the Government and its creditors.

My opinion is not qualified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Delay in Collection of Long Outstanding Rental Income Deposits

The statement of financial position and as disclosed in Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.131,032,343 which includes rental income deposit balance of Kshs.17,035,644 owed by a local real estate agency. The deposits have been outstanding from the previous years. The Agency was to refund the deposits to the Fund on or before 5 August, 2021. However, as at the time of audit in the month of November 2023, a balance of Kshs.13,598,986 had not been refunded. This is contrary to Regulation 64(1) of the Public Finance Management (National Government) Regulations, 2015 on revenue management.

In the circumstances, the recoverability of receivables from exchange transactions balance of Kshs.13,598,986 could not be confirmed.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management had not resolved the issues or given any explanation for failure to implement 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.

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 date of practical completion on 19 June, 2018.

On 25 August, 2014 the contract sum was scaled down from Kshs.8,961,370,998 to Kshs.4,923,005,000 with revised contract completion date of 28 February, 2017 as per second addendum, Further, 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.

The Accounting Officer on 6 May, 2021 granted the contractor an extension of thirty-six (36) months with effect from 8 June, 2020 to 7 July, 2023 also on 21 June 2023 as per letter Ref: TF/CONF/1/158/VOL.XIX(46) granted further extension of time for completion of the project from with effect from 21 June 2023 to 20 June 2024.

Review of the implementation of the contract during the year ended 30 June, 2023 revealed the following issues.

1.1 Contractual Claims by Sub-Contractor

According to interim certificate No.53 dated 14 December, 2022, certified work for the electrical subcontractor amounted to Kshs.303,001,854 which includes unanalyzed and unsupported contractual claims of Kshs.8,000,000.

1.2 Interest on Delayed Payments

The interim certificate No.53 further, includes interest charged on delayed payments amounting to Kshs.629,752,500. The delayed interest payments have a huge financial implication to the overall cost on completion of the project.

1.3 Delay in Project Completion

As at the time of audit in the month of November 2023 and according to monthly progress report dated 30 October, 2023, the project completion rate was estimated at 79%. However, the project has delayed in completion since the last approved completion date of 28 February, 2017.

In the circumstances, the value for money on project expenditure may not be realized.

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

2.1 Excess Fee Note Amounts

According to the latest interim Fee Note No.13 dated 7 November, 2022 (Ref: UC/P/105/FN13) the Quantity Surveyor claimed total fees of Kshs.1,523,276,352; Out of which cumulative payments of Kshs.1,107,493,069 had been made resulting to unpaid amount of Kshs.415,783,283. In addition, the Fee Note reflects VAT amount of Kshs.124,962,768 calculated on the basis of total amount of Kshs.781,017,305 which includes reimbursement instead of the vatable fees of Kshs.737,221,201 with VAT amount of Kshs.117,955,392 as detailed below;

Item	Interim Fee Note Amount (Kshs.)	Expected Audited Amounts (Kshs.)	Variance (Kshs.)
Reimbursements	43,796,104	0	43,796,104
Sub-total	781,017,305	737,221,201	43,796,104
16% VAT	124,962,768	117,955,392	7,007,376
Reimbursements	-	43,796,104	(43,796,104)
Total Fee Note Amount	1,523,276,352	1,516,268,975	7,007,376
Net Payable	415,783,283	408,775,906	7,007,376

As per the above analysis, the fee note has unjustified excess VAT amount of Kshs.7,007,376.

2.2 Interest on Delayed Payments

Review of the consultants' fee notes for the supervision of the contract during the year revealed continued imposition of interest on delayed payments on interim certificates amounting to Kshs.2,397,311,894 as at 30 June, 2023 as shown below;

Consultant	Interim Fee Note No.	Reference	Interest Penalty (Kshs.)
Lead Architect	Interim Fee Note	Tf/22/10/Bsl dated 20 July, 2022	961,650,867
Quantity Surveyors	13	UC/P/105/FN13 dated 7 November, 2022	617,296,278

Consultant	Interim Fee Note No.	Reference	Interest Penalty (Kshs.)
Civil and Structural Engineers	42	220/100FN/12 dated 08 October, 2020	459,687,377
Mechanical and Electrical Engineers	17	WC/GEN/RNUC/G/1222 8 December, 2022	724,806,494
Total			2,763,441,016

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

In the circumstances, the value for money on the project expenditure incurred on account of interest charged on delayed payments and reimbursements costs to projects consultants may not be realized.

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 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that



the

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 February, 2024

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023

	Note	CUMULATIVE TO DATE 2022-2023 Kshs	CUMULATIVE E TO DATE 2021-2022 Kshs
Revenue from non-exchange transactions			
Transfers from other government entities	6	558,600,000	830,000,000
Levy Income	7	3,627,201,153	2,674,164,456
Levy interest & penalties	7	196,671,231	101,000,007
Levy Arrears	7	213,903,890	39,672,846
Total revenue from non-exchange transactions		4,596,376,274	3,644,837,309
Revenue from exchange transactions			
Rental revenue from Tourism Fund Building	8	78,053,059	55,024,301
Finance income	9	608,717	9,391
Bidding Fees	9a	4,000	-
Total revenue from exchange transactions		78,665,776	55,033,692
Total revenue		4,675,042,050	3,699,871,001
Expenses			
Use of goods	10	488,482,990	471,200,638
Employees costs	11	812,042,578	682,695,942
Board of Trustees remuneration	12	15,667,215	23,409,899
Depreciation and Amortization	13	99,552,213	82,156,722
Repairs & maintenance	14	183,993,885	154,700,266
Grants and Subsidies	15	2,666,039,567	2,919,795,848
Total expenses		4,265,778,449	4,333,959,315
Other gains/(losses)			
Gain (Loss) on disposal		-	(1,551,890)
(Deficit) / Surplus for the period before tax		409,263,601	(635,640,204)

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:

11/12/2023

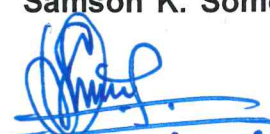
Director Corporate Service
Lilians W. Wafukho

ICPAK Member Number: 6590

Date:

11/12/2023

Chairman of the Board
Samson K. Some



Date:


11/12/2023

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

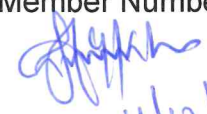
14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		CUMULATIVE TO DATE	CUMULATIVE TO DATE
	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	403,239,453	148,426,065
Receivables from exchange transactions	17	131,032,343	61,315,130
Receivables from non-exchange transactions	18	522,846,961	434,186,099
Total Current Assets		<u>1,057,118,757</u>	<u>643,927,294</u>
Non-Current Assets			
Property, plant and equipment	20	2,914,405,003	2,917,896,382
Intangible assets	20	8,960,373	2,963,588
Total Non-Current Assets		<u>2,923,365,376</u>	<u>2,920,859,970</u>
Total Assets		<u>3,980,484,133</u>	<u>3,564,787,264</u>
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	21	1,280,146,473	1,273,713,204
Total current liabilities		<u>1,280,146,473</u>	<u>1,273,713,204</u>
Net Assets			
Reserves		307,070,681	307,070,681
Capital Fund	24	1,984,062,150	1,984,062,150
Accumulated Surplus		409,204,829	(58,771)
Total Net Assets		<u>2,700,337,660</u>	<u>2,291,074,060</u>
Total Net Assets and Liabilities		<u>3,980,484,133</u>	<u>3,564,787,264</u>

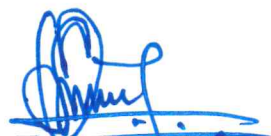
Accounting Officer
David K. Mwangi


Date: 11/12/2023

Director Corporate Services
Lilians W. Wafukho

ICPAK Member Number: 6590

Date: 11/12/2023

Chairman of the Board
Samson K. Some


Date: 11/12/2023

**Tourism Fund
Annual Reports and Financial Statements
For the year ended 30th June 2023**

**15 STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Revaluation Reserve		Capital Fund		Accumulated surplus/(Deficit)		Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1.7.2021		307,070,681	1,984,062,150	746,196,440	3,037,329,271				
Prior year adjustments	27	-	-	(110,615,007)	(110,615,007)				
Surplus for the year		-	-	(635,640,204)	(635,640,204)				
As at 30.06.2022		307,070,681	1,984,062,150	(58,771)	2,291,074,060				
As at 01.7.2022		307,070,681	1,984,062,150	(58,771)	2,291,074,060				
Prior Year Adjustment	27	-	-	-	-				
Surplus/ (deficit) for the year		-	-	409,263,601	409,263,601				
As at 30 June 20223		307,070,681	1,984,062,150	409,204,830	2,700,337,661				

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 2023**

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	CUMULATIVE TO DATE 2022-2023 Kshs	CUMULATIVE TO DATE 2022-2023 Kshs
Cash flows from operating activities			
Receipts			
Transfer from other government entities	6	558,600,000	830,000,000
Levy income, (interests and penalties)	7	3,823,872,384	2,775,164,463
Rental revenue from Tourism Fund building-	8	22,537,476	25,526,628
Interest income	9	608,717	9,391
Miscellaneous Income	9a	4,000	-
Total receipts		4,405,622,577	3,630,700,482
Payments			
Use of goods	10	(482,901,026)	(621,832,689)
Employees costs	11	(736,571,828)	(679,662,026)
Board of Trustees remuneration	12	(15,667,215)	(23,409,899)
Repairs & maintenance	14	(183,047,664)	(154,700,266)
Grants and Subsidies - excluded accrued	15	(2,630,563,833)	(2,267,383,196)
Total payments		(4,048,751,566)	(3,746,988,076)
Net cash flows from (used in) operating activities		356,871,011	(116,287,594)
Cashflows from investing activities			
Purchase of property, plant, equipment and intangible assets	20	(102,057,619)	(18,329,564)
Proceeds from sale of property, plant, equipment	20	-	1,378,410
Net cash flows used in investing activities		(102,057,619)	(16,951,154)
Cashflows from financing activities			
Net increase in cash and cash equivalent		254,813,392	(133,238,748)
Cash and Cash Equivalent 1st July 2022		148,426,061	281,664,809
Cash and Cash Equivalent 30th June 2023	16	403,239,453	148,426,061

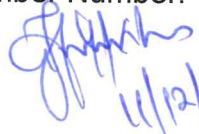
Accounting Officer
David K. Mwangi

Date


11/12/2023


Director Corporate Services
Lilians W. Wafukho

Date

ICPAK Member Number: 6590

11/12/2023

Chairman of the Board
Samson K. Some

Date


11/12/2023

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Revenue	Original budget	Adjustments	Final budget	Actual comparable basis	Performance difference	% of utilization	Explanation of Material Variances
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
Transfers from other government entities	-	558,600,000	558,600,000	558,600,000	-	100%	
Levy income, interest & penalties	3,193,561,640	300,000,000	3,493,561,640	3,823,872,384	330,310,744	109%	1
Rental revenue from Tourism Fund Building	42,000,000	-	42,000,000	22,537,476	(19,462,524)	54%	2
Finance income	2,100,000	-	2,100,000	608,717	(1,491,283)	29%	3
Other Income - Disposal	1,000,000	-	1,000,000	-	(1,000,000)	0%	
Other Income - Bidding Fees	-	-	-	4,000	4,000	100%	
Total income	3,238,661,640	858,600,000	4,097,261,640	4,405,622,577	308,360,937		
Expenses / Payments.							
Use of goods	425,628,995	7,440,000	433,068,995	482,901,026	49,832,031	112%	4
Employees costs	787,457,645	(1.5)	787,457,644	736,571,828	(50,885,815)	94%	
Board of Trustees remuneration	30,000,000	-	30,000,000	15,667,215	(14,332,785)	52%	
Repairs & maintenance	141,160,000	-	141,160,000	183,047,664	41,887,664	130%	5
Grants and Subsidies	1,714,100,000	777,928,324	2,492,028,324	2,630,563,833	(138,535,509)	106%	6
Total expenditure	3,098,346,640	785,368,323	3,883,714,963	4,048,751,566	165,036,604		
Surplus for the period	140,315,000	73,231,677	213,546,678	574,659,614	143,324,333		
Capital Expenditure	105,500,000	40,130,384	105,500,000	102,057,619	(3,442,381)		

Explanation of Material Variances

- 1) Collaboration with a multi-agency government inspection team across the country; Intelligence led data and information mapping leading to more registration; implementation of an effective ERP and payment portal making it easy for establishments to make returns coupled with aggressive collection of returns; Training of Cybercafé to help establishments self-register and make returns quickly; and continued stakeholders support and engagement through levy clinics.
- 2) Tenants moving out to cheaper places due to increased cost of operations.
- 3) Low uptake of mortgage facilities by staff citing increased cost of living affecting their disposable income.
- 4) The organisation embarked on aggressive program of close monitoring & surveillance of tourism levy payers, establishing their existence as part of COVID - 19 recovery strategy. This involved investigating the payers that were declaring nil returns.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

- 5) Expiry of the Board Appointments before the end of the Financial Year.
- 6) Reconciliation of Surplus /(deficit) between Statement of Comparison of budgeted and Actual amounts and Statement of Financial Performance is provided under note 29

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.

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.

3. Adoption of New and Revised Standards

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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>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 purposes financial reports assess:</p> <ul style="list-style-type: none"> (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.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. Early adoption of standards

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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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.

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

Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.

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.

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	33.3%
Furniture, Fixtures & Fittings	12.5%
Plant & Equipment	12.5%
Motor Vehicles	25%
Building	2.5%
Levy Software System	30.0%

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

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.

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

2) Initial recognition and measurement

Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

i) Financial instruments

3) Financial assets

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.

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).

j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

k) 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.

l) 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.

m) 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 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.

n) 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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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

o) 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.

p) Foreign currency transactions

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

q) 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.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

include short term cash impress and advances to authorise public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) Subsequent events

There 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

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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Name of the Entity sending the grant	Total transfers 2022/2023	Total transfers 2021/2022
	Kshs'	Kshs'
Ministry of Tourism - RNUC Government Grants	58,600,000	130,000,000
Tourism Promotion Fund - RNUC Government Grants	500,000,000	700,000,000
Total	558,600,000	830,000,000

7. Levies, Interests and Penalties

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Tourism levy	3,627,201,153	2,674,164,456
Interests (3% Interests)	135,606,231	66,625,685
Penalties	61,065,000	34,374,322
Levy arrears	213,903,890	39,672,846
Total	4,037,776,274	2,814,837,309

8. Rental Revenue from Facilities and Equipment

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Rental Income	78,053,059	55,024,301
Total rentals	78,053,059	55,024,301

9. Finance Income

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Interest income on loans & investments – KCB & Co-op Mortgage interests	608,717	9,391
Total finance income	608,717	9,391

9a. Miscellaneous Income

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Bidding Fees	4,000	-
Total finance income	4,000	-

Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Electricity & Water	12,973,800	10,935,339
Professional services (Note 10 ii)	32,071,839	10,794,894
Subscriptions	1,575,266	1,744,962
Telecommunication & postage	11,611,831	10,550,377
Office Rent- HQ & Branches	26,323,717	28,295,357
Fuel Expenses	19,853,915	12,417,382
Printing and stationery	6,815,466	12,321,082
Travel, accommodation, subsistence and other allowances	123,620,243	173,863,060
Advertisement & Publicity	25,448,019	24,196,626
Audit fees	7,880,000	3,480,000
Legal expenses	704,660	13,117,394
Office security	16,062,593	23,297,230
Staff Development Training	85,994,514	70,924,216
General Insurance	9,634,394	8,930,366
Other general office expenses (Note 10 i)	107,912,732	66,332,353
Total	488,482,990	471,200,638

Note: Further disclosures

(i) Other general office expenses

General expense	2,596,857	1,257,439
Corporate Social Responsibility	3,181,900	1,072,200
Product Development	-	2,374,000
Land Rent, Rates & Services	675,000	628,661
Newspapers & Periodicals	118,020	46,200
Entertainment & Public Relations	2,220,248	326,019
Levy Recruitment Drive	64,308,228	12,061,770
Email & Internet	10,004,585	7,773,010
Bank Charges	3,381,240	4,871,147
Office Cleaning	8,630,528	9,459,674
Rebranding	6,129,115	1,687,800
World tourism expenses	6,667,010	24,774,433
Total	107,912,732	66,332,353

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Professional services	2022/2023	2021/2022
	Kshs'	Kshs'
PC Surveys	24,738,070	7,686,520
HIV	50,000	54,000
ISO 9001-2008 Expenses	7,283,770	3,054,374
Total	32,071,839	10,794,894

11. Employee Costs

	2022/2023	2021/2022
	Kshs'	Kshs'
Salaries and wages (Basic Pay)	483,002,651	389,821,436
Medical Insurance	58,378,425	34,258,869
Pension & Gratuity	83,250,794	77,992,652
Housing benefits and Allowances (Note 11 i)	166,672,294	164,850,980
Other employee related costs (Note 11 ii)	20,738,414	15,772,006
Employee costs	812,042,578	682,695,942

Note: Further disclosures

(i) Housing benefits and Allowances

House Allowances	109,629,613	109,582,000
Acting Allowance	2,975,320	4,746,240
Leave Allowance	8,719,800	7,689,740
Transfer Allowance	3,667,200	2,101,000
Transport Allowance	36,981,161	36,044,000
Remunerative Allowance	3,360,000	3,360,000
Disability Allowance	240,000	240,000
Hardship Allowance	1,099,200	1,088,000
Total	166,672,294	164,850,980

(ii) Other employee related Costs

	2022/2023	2021/2022
	Kshs'	Kshs'
Staff Uniforms	2,348,003	1,431,882
Staff Tea & Consumables	4,399,569	6,314,734
Covid-19 Related Expenses	2,250,000	7,409,880
Staff Contingencies	1,087,290	615,510
Staff welfare / Gifts	10,653,552	-
Total	20,738,414	15,772,006

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Board of Trustees Expenses

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Chairman Honoraria	960,000	800,000
Trustees sitting allowances	3,976,400	8,860,000
Trustees traveling & accommodation	10,730,815	13,749,899
Total	15,667,215	23,409,899

13. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Motor vehicles	32,064,960	32,064,960
Furniture and fittings	8,933,257	8,862,700
Partitions	4,924,688	4,924,688
Computers & Accessories	35,395,468	24,783,253
Office Equipment	2,962,698	2,630,358
Total PPE	84,281,070	73,265,959
Intangible Assets	15,271,143	8,890,765
Total depreciation and amortization	99,552,213	82,156,722

14. Repairs and Maintenance

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Repairs - Motor vehicle	15,934,000	16,654,214
Repairs - Building (Investment property earning rentals)	42,291,649	2,974,710
Repairs - Furniture	1,414,209	4,550
Repairs - Equipment and Machinery	37,193,355	254,900
ICT Repair expenses (Computer & Accessories)	87,160,672	121,462,225
Minor repairs furniture	-	13,349,666
Total repairs and maintenance	183,993,885	154,700,266

Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Grants and Subsidies

Description	2022/2023 Kshs'	2021/2022 Kshs'
Grants - Kenya Utalii College	360,000,000	352,500,000
Grants - Kenya Tourist Board	300,000,000	191,000,000
Grants - Ronald Ngala Utalii College	1,346,257,138	633,142,924
Accrued Grants To Rnuc (Consultant Payments)	-	259,219,190
Grants – Other Training Activities	16,255,039	1,300,000
Grants – Kenya National Convention Bureau	-	46,325,240
Grants to other Tourism Agencies	38,376,180	34,096,001
Product Development	92,600,000	33,857,364
Grants Refresher Courses	10,132,193	-
RNUC Government Disbursements	502,419,017	975,161,667
Accrued RNUC GoK Disbursements (Accrued Contractor & Sub-contractor Payments)	-	393,193,463
Total grants and subsidies	<u>2,666,039,567</u>	<u>2,919,795,848</u>

16. Cash and Cash Equivalents

Description	2022/2023 Kshs'	2021/2022 Kshs'
Current account	391,484,253	27,789,237
Savings account	326,223	318,034
On - call deposits	-	-
Fixed deposits account	-	-
Others-Specified	89,176	226,000
Staff car loan/ mortgage	11,339,801	120,092,794
Total cash and cash equivalents	<u>403,239,453</u>	<u>148,426,065</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Detailed Analysis of the Cash and Cash Equivalents	2022/2023	2021/2022
	Kshs'	Kshs'
Current Accounts		
KCB-Revenue a/c	3,223,322	656,797
KCB - Collection a/c	12,113,544	3,018,789
NBK- Operational A/C	80,565,265	2,053,724
NBK - RNUC a/c	210,419,424	12,496,785
NBK Ksm-Operational A/C	1,013	23,112
NBK Msa-Operational A/C	33,488	14,465
NBK Nyeri-Operational A/C	191,200	192,469
NBK Nkr-Operational A/C	66,796	84,852
NBK North Rift-Operational A/C	58,616	1,883
NBK Nrb North -Operational A/C	276,230	548,540
NBK Nrb South - Operational A/C	338,460	376,920
M-pesa collection a/c	291,301	3,686,700
Equity Collection Account	12,494,033	1,770,863
Equity Operation Account	3,040	3,040
Coop-Collection A/C	62,873,847	1,651,478
Co-op Bank Donor A/C	8,534,674	1,208,820
Total	391,484,253	27,789,237
Savings account	2022/2023	2021/2022
Co-Op Bank Savings A/C-Hekima	326,223	318,034
Total	326,223	318,034
Loan Accounts (Balances held by Bank- Unutilized/ Undisbursed)	2022/2023	2021/2022
KCB Mortgage Account	169,582	29,359,293
Co-op Housing Mortgage Account	11,170,219	90,733,501
Total	11,339,801	120,092,794
Others-Specified	2022/2023	2021/2022
Cash at hand – Head Office	3,610	220,000
Cash at hand – Central Kenya	20,000	6,000
Cash at hand -Nairobi North	20,000	-
Cash at hand – Nairobi South	20,000	-
Cash at hand – North Rift	340	-
Cash at hand - South Rift	10,000	-
Cash at hand – West Kenya	226	-
Cash at hand – Coast	15,000	-
Total	89,176	226,000
Grand total	403,239,453	148,426,065

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Receivables from Transactions

17 (a) Receivables from Exchange Transactions

Current receivables from exchange transactions	2022/2023	2021/2022
	Kshs'	Kshs'
Rental Income Deposits -Villa Care	17,035,644	17,035,644
Rental Income Arrears	85,013,257	29,497,674
Prepayments -Medical Insurance	26,764,240	11,082,886
Prepayments -General Insurance	2,219,202	2,976,789
Prepaid office rent - Kenya Re	-	166,312
Prepaid office rent - Nyali	-	555,825
Total current receivables	131,032,343	61,315,130

18. Receivables from Non-Exchange Transactions

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Levy debtors		
Levies, Fines, Penalties (Levy debtors)	369,313,935	271,579,743
Levies, Fines, Penalties for RD cheques	16,617,045	16,617,045
	385,930,980	288,196,788
Less: provision for RD Cheques	(16,617,045)	(16,617,045)
Total deposits & levies, fines & penalties (Levy Debtors)_	369,313,935	271,579,743
Other debtors	2022/2023	2021/2022
Other Debtors (Non-Exchange Transactions)	153,533,026	162,606,356
Other debtors for RD cheques	3,823,716	3,823,716
Sub total	157,356,742	166,430,072
Less: provision for RD Cheques	(3,823,716)	(3,823,716)
Total other debtors	153,533,026	162,606,356
Total current receivables	522,846,961	434,186,099

Notes	2020/2021	2020/2021
Levy debtors		
Provision for RD cheques	Kshs'	Kshs'
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
Other debtors	2022/2023	2021/2022
Staff Imprest	1,813,720	1,813,720
Salary advances	150,000	541,198
Engine Overhaul	13,886	19,442
Medical Advances	1,332,078	1,505,452
Staff Housing Loans & Mortgages (Balances held by staff)	150,223,342	158,726,544
Total	153,533,026	162,606,356
Provision for RD cheques	2022/2023	2021/2022
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	1,505,452	1,505,452
	3,823,716	3,823,716
19. Inventories		
Description	2022/2023	2021/2022
	Kshs'	Kshs'
Inventories	-	-

Total inventories at the lower of cost and net realizable value

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

As at 30 June 2023	-	(96,194,880)	(25,940,326)	(14,774,063)	(62,862,597)	(6,446,257)	-	(26,672,294)	-	-	(232,890,416)
Depreciation and impairment											
As at 1st July 2022	-	(96,194,880)	(25,940,326)	(14,774,063)	(62,862,597)	(6,446,257)	-	(26,672,294)	-	-	(232,890,416)
Depreciation	-	(32,064,960)	(8,933,257)	(4,924,688)	(35,395,468)	(2,962,698)	-	(15,271,143)	-	-	(99,552,213)
Disposal	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2023	-	(128,259,840)	(34,873,583)	(19,698,750)	(98,258,065)	(9,408,955)	-	(41,943,437)	-	-	(332,442,629)
Net book values											
As at 30 June 2023	522,800,000	-	36,592,476	19,698,750	8,034,631	14,292,626	1,832,941,510	8,960,373	198,917,758	281,127,251	2,923,365,376
As at 30th June 2022	522,800,000	32,064,960	44,961,271	24,623,438	11,561,585	14,596,608	1,792,031,308	2,963,588	198,917,758	276,339,454	2,920,859,970

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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	Net book value
	Kshs'	Kshs'	Kshs'
Land	522,800,000	-	522,800,000
Motor vehicles	128,259,840	(128,259,840)	-
Furniture and fittings	71,466,059	(34,873,583)	36,592,476
Partitions	39,397,500	(19,698,750)	19,698,750
Computers & Accessories	106,292,696	(98,258,065)	8,034,631
Office Equipment	23,701,581	(9,408,955)	14,292,626
WIP Building	1,832,941,510	-	1,832,941,510
WIP Partitioning	281,127,251	-	281,127,251
Intangible assets	50,903,810	(41,943,437)	8,960,373
Levy software	198,917,758	-	198,917,758
Total	3,255,808,005	(332,442,629)	2,923,365,376

(c) Intangible Asset

Description	2022/2023 Cost (Kshs)	2021/2022 Cost (Kshs)
At the beginning of the year	29,635,882	29,635,882
Additions	21,267,928	-
At the end of the year	50,903,810	29,635,882
Additions-internal development	-	-
At the end of the year	50,903,810	29,635,882
Amortization & impairment	-	-
At the beginning of the year	(26,672,294)	(17,781,529)
Amortization & impairment	(15,271,143)	(8,890,765)
At the end of the year	8,960,373	2,963,588

Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs'	Kshs'
RNUC & TF Office Payables(Pending bills)	1,145,184,643	1,245,859,846
Provision-Audit fee	4,000,000	3,480,000
Accrued office Security	2,229,993	2,333,320
Accrued office cleaning	719,211	719,211
Accrued Rent - Kenya Re	2,632,759	-
Sybyl Kenya Ltd	6,270,184	-
MFI Solutions	170,421	-
Kenya School of Law	450,000	-
Accrued office rent - Sokhi	-	2,652,696
Accrued HIV	-	50,000
Accrued Training fee	-	150,000
Provisions - Pension & Gratuity	3,033,916	3,033,916
Provisions - Performance incentives	72,436,834	-
Staff vendors	-	96,002
TOTAL	1,237,127,961	1,258,374,991

Total trade and other payables-Non-Ex Transactions

Description	2022/2023	2021/2022
	Kshs'	Kshs'
Withholding tax payable	25,378,826	10,071,225
WVAT payable	15,784,140	4,726,377
WRIT payable	100,214	444,254
VAT Payable	1,735,229	-
P.A.Y.E	20,103	346,399
TOTAL	43,018,512	15,588,255
Gross trade and other payables	1,280,146,473	1,273,713,204

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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.

23. Cash Generated from Operations

	<u>2022/2023</u>	<u>2021/2022</u>
	<u>Kshs'</u>	<u>Kshs'</u>
Adjusted Surplus for the year before tax	409,263,601	(635,640,205)
Adjustments for:		
Depreciation and Amortization	99,552,213	82,156,722
Accrued rent incomes	102,048,901	-
Accrued levy arrears	213,903,890	-
Gain on Disposal of Assets	-	1,551,890
Working Capital adjustments		
Consolidated (increases) in receivables	(88,660,862)	(122,555,882)
Consolidated (increase)decreases in inventories	-	1,778,445
Consolidated increases (decrease) in payables	<u>(379,236,733)</u>	<u>(672,709,030)</u>
Net cashflows from operating activities	<u>356,871,011</u>	<u>(1,345,418,060)</u>

24. 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

Financial Risk Management

	Total amount
	Kshs
As at 30 June 2023	
Receivables from exchange transactions	369,313,935
Receivables from non-exchange transactions	153,533,026
Bank balances	403,239,453
Total	926,086,414
As at 30 June 2022	
Receivables from exchange transactions	61,015,130
Receivables from non exchange transactions	271,579,743
Bank balances	-
Total	332,594,873
As at 30 June 2021	
Receivables from exchange transactions	31,695,879
Receivables from non exchange transactions	341,499,512
Bank balances	-
Total	373,195,391

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for collectable amounts that the entity has recognized 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.

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 non-discounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Liquidity risk management

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Trade payables	48,600,475	6,890,605	1,145,184,643	1,200,675,723
Provisions	-	-	***79,470,750	79,470,750
Total	48,600,475	-	-	1,280,146,473
As at 30 June 2022				
Trade payables	28,103,400	-	1,242,825,930	1,270,929,330
Provisions	-	-	3,033,916	3,033,916
Total	28,103,400	-	-	1,273,713,204

*** Kshs 79,470,750 includes Ksh 72,436,834 relating to provisions for staff performance pay pegged on basic pays for two months and approved by the board. Implementation awaits SRC approval.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

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.

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

25. 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;

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

ii) NOTES TO THE FINANCIAL STATEMENTS (Continued)

Related Party Disclosures	2022/2023	2021/2022
	Kshs'	Kshs'
Transactions with related parties		
b) Grants /Transfers from the Government		
Grants from National Govt	558,600,000	830,000,000
Total	558,600,000	830,000,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for KNCB employees	-	-
Payments for goods and services for xxx	-	-
Total		
d) Key management compensation		
Directors' emoluments / Board of Trustees	15,706,225	23,409,899
Compensation to key management (CEO & Directors)	-	-
Total	15,706,225	23,409,899

26. Prior year adjustments

SUPPLIER	2022/2023	2021/2022
	Audited	Actual
	Kshs'	Kshs'
Baseline Architects		131,036,573
Ujenzi Consultants		13,910,603
Armitech Consulting		128,067,450
West Consult		226,683,172
TOTAL	-	499,697,798

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**27. Contingent Liabilities
Cases against Tourism Fund**

CASE CITATION	STATUS	AMOUNT	Provision
CMCC NO. 780 OF 2019	The firm of Kithi & Company Advocates was paid KES. 13,000,000.00 to settle RNUC land rates in Kilifi County. The same was not settled. TF filled recovery proceedings. The Fund is pursuing amounts of KES. 13,000,000.00 plus interest from the defendant.	The Fund may recover or loose KES. 13,000,000.00	13,000,000.00
MILIMANI COMMERCIAL COURTS, BOARD OF TRUSTEES OF TOURISM FUND -VS- GEORGE KITHI T/A KITHI & COMPANY ADVOCATES.			
ELRCPET E011 OF 2021 NAIROBI EMPLOYMENT AND LABOUR RELATIONS COURT		The petitioner might be paid general damages which is unquantifiable unless ascertained by court judgement.	
MERCY MURREY -VS- TOURISM FUND & BOARD OF TRUSTEES TOURISM FUND	This is matter on alleged unlawful disciplinary procedure between a former employee and Tourism Fund.		
	Parties filed all the necessary pleadings. The hearing date shall be 29 Sep 2023.		
[ARBITRATION]			
PROFESSIONAL MARKETING SERVICES LIMITED -VS- TOURISM FUND	This matter is current under arbitration.	It is approximated that TF may lose KES.21,676,444.76	21,676,444.76
PPARB APPLICATION NO. 60 OF 2014			
GLAMA ELECTRICAL AND MECHANICAL COMPANY LTD -VS- TOURISM FUND	This matter is at the court of appeal pending hearing of the appeal. Since filing, the appellants have not prosecuted their claim. We are seeking for a mention date to have this matter dismissed with costs for want of prosecution.	Nil	

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

ELRCPET/E124/2021	This matter was filed in Employment court by Okiya Omtata challenging the process of the recruitment for the position of the CEO and the Corporation Secretary /Legal Manager. Petitioner is also challenging the appointment of the Board of Trustees and its constitution as being against the legal threshold of the constitution.	Nil	
OKIYA OMTATA OKOITI - VS- THE TOURISM FUND BOARD & 11 OTHERS	The Office of the Attorney General is defending the Fund and the Board Members.		
	The court proceeded to hear the preliminary objection through written submissions. Parties are awaiting Judgement.		
ELRCPET/E010/2023 OKIYA OMTATAH OKOITI VS TOURISM FUND BOARD OF TRUSTEES	This petition seeks to stop the promotion of the five (5) Regional Managers at Tourism Fund. This matter was set for mention in court on 29 Jun 2023.	Nil	
INTERGOVERNMENTAL DISPUTE BETWEEN TOURISM FUND & LAIKIPIA COUNTY GOVERNMENT	Laikipia County Government is decrying the charging and collection of the Tourism Levy by Tourism Fund alleging the activities carried out by the State Agency are functions of the County Government under schedule 4 of the constitution. The matter is before the Intergovernmental Relations Technical Committee for negotiations.	Nil	
KANJI DAMJI T/A ANTIQA FURNITURES LIMITED VS TOURISM FUND	This is a claim for repair costs between the Plaintiff and the Fund. The Plaintiff claims that	We anticipate that the Fund may lose KES.114,230.00	

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

	the Fund's motor vehicle caused the accident.		
TOTAL		34,790,674.76	34,790,674.76

28. Amounts under dispute.

Supplier	Amount(Kshs.)
Kone Kenya	21,538,700
Aqua Plumbers	**4,215,602
Triple Nine	7,048,605
Patience Services	6,161,081
Climate Engineering Works	3,312,409
Unidata Systems Ltd	199,744
Total	42,476,141

The total reconciled amount was kshs **9,313,524, of which a part was settled leaving the balance shown, which relates to drainage works for the HQ building and its environs and which is still being contested by Tourism Fund.

29. 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. The reported surplus is simply an accounting surplus as opposed to real surplus and hence no remittance to the Consolidated Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Reconciliation of Surplus /(Deficit) Between Statement of Comparison of Budgeted Vs Actual Amounts and Statement of Financial performance (SFP) for the Financial Year Ended 30th June 2023

Total revenue as per Statement of Comparison of Budgeted Vs Actual and Statement of Financial performance	4,405,622,577
Add: Levy arrears	213,903,890
Add: Accrued Rental revenue	55,515,583
Total revenue as per SFP	4,675,042,050
Total expenses as per statement of Comparison of budgeted vs actual amounts	4,048,751,566
Add: Depreciation and amortization	99,552,213
Add: Accrued expenditure (Use of goods, R&M (B, eqpt), P&G, SPP	81,998,935
Add: Accrued RNUC Expenditure	35,475,734
Total expenses as per SFP	4,265,778,449
Surplus / (Deficit) as per SFP	409,263,601

****The reconciliation is due to the differences in accounting bases adopted: Budget is cash basis while SF performance is accrual basis.**

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. Currency

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

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

APPENDIX I: 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)
	<p>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 date of practical completion on 19 June, 2018. The following issues were noted in the execution of the contract.</p> <p>(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 administration block, tuition block (1 No.) 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.</p> <p>(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.</p> <p>(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:</p> <ul style="list-style-type: none"> 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. 	<p>Tourism Fund presented the responses to the Special Fund's Investment Committee of the National Assembly on 7th November 2023, and is yet to receive formal communication concerning the responses provided.</p>	<p>Not resolved</p>		

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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)	Date resolved/issue
	<ul style="list-style-type: none"> 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 shall be settled not 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. According to Interim certificate No. 39 dated 31 May, 2021 which reflects 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. The project approved completion date was 28 February, 2017. However, as at the time of audit in February 2023, 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, 2023. <p>Under the circumstances, the value for money on project expenditure incurred on account of the projects has not be realized.</p>				

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

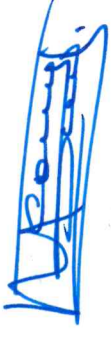
Reference No. on the External Audit Report	Prior Year Issues Raised	Management Comments	Focal Point person to resolve the issue (Name & Designation)	Status (Resolved/Not Resolved)	Time Frame (Date for resolving issue)
	<p>Contract for Consultancy, Supervision and Management of the Proposed Ronald Ngala Utalii College</p> <p>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:</p> <p>(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 second addendum which scaled down the contract sum from Kshs.8,961,370,988 to Kshs. 4,923,005,669.</p> <p>(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.</p> <p>(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;</p>	<p>Tourism Fund presented the responses to the Special Fund's Investment Committee of the National Assembly on 7th November 2023, and is yet to receive formal communication concerning the responses provided.</p>		Not Resolved	

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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)
	Consultant	Interim Fee Note No.	Reference	Interest Penalty Kshs						
	Lead Architect	Interim Fee Note	TF/021 INV /20/BSL	1,012,920,347			Tourism Fund presented the responses to the Special Fund's Investment Committee of the National Assembly on 7 th November 2023, and is yet to receive formal communication concerning the responses provided	Not resolved		
	Quantity Surveyors	9	UC/P/105/FN/09	374,305,369						
	Civil and Structural Engineers	42	220/1 OOFN/12	459,687,377						
	Mechanical and Electrical Engineers	14	WC/GEN/RNUC/F/2020	431,690,519						
	Total			2,278,603,612						
	<p>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 continued escalation of project costs from interests and penalties which were not budgeted for.</p> <p>In view of the above, there is no value for money on project expenditure incurred on account of interest charged on delayed payments to projects consultants.</p>									

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Signed by CEO (Ag): David K. Mwangi:



Date: 11/12/2023

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY
 status of Projects completion

S/N O	Project	Total project Cost (Million)	Total expended to date (Millions)	Completion % to date	Budget (Millions)	Actual (Millions)	Sources of funds
1	Ongoing Construction of Ronald Ngala Utalii College	4,923	10,853	77.78%	1,085	1,084	Tourism Fund; Tourism Promotion Fund

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

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>
		18.07.2022	58,600,000	2022/2023
		21.06.2023	500,000,000	2022/2023
		Total	558,600,000	
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

Director Corporate Services
Tourism Fund

Head of Accounting Unit
State Department of Tourism

Sign _____



Sign-----

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Where Recorded/recognized					Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution									
Ministry of Tourism & Wildlife	18.07.2022	Development	58,600,000	58,600,000					58,600,000
Tourism Promotion Fund	21.06.2023	Development	500,000,000	500,000,000					500,000,000
Tourism Promotion Fund									
USAID									
Ministry of Planning and Devolution									
Total			558,600,000	558,600,000					558,600,000

**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Appendix V- Inter-Entity Confirmation Letter

The Kenya Tourism Board wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June (Current FY)			Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
Total						

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Sign Date

KTB GRANTS CONFIRMATION YEAR 2022/2023



July 11, 2023

Mr. David K. Mwangi
Ag. Chief Executive Officer
Tourism Fund
P.O BOX 46987-00100
NAIROBI



Dear *David,*

RE: INTER ENTITY TRANSFERS CONFIRMATION FOR FY 2022/23

Reference is made to the National Treasury letter Ref. No: AG.3/88 Vol.VII(26) on the guidelines for year-end closing procedures for the financial year 2022/23.

This is to kindly request you to confirm the total funds disbursed to KTB as at 30th June 2023 to facilitate reconciliations and year-end closure. We confirm the Tourism Fund grants received by KTB in 2022/23 are as listed below;

REFERENCE NUMBER	DATE DISBURSED	RECURRENT (A)	DEVELOPMENT (B)	INTER-MINISTERIAL (C)	TOTAL (D)(A+B+C) (KShs) as at 30th June 2023	AMOUNT RECEIVED BY [KTB] DIFFERENCES (KShs) (F)= (D-E)
9022	18.07.22	20,000,000.00			20,000,000	20,000,000
9168	22.08.22	30,000,000.00			30,000,000	30,000,000
9169	22.09.22	30,000,000.00			30,000,000	30,000,000
9305	24.10.22	30,000,000.00			30,000,000	30,000,000
9356	17.11.22	30,000,000.00			30,000,000	30,000,000
9416	21.12.22	20,000,000.00			20,000,000	20,000,000
9456	18.01.23	30,000,000.00			30,000,000	30,000,000
9539	22.02.23	20,000,000.00			20,000,000	20,000,000
9575	17.03.23	20,000,000.00			20,000,000	20,000,000
9608	24.04.23	30,000,000.00			30,000,000	30,000,000
9630	22.05.23	40,000,000.00			40,000,000	40,000,000
Total		300,000,000.00			300,000,000.00	300,000,000.00

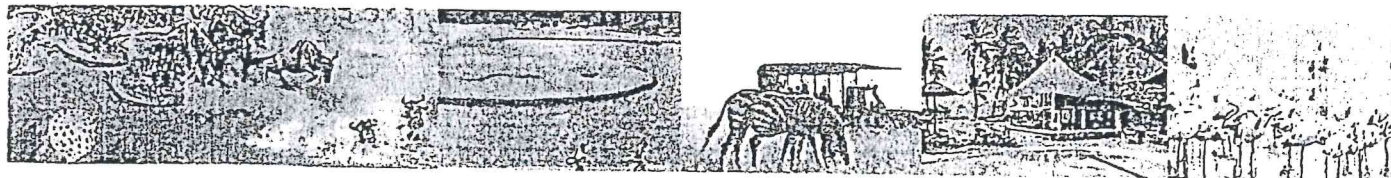
As per your letter of 2nd June 2023 on FY 2022/23 Supplementary Estimates II, KTB had revised the budget allocation to cater for the additional KShs. 50Million, which was subject to The National Treasury and Parliamentary approval. Kindly confirm whether revision was approved by National Treasury and whether KTB should accrue these funds for disbursement in FY 2023/24.

We take this opportunity to sincerely thank you for your continued support.

Yours *Sincerely,*

JOHN CHIRCHIR, HSC
AG. CHIEF EXECUTIVE OFFICER

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www.magicalkenya.com



**Tourism Fund
Annual Reports and Financial Statements
For the year ended June 30, 2023.**

Appendix V- Inter-Entity Confirmation Letter

The *Kenya Utalii College* wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June (Current FY)			Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
Total						

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Sign Date