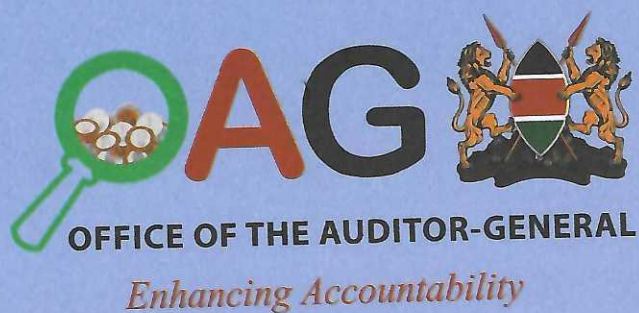


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

TOURISM PROMOTION FUND

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30184 - 00100 NAIROBI
REGISTRY

RECEIVED



**TOURISM
PROMOTION
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)**

Tourism Promotion Fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Tourism Promotion Fund is a government National Public Fund established under section 24(4) of the Public Finance Management Act, 2012, through the legal notice No. 24 of 2019, with the mandate to provide funds to support development, promotion and branding of the tourism sector in Kenya. The main sources of revenue include proceeds realized from the Air Passenger service charge Act and Interest from investment of surplus funds.

(b) Principal Activities

The Principal activity of the Fund is to provide funds to support development, promotion and branding of the tourism sector in Kenya.

Our Vision

The Ideal Funding Partner for Tourism Development

Our Mission

To provide funds to public agencies for supporting development, promotion and branding of Kenya's tourism sector to enhance destination competitiveness.

The function and purpose of the Fund shall be:

- i. Financing development, promotion and branding programmes and initiatives in relation to tourism products including tourism niche products and tourism events;
- ii. Financing marketing, promotion and branding of Kenya in specific local, regional and international market segments;
- iii. Financing tourism data capture, analysis and dissemination of the same and any other related research which may include deployment of technology-based applications;
- iv. Financing development of tourism facilities and establishments in areas where the private sector is unable or unwilling to develop, but with a high potential for tourism promotion and branding;
- v. Co-financing of tourism development and promotion projects with the county governments on the basis of an agreed ratio of matching grants;
- vi. Funding programmes and initiatives for tourism safety and security geared towards development, promotion and branding of tourism sector;
- vii. Financing development of innovations and inventions which promote tourism development, promotion and branding
- viii. Funding of plugging projects which contribute to development, promotion and branding of tourism sector
- ix. Financing programmes and initiatives geared towards tourism intelligence and information gathering for purposes of developing, promoting and branding tourism in Kenya; and
- x. Standards development and capacity building in the tourism sector

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(c) Board of Management

The day-to-day management of the Fund is entrusted to the Chief Executive Officer who is also the Secretary to the Board and Administrator of the Fund. The office of the CEO is responsible preparing strategic plans, budgets and proposals to the board for approval.

The Fund is managed by ten board members comprising of Seven Government representatives, two independent members and the CEO who is the Secretary to the Board. The appointment and the terms of the current membership of the Board of Trustees are as shown below;

No.	Title	Membership
1	Cabinet Secretary – Ministry of Tourism, Wildlife and Heritage	Chairperson
2	Principal Secretary – State Department for Tourism	Member
3	Principal Secretary – National Treasury	Member
4.	Principal Secretary – State Department for Culture	Member
5.	Principal Secretary – State Department for Wildlife	Member
6.	Principal Secretary – State Department for Interior and National Administration	Member
7.	Principal Secretary – State Department for Transport	Member
8.	Private Sector	Member
9.	Private Sector	Member
10	Chief Executive Officer	Secretary

(d) Key Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	Mr. Stephen Kinyanjui
2.	Ag. Director Programmes Management.	Ms. Doreen Okoyana Abuti
3.	Ag. Funds Manager	CPA John Makona
4.	Ag. Corporate & Administration Manager	Mwituria John Mwita

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(e) Fiduciary Oversight Arrangements

The oversight function of corporate governance shall be performed by the Fund's board of directors and its designated committees. Boards of directors shall perform their advisory and oversight function through well-structured, planned, and assigned committees to take advantage of the expertise of all the directors.

The board committees addresses relevant issues delegated to them and make recommendations to the Board for final approval. All decisions, however, can only be made by the Oversight Board. Each committee has terms of reference approved by the Board and the Chair of each committee is required to report on their proceedings at the board meeting immediately following the committee meeting. These committees include;

i. Project Management Committee

The committee is responsible for advising the Board on the Projects and Programmes management, in accordance with the funding requirements.

ii. Finance, Administration and Corporate Committee.

The committee shall provide advice and assistance to the oversight Board of management and the Secretariat regarding the Fund's financial fiduciary and general finance budgeting, corporate and administrative duties. The committee shall provide oversight with respect to the financial and administrative strategies and policies of the Fund.

iii. Audit and Risk Management Committee.

The audit committee shall provide oversight of the financial reporting process, the audit process, the Fund's system of internal controls and compliance with laws and regulations and evaluating the effectiveness of the Fund.

(f) Registered Offices

Tourism Fund Building
P.O.BOX 50293- 00100
NAIROBI

(g) Fund Contacts

Telephone: +254 20 4400601
Email.info@tpf.go.ke

(h) Fund Bankers

Kenya Commercial Bank
Kipande House Branch
Kipande Road

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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

2. THE OVERSIGHT BOARD MEMBERS.



Hon. Peninah Malonza, OGW Cabinet Secretary, Tourism, Wildlife and Heritage
Chairperson of the Oversight Board

Hon Peninah Malonza, OGW, was born in Kitui South Sub county, Kitui County in South Eastern Kenya.

She served as the Deputy Governor of Kitui County, 2013-2017 where as a member of the County Executive Management Team, she managed and coordinated the implementation of both County and National Government legislation.

Prior to her entry in the public service, She worked in Development organizations including Compassion International – Kenya Office 2006- 2013 where she rose to the position of Partner in Training and Support Director. She is a graduate of the University of Nairobi in Anthropology. She also holds two masters’ degrees from the same institution in Public Health and in Project Planning and Management.

Hon. Peninah Malonza, OGW is currently the Cabinet Secretary for Tourism, Wildlife ad Heritage. She desires to touch the lives of ordinary Kenyans by uplifting their livelihoods. She is passionate about teamwork, networking and building strong relationships with key stakeholders in an effort to positively impact people’s lives.



Mr , John Lekakeny Ololtuaa
Principal Secretary
State Department of Tourism Vice
Chairperson of the Oversight board/board
Member

Mr. John Lekakeny Ololtuaa was born in Kilgoris District, Trans- mara West Sub County in Narok County.

He holds a Bachelor of Education (Arts) Degree and a Master’s Degree in Education Administration both from Kenyatta University.



Mr Ololtuaa started his Public Service career an educationist in 1993 as an assistant Teacher. And through his consistent effort and commitment, he rose through the ranks to become District Education Officer in County Director of Education and a Regional Director of Education in charge of Eastern, Nairobi, Rift Valley, and Central Regions respectively. He was appointed to serve in the Transition Authority overseeing the transition to Devolved system of governance. He specifically served as the County Transition coordinator in charge of Narok County.

Mr Ololtuaa is a mentor of the youth where he supports several youth development initiatives across the country and a transformative leader who believes in the ideals of strategic management and high standards of professionalism, transparency, integrity, and accountability.

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	<p>In 2022, Ololtuaa was appointed as the Principal Secretary in the State Department of Tourism in the ministry of Tourism, Wildlife, and Heritage where he is in charge of Tourism Promotion, policy formulation, and Development of the Tourism industry in Kenya.</p>
 <p>Ms Sylvia Museiya Muhoro Principal Secretary State Department of Wildlife Board Member</p>	<p>Ms Sylvia M. Muhoro is a young woman from the indigenous community of mukogodo forest in Laikipia North</p> <p>Ms. Museiya holds a Bachelors of Law (LL. B) and a Bachelor of Education (B.Ed.) from the University of Nairobi; a Diploma in human Rights and International Advocacy from Colombia University New York School of Law and she is an alumna of Young African Leadership Initiative (YALI) 2007.</p> <p>Prior to her appointment as the Principal Secretary, State Department for Wildlife, Silvia was a member of County Assembly (MCA) in the Nairobi City County Assembly where besides overseeing the Nairobi City County Government she served diligently as the Chairperson of Education Committee.</p> <p>She is an author and editor of various publishing houses such as East Africa Educational Publishers (EAEP), Longhorn Publishers and Law Africa. To that end, she has published two books with EAEP that are currently used in Rwanda, Poetry and literature contributions to Longhorn Form Four book, and an Elections training manual by Law Africa</p> <p>In 2022, Ms Sylvia Muhoro was appointed as the Principal Secretary in the State Department of Wildlife in the ministry of Tourism, Wildlife, and Heritage</p>
 <p>PS, Umami M. Bashir Member</p>	<p>Ms. Umami Bashir was born in Wajir County, Ms. Umami is an advocate of the high court of Kenya with 11 years of post-admission experience in the field of Law. She holds a Master's Degree in armed conflict & peace from the University of Nairobi, a post-graduate diploma in Law from Kenya School of Law and a Bachelor of Law (LLB) from Zanzibar University. She is currently pursuing her doctorate (PhD) in International Relations, Foreign Policy and Diplomacy at the United States International University.</p> <p>She has worked with UNDP-Kenya, UNHCR, in the office of the Special Envoy for the Horn of Africa, served as the County Chief Officer in the Department of Public Service and Labour in Wajir</p>

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	<p>County Government and also as the Head of Legal and advisor to the Governor in Mombasa County Government.</p> <p>In 2022, Ms Ummi Bashir was appointed as the Principal Secretary in the State Department of Culture & Heritage in the Ministry of Tourism, Wildlife, and Heritage</p>
 <p>Mr. George Kihara Gichuru Alternate Board representative for Principal Secretary of National Treasury</p>	<p>Mr. George Kihara Gichuru holds a Bachelor of Commerce (Accounting) and a Master of Business Administration (Finance) both from The University of Nairobi.</p> <p>He is a Certified Public Accountant of Kenya and a member of: Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Financial Analysis (ICFA).</p> <p>He has over 25 years of experience as an Accountant in the Civil Service and is currently a Senior Deputy Accountant General and Head of Accounts Unit at the National Treasury. Previously he served as Head of Accounts Unit at the Ministry of Environment and Forestry, Ministry of Defense, Ministry of Public Works and Ministry of Industrialization. He has also served as a District Accountant in District Treasuries of Mombasa, Meru North and Naivasha.</p> <p>Mr. George Kihara Gichuru was once an Alternate Director of Higher Education Loans Board (HELB) and Alternate Council Member of Kenyatta University.</p>
 <p>Mr. Paul Famba, OGW Alternate Board representative for Principal Secretary; State Department of Interior and National Administration</p>	<p>Mr. Paul Famba, OGW, Director of Administration, Ministry of Interior and National Administration. He holds a Bachelor of Arts Degree from the University of Nairobi and a Masters of Arts Degree from Kenyatta University. He has served in Government as an administrative officer for over twenty years.</p>

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Mr. Nicholas Bodo
 Alternate Board representative
 for Principal Secretary, State
 Department of Transport

Mr. Nicholas Bodo holds a Bachelor of Arts degree from Osmania University, India and a Master of Business Administration from Laikipia University.

He is a Certified Public Secretary (K) and holds a Graduate Diploma in Aviation Management from the National University of Singapore and the Singapore Aviation Academy and a Certificate in Air Law from the Egyptian Aviation Academy. Started his career as an Administrator as an Assistant Secretary III and rose through the ranks to Senior Assistant Secretary before changing profession to become Chief Air Transport Officer. He is currently Director, Air Transport, State Department of Transport, Ministry of Roads and Transport.



Mr. Stephen Kinyanjui
 Secretary to the Board

Mr Stephen Mungai Kinyanjui holds a Bachelors of Arts (Economics and Mathematics) from the Egerton University and a Master of Economics (Policy and Management) degree from Kenyatta University

He holds professional qualification in statistical analysis on social inclusive indicator from the Japan Statistical Institute for Asia & Pacific and Strategic Planning and Management skills from the he Eastern and Southern African Management Institute (ESAMI), and certification of Strategic Leadership and Development Program from the Kenya School of Government. He is a member of the Economic Society of Kenya

Mr Kinyanjui, has a public service career of over 14 years, having as a Human Resource Management Officer, and later joining the Economist profession, under the State Department of Economic Planning and posted to the State Department of Tourism. He is currently the Ag. Chief Executive Officer, administrator of the Fund and the Secretary of the Oversight board

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3. MANAGEMENT TEAM

<p>Mr. Stephen Kinyanjui Ag.CEO</p>	<p>Mr Stephen Mungai Kinyanjui holds a Bachelors of Arts (Economics and Mathematics) from the Egerton University and a Master of Economics (Policy and Management) degree from Kenyatta University</p> <p>He holds professional qualification in statistical analysis on social inclusive indicator from the Japan Statistical Institute for Asia & Pacific and Strategic Planning and Management skills from the he Eastern and Southern African Management Institute (Arusha), and certification of Strategic Leadership and Development Program from the Kenya School of Government</p>
<p>Ms. Doreen Okoyana Abuti Ag. Director Programmes Management.</p>	<p>Ms. Doreen Okoyana Abuti holds a of Bachelor of Science (Applied Statistics with Computing), Bachelor of Education (Mathematics and Physics), Certificate in Senior Management Course and Strategic Leadership Development Course from Kenya School of Government.</p> <p>Ms. Okoyana, has a public service career of over 4 years, having joined the Economics profession under the State Department of National Planning and posted to the Ministry of Tourism, Wildlife and Heritage, State Department of Tourism.</p>
<p>CPA John Makona Ag. Director Fund Management</p>	<p>Mr. John Makona has worked as a Finance Officer in various Ministries for over 13 years having joined the Civil Service in the year 2010 under the Former Ministry of Finance.</p> <p>Mr. Makona holds a Bachelor of Business Administration (Accounting and Finance) and other professional qualifications including Certified Public Accountants of Kenya Certificate (CPA (K)), Programme Performance Based Budgeting, Financial Change and Risk Management in Public Sector from Eastern and Southern African Management Institute (Arusha) as well as Certificate in Senior Management Course from Kenya School of Government.</p> <p>Makona is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK)</p>
<p>Mwituria John Mwita Ag. Director Corporate & Administration</p>	<p>Mr. Mwituria John Mwita is a Tourism Officer. He has worked in the Ministry of Tourism as a Tourism Officer and in the State Department for Wildlife as a Wildlife Officer.</p> <p>Mr. Mwituria holds a BSc in Hospitality and Tourism Management, Certificate in Senior Management Course and Strategic Leadership Development Course from Kenya School of Government.</p>

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4. CHAIRPERSON'S STATEMENT

It is my pleasure to present the Tourism Promotion Fund 2022/2023 Annual Report and Financial Statements. This annual report helps us to reflect on our performance for the year giving us an opportunity to celebrate our success and at the same time identify areas of improvement. The Fund is one of the agencies in the Ministry of Tourism, Wildlife and Heritage operationalized in 2019. This financial report for the year ended 30th June, 2023 is the 4th report for the Fund since inception.

During the year, all Board Committees were functional. As the Chair, I am proud to report that the Board committees have been discharging their mandates appropriately by making informed decisions contributing to the overall performance of the fund.

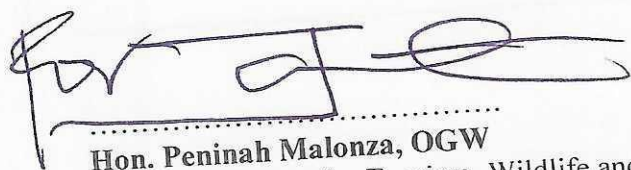
During the budget period under review, FY 2019/2020 –2022/2023, the cumulative revenue receipts stood at Ksh.5,797,479,207 while the cumulative expenditure stood at **Kshs.4,167,033,952**. The revenue receipts were **Kshs.1,506,255,594**, **Kshs.765,830,958**, **Ksh.1,203,004,827**, and **Kshs.2,322,387,828** while the expenditure was **Kshs.317,675,967**, **Kshs.918,774,863**, **Kshs.1,466,115,508** and **Kshs.1,464,467,614** for the FYs 2019/2020, 2020/2021, 2021/2022 and 2022/2023 respectively.

The key projected activities for the Fund for the FY 2022/2023 included financing various programs/projects, **Ten (10)** projects were funded to a tune of **Kenya Shillings One Billion, Three Hundred Twenty Eight Million, Eight Hundred Thirty Three Thousand, Six Hundred Sixty One (Kshs.1,328,833,661)**. It's also important to note that since inception, FY 2019/2020 to FY 2022/2023, a total of **Twenty (20)** projects have been funded to the tune of **Kenya Shillings Three Billion, Eight Hundred Thirty Seven Million, Seven Hundred Thirty Five Thousand, Eight Hundred Twenty Three (Kshs.3,837,735,823)**.

In addition to the above achievements, TPF Oversight Board has a secretariat that assists in its operations. The secretariat is mandated to ensure that all the activities of the Fund are well coordinated. The Fund has developed a service delivery charter, website and social media handles for effective communication and publicity for brand visibility. Similarly, the Fund has created awareness by sensitizing Tourism implementing Agencies Officers and other stakeholders, establishment of various infrastructural and operational facilities to support the Fund Operations i.e. Enterprise Resource Planning System (ERP) and through collaboration with the Counties in the Tourism Sector on disbursement of funds.

TPF endeavors to strengthen collaboration and partnership amongst the stakeholders that will boost development, promotion and branding of Kenya's tourism sector to enhance destination competitiveness.

Finally, to our esteemed stakeholders, I am most grateful to your continued encouragement and unwavering support during the year.



Hon. Peninah Malonza, OGW
Cabinet Secretary for Tourism, Wildlife and Heritage
Chairperson of the Oversight Board

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Tourism Promotion Fund Annual Report highlights the overall performance of the Fund towards disbursement of funds to the projected activities with the aim of promoting Tourism Sector in fulling its mandate. I am delighted to report that the Financial Year 2022/2023 was the 4th Financial year of operation for Tourism Promotion Fund with the aim of achieving the organizational Strategic Objectives. I wish to appreciate the efforts and support of the Board of Directors as well as the Fund Secretariat for their tremendous effort towards achieving the Fund's objectives.


The Funds budget during the year was set at **Kshs.3,040,227,000** this was as a result of the improving global tourism performance. Due to this positive development, it became necessary that the Fund revise the budget to reflect the actual expected Air Passenger Service Charge to be transferred to the Fund from Kenya Airports Authority. The actual revenue realized during the FY under review was **Ksh.3,560,346,917** comprising of retained funds B/F from FY 2021/ 2022 of **Kshs.773,500,000**, Interest from investment of **Kshs.27,057,964** and receipts from KAA of **Kshs.2,322,387,828**.

The total expenditure during the Financial Year amounted to **Kshs.1,464,467,614** (Refer to Pg. 6 & 7-Actual on comparable basis) as compared to the expenditure in **FY 2021/2022** of **Kshs.1,466,115,218**. This was approximately **48%** expenditure of the total approved budget. The operational expenses expenditure was up to a tune of **Kshs.135, 633,953**. These operational expenses included administration and other operating expenses, Remuneration of directors, acquisition of Property as well as use of goods and Services. The Core Mandate expenditure was **Kshs.1, 328,833,661**.

The projects/Programmes that were funded were; Ongoing Construction of RNUC-TF -**Kshs.500,000,000**; Classification and Grading of Class A & B Enterprises-TRA-**Kshs.48,547,500**; Refurbishment & Renovation of WRTI Sanctuary & Conference Facilities-WRTI-**Kshs.59,715,595**; Research on Establishment of the Impact of Climate Change on Tourism in the Country and Design of Appropriate Climate Response and Sustainable Practices project-TRI-**Kshs.43,831,296**; Rehabilitation of Fountains-KICC-**26,667,762**; Modernization & Refurbishment of Tsavo Ballroom-KICC-**Kshs.173,332,238**; Rehabilitation of Utamaduni Restaurant-BoK-**Kshs.136,560,567**; Digitization of Cultural Tourism Products- BoK- **Kshs.48,434,650**; Construction of Kasala Gate Tsavo East National Park-KWS-**Kshs.41,744,053**; and Equipping of Individual Training Kitchen-KUC-**Kshs.250,000,000**.

As at 30th June 2023, the total Net worthy of the Fund amounted to **Kshs.1,713,760,685**. This comprised of Property, Plant and Equipment (PPE) of **Kshs.40, 655,316** and Cash and Cash Equivalent of **Kshs.1,668,635,534**.

Finally, I want to sincerely appreciate all the stakeholders for the continued support towards achieving the Fund's core mandate of development, promotion and branding of tourism sector in Kenya; The Government for continued support, the Board for Strategic Vision and guidance, as well as Kenya Airports Authority.


.....
Mr. Stephen Kinyanjui
Chief Executive Officer
Secretary to the Board

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6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Tourism Promotion Fund has 4 strategic pillars and objectives within its Strategic Plan for the FY 2021/22 – 2025/26. These strategic pillars are as follows:

- Pillar 1: Resource Mobilization and Management.
- Pillar 2: Project Funding and Management
- Pillar 3: Corporate Identity and Brand Visibility
- Pillar 4: Fund Institutional Strengthening & Capacity Building

Tourism Promotion Fund develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The TPF achieved its performance targets set for the FY 2022/2023 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Resource Mobilization and Management	To establish the annual revenue and Expenditure estimate of the Fund	Annual estimated Revenue and Expenditure Prioritized projects	Prepare/Review annual revenue & expenditure estimates Establish prioritized projects for funding through Board approval	Estimates determined and approved by the Oversight Board. Prioritized projects for funding were approved by the Oversight Board.
	To manage the Fund Expenditure	Approved annual estimates & Fund budget	Prepare & Present for Board Approval the Annual estimates & Fund Budget	The estimates were approved by the Oversight Board and appropriated by The National Treasury Disbursement of funds was done to Ten (10) projects.
	To mobilize funding for Fund Objects & operation expenses	Disbursement approvals & Funds Disbursed Proposed budget estimate for funding	Undertake disbursement process of the Fund (analyze disbursement requests, board approvals, initiate disbursement of Funds) Participate in the National Government Budget preparation process as per MTEF Guidelines	TPF participated in the 2022/23 FY budgeting process

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 2: Project Funding and Management	To Control, Monitor & report on the Fund Management	Established Enterprise Resource Planning	Establish and Manage Internal Control Systems	An ERP System has been procured and its implementation is ongoing.
	To Establish/ Review projects and programs for Funding	Risk Management Strategy	Develop and Implement a Risk Management Strategy	A Risk Management Strategy was developed
		Quarterly and Annual financial reports	Prepare Fund Financial quarterly and annual reports	The FY 2022/2023 reports prepared and submitted to OAG & The National Treasury. The quarterly reports prepared and submitted.
	To conduct sensitization on project and program funding strategy	Report on Funding application request and analysis	Analyze Tourism Implementing agencies Projects and Programs application for Funding.	Criteria for Funding Application developed. The Proposed projects analyzed in line with set criteria.
	To establish and manage Monitoring, Evaluation and Reporting Systems	Report on the Sensitization	Undertake sensitization to TIA's Project management personnel on TPF Funding guidelines and regulations.	50 Project managers from TIAs were sensitized within the FY
Pillar 3 : Corporate Identity and Brand Visibility	Enhance TPF visibility	M & E framework reviewed	Review Fund M & E framework and guidelines	The framework and guidelines for M & E done.
		Monitoring & implementation status reported	Undertake ADHOC, quarterly and annual monitoring of the funded projects	Monitoring of the funded projects was done and the report submitted to the Oversight Board
	Communication strategy and policy	Interactive TPF website and social media platforms	Operational website and social media platforms	The Fund has an operational Website and active Social media platforms
	Communication strategy and policy developed and implemented	Implement a communication strategy and policy	Implement a communication strategy and policy	Communication strategy and policy implemented

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 4: Fund Institutional Strengthening & Capacity Building	Service excellence	Customer Service Delivery Charter implemented	Implement customer Service Delivery Charter	TPF Customer Service Delivery Charter is under implementation
	To strengthen the institutional capacity of TPF to deliver on its mandate	Minutes Board Papers	Conduct Board meetings	Four (4) Oversight Board meetings have been held in the FY
	HR Planning and management	Organizational structure implemented	Implement TPF organizational structure	Finalized TPF grading structure by SRC
		Report on training and capacity Building	Facilitate training of compulsory progression training courses for officers	Three Officers have been trained on SLDP, One Officer trained Public relations and Customer Care, One officer trained on Supervisory Skills Development Course, Three officers have been trained on Senior Management Course, Three officers trained under ICPAK
	Enhance Performance Management	Performance Contract management Reports	Develop and cascade Performance Contract (PC)	Performance Contract developed, cascaded and evaluated.
		Audit reports	Undertaking Audits	The Fund collaboratively undertook audit of the FY2021/22 under the guidance of the OAG.
	Provision of Conducive Working Environment	Working tools and equipment procured	Acquirement of office facilities, equipment, and stationery	Office facilities procured.

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7. CORPORATE GOVERNANCE STATEMENT

The oversight Board of Tourism Promotion Fund is responsible for the governance of the fund and is accountable to the Government of Kenya in ensuring that it complies with the various laws while maintaining high ethical standards and corporate governance. Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance including the Mwongozo Code.

Oversight Board

The roles of the Chairman and Board members are distinct and their respective responsibilities clearly defined within the Legal Notice No 24, dated 12th April, 2019 on the Public Finance Management (Tourism Promotion Fund) Regulations, 2019.

The Board defines the policy guidelines for effective management of the Fund. Except for direction and guidance on general policy, the Board delegates authority of its day to day business to the Secretariat through the Chief Executive Officer (CEO).

Board meetings

Tourism Promotion fund Oversight board held 4 (four) full board meetings in the 2022/23 FY. This was on 23rd July 2022, 17th November 2022, 1st February 2023 and 29th March 2023.

Committees of the Board

The Board has set up three (3) key committees to facilitate efficient decision making of the Board in discharging its duties and responsibilities. These committees include Project Management; Finance, Administration and Corporate; and Audit & Risk Management Committee. One meeting was held in the FY under review on 29th July 2022.

Project Management Committee

The committee is responsible on advising the board on the projects and Fund management, in accordance with the funding requirements.

The committee is responsible for advising the board on;

1. Advice the board on Annual Revenue & Expenditure Estimates of the Fund.
2. Advise the board on the allocations and disbursements of funds for designated programmes and projects in accordance with statutory regulations and provision of the Tourism Promotion fund regulations
3. Development, implementation, evaluation and reporting on the Fund Investment strategy;
4. Analysis and evaluation of Project proposals for funding and recommending the Project fund requirement to the board;
5. Establishment of M& E tool kit, Monitoring, evaluation and reporting of the funded projects
6. Establishment of Tourism intelligence and trends to support the implementation of funded projects

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7. Development & Establishment of ICT/digital, online application and funding portal for the fund activities
8. Establishment of standards and compliance framework for funded projects in line with current international tourism trends. Government of Kenya Standards, regulations and processes.
9. Resource mobilisation for the Fund

Finance, Administration and Corporate Committee.

The committee shall provide advice and assistance to the Oversight Board and the Secretariat regarding the Fund's fiduciary and general administrative duties. The Committee shall provide oversight with respect to the financial and administrative strategies and policies of the Fund. The committee is responsible for advising the board on

1. Board Management's performance and effectiveness
2. Establishment of fund corporate governance structures and processes.
3. Development and implementation of the Fund investments strategy
4. Oversight of the deposit, management, and investment of TPF funds, including funds that may be held in established by TPF for the deposit, holding and/or investment of TPF funds.
5. Provide oversight with respect to the overall financial condition of the Fund and its income and expenditures; Review and make recommendations to the Board and the secretariat on TPF's annual proposed operating budget, work plan, including any proposed material changes during the year
6. Establish appropriate financial controls and reporting;

Audit and Risk Management Committee.

The audit committee shall provide oversight of the financial reporting process, the audit process, the Fund's system of internal controls, compliance with laws and regulations and evaluating the effectiveness of the fund.

The committee is responsible for advising the board on;

1. Development and implementation of an internal fund risk management strategy
2. Review and make recommendations on the accurate Audit/ financial statements and reporting in compliance with all applicable legal requirements.
3. Development of a comprehensive Audit Committee Charter and the Internal Audit Department Charter.
4. Evaluation of funds utilisation and absorption rate by funded agencies.
5. Review and make recommendations on audit issues raised by both internal and external auditors;
6. Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in relation to funded projects/programs.
7. The audit committee is responsible for the appointment, compensation and oversight of the work of the auditor.
8. Make submissions to the board on any matters concerning the accounting policies, financial controls, accounting records and reporting.
9. Perform any other oversight functions required by the Oversight board.

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Succession plan

The fund has in place a remuneration structure and the job evaluation grading structure approved by SRC and under implementation. This will in turn inform succession planning.

Board Charter

The Charter was developed and approved by board. It is under implementation.

Appointment and Removal of Directors

A person appointed as a Board Member/Director shall serve for a period of three (3) years, and the period may be renewed for a further final term of three (3) years

Roles and Functions of the Board

There is an established board known as Oversight Board for the Fund whose functions will be;

- i. To advise the Cabinet Secretary on the funding requirements of the Fund;
- ii. To review and adopt the estimates of annual revenue and expenditure of the Fund and recommend them to the Cabinet Secretary for the time being responsible for matters relating to tourism for concurrence and onward transmission to the Cabinet Secretary for approval;
- iii. To determine the allocation of financial resources from the Fund required by the tourism implementing agencies for the development, promotion and branding of tourism sector in Kenya;
- iv. To ensure that the annual estimates of revenue and expenditure for the Fund include retention funds for the preceding financial year which shall be re-voted;
- v. To ensure that only projects included in the tourism implementing agency annual programme are promoted for funding under these Regulations;
- vi. to advise the Cabinet Secretary on amounts and timing for the fund transfers into the Fund;
- vii. to approve and review the investment of surplus funds from the Fund;
- viii. to advise the Cabinet Secretary on any additional sources of funds for the Fund;
- ix. to approve the financial statements prepared by the Administrator of the Fund before submission to the Auditor General; and
- x. to approve the non-financial reports of the Fund before submitting them to the Cabinet Secretary responsible for tourism for onward transmission to the National Treasury

Induction and Training

The Tourism Promotion Fund Human Resource Policy and Manual was developed and under implementation. The induction and training of Board members and staff was conducted under various training sessions in the financial year 2022/2023.

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Board Remuneration

TPF received approval from Salaries and Remunerations Commission on remuneration and it has been compensating board members as per the recommendations of the SRC

Ethics and Conduct as well as Governance Audit

The TPF Board is in its 4th year of operation and has been audited and complied with the advisory of the Governance Audit and regulations.

**Tourism Promotion Fund
Annual Reports and Financial Statements
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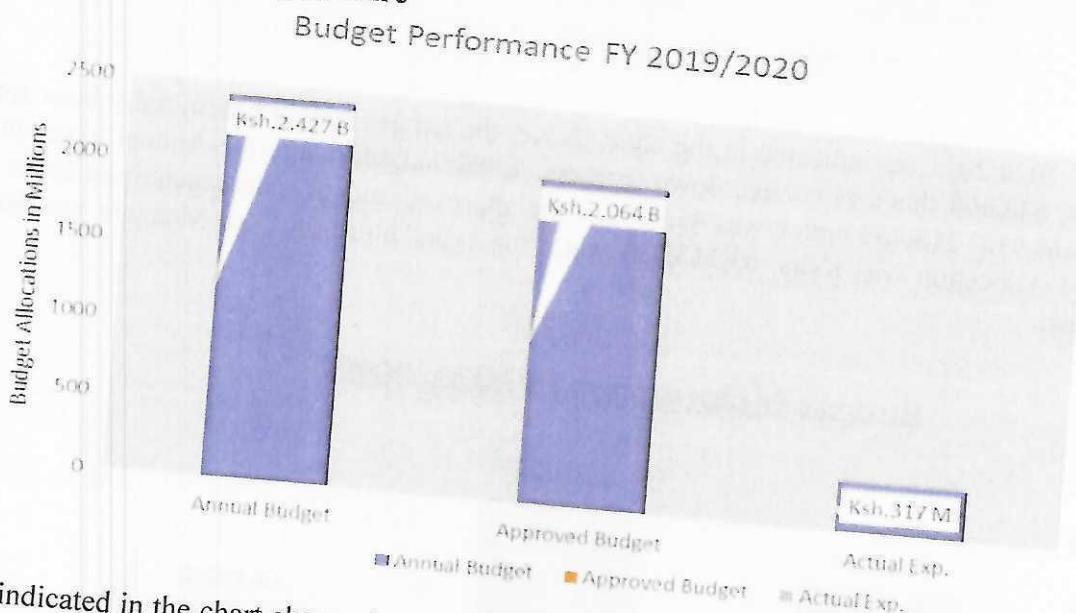
8. MANAGEMENT DISCUSSION AND ANALYSIS

The Tourism Promotion Fund has continued with its mandate of providing funds to support development, promotion and branding of tourism sector in line with Legal Notice No 24, dated 12th April, 2019 on the Public Finance Management (Tourism Promotion Fund) Regulations, 2019.

a) Operational and Financial Performance of the Fund during the Period under review FY (2019/2020-2022/2023)

During the budget period under review, TPF Cumulative expenditure stood at **Kshs.4,167,033,952**. This being **Kshs.317,675,967**, **Kshs.918,774,863**, **Kshs.1,466,115,508** and **Kshs.1,464,467,614** for the FYs 2019/2020, 2020/2021, 2021/2022 and 2022/2023 respectively. Expenditure is illustrated in the Charts below;

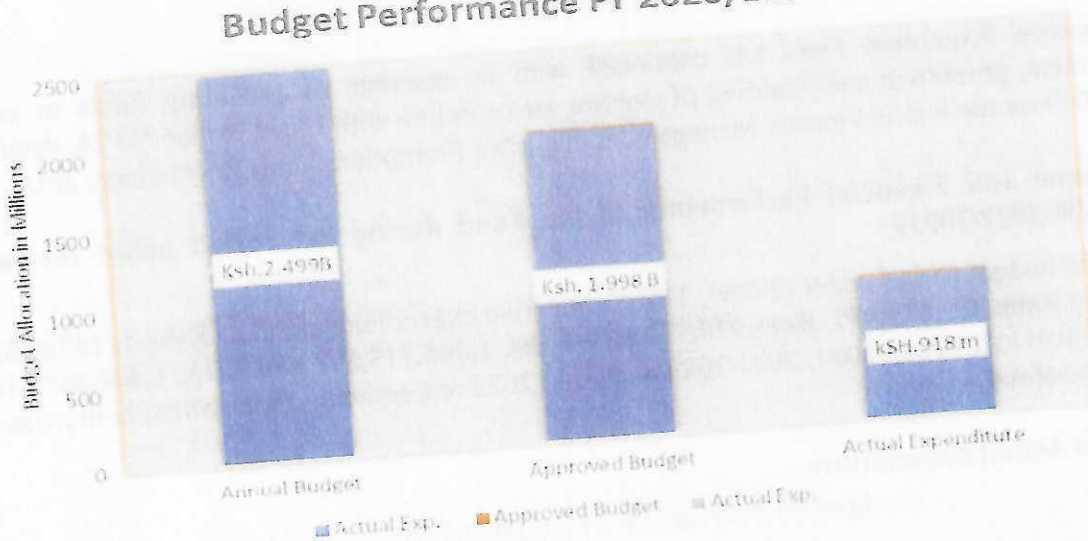
Budget Vs Actual Expenditure



As indicated in the chart above, the annual budget had initially been set at **Kshs.2,427,000,000**, this was revised down to **Kshs.2,064,000,000** while the Annual expenditure stood at **Kshs.317,675,967** which was 15% of the approved budget. The expenditure under the Operational Allocation was **Kshs.17,675,967** while the expenditure on Core Mandate was **Kshs.300,000,000**.

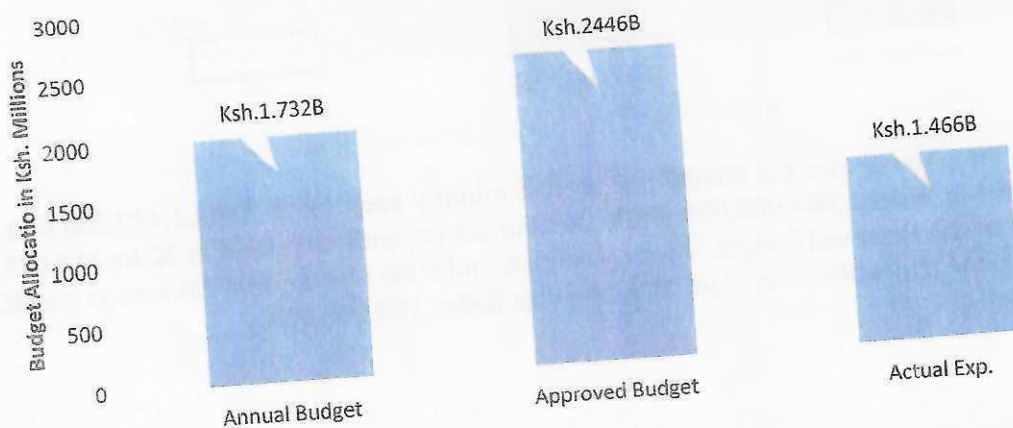
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Budget Performance FY 2020/2021



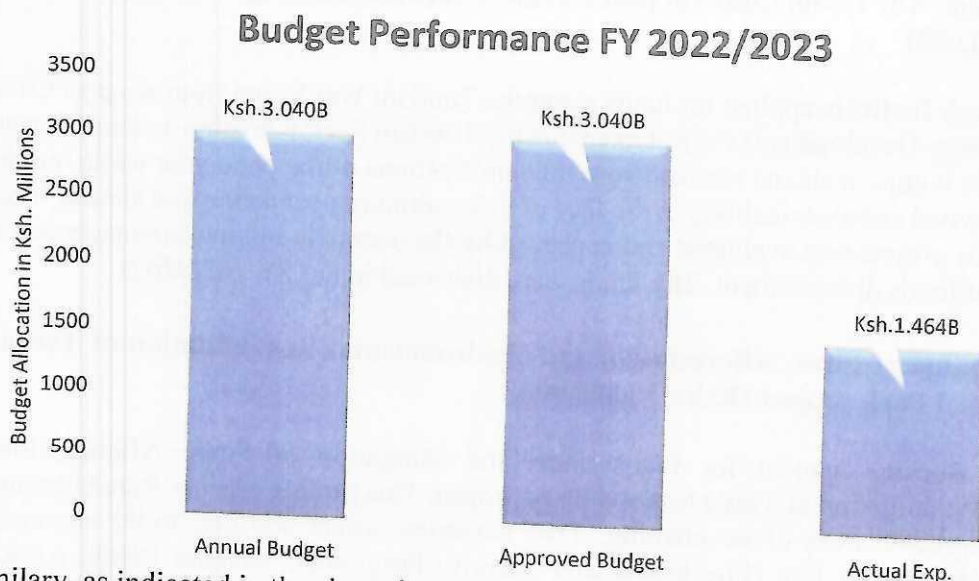
For the FY 2020/2021, as indicated in the chart above, the annual budget had initially been set at **Kshs. 2,499,623,000** this was revised down to **Kshs. 1,998,944,000** while the Annual expenditure stood at **Kshs. 918,213,431** which was 45.96% of the approved budget. The expenditure under the Operational Allocation was **Kshs. 53,213,431** while the expenditure on Core Mandate was **Kshs. 865,000,000**.

Budget Performance FY 2021/2022



For the FY 2021/2022, as indicated in the chart above, the annual budget had initially been set at **Kshs. 1,731,672,000** this was revised upwards to **Kshs. 2,445,561,000** while the Annual expenditure stood at **Kshs. 1,466,115,408** which was 60% of the approved budget. The expenditure under the Operational Allocation was **Kshs. 122,213,346** while the expenditure on Core Mandate was **Kshs. 1,343,902,162**.

**Tourism Promotion Fund
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Similarly, as indicated in the chart above, the annual budget was set at **Kshs.3,040,227,000** While the Annual expenditure stood at **Kshs. 1,464,467,614** which was **48%** of the approved budget.

During the year under review, the expenditure under the Operational Allocation was **Kshs. 135,633,953** while the expenditure on Core Mandate was **Kshs. 1,328,833,661**.

b) Key projects/Programmes or investments funding decision for the budget period FYs 2019/2020 to 2022/2023

i) Revamping of Nairobi National Park (Kshs. 300,000,000)

Kenya Wildlife Service applied for funds to revamp and rehabilitate Nairobi National Park. The specific activities to be undertaken by KWS with TPF funding in the NNP master plan included **rehabilitation of Roads (58 Kms in the park)**, with various tasks such as Engineering Survey and Investigation of the roads identified, Alignment and pavement designs, drainage and structure designs, Construction of circuit No. 1 (Simba) 019 Kms, Construction of Circuit No. 2 & 3 (Mbuni & Chui) 023 Kms, Construction of Circuit No. 4 (Twiga) 016 Kms. (**Topographical Survey**) Detailed topographical survey for existing facilities for upgrading. The output will be the improved visitor experience, numbers and NNP revenue.

ii) Ronald Ngala Utalii College (Kshs. 1,500,000,000)

Tourism Fund applied for **Kshs. 1,500,000,000** to go towards the completion of this project and the same was approved by Tourism Promotion Fund Oversight Board and the National Treasury. During the FY 2020/2021 and FY 2021/2022, FY 2022/2023 Tourism Promotion Fund gave Tourism Fund **Kshs. 800,000,000, and Kshs. 700,000,000** respectively towards this project.

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- iii) **Tourism War Room (tourism post Covid-19 recovery Strategy Development) (Kshs. 35,000,000)**

Tourism Research Institute applied for funds under the Tourism War Room (tourism post Covid-19 recovery Strategy Development) Project to enable the Tourism Sector develop a comprehensive strategy to enable it cope with and recover from the ramifications of the pandemic while building resilience for survival and sustainability in the face of this continuing pandemic and similar shocks in the future. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2020/2021.

- iv) **Mitigation of Fires, Afforestation and Environmental Rehabilitation of Tsavo National Park project (Kshs. 30,000,000)**

Kenya wildlife Service applied for funds under the Mitigation of Fires, Afforestation and Environmental Rehabilitation of Tsavo National Park project. This project was for Rehabilitation and restoration of degraded areas (Tree planting, Tree nurseries, direct seeding, build encroachers), Reduction of incidences of Fire (Fire breaks and Security Programs), Increase Public Awareness (community engagement and education), Development of capacity to suppress fires (training of marshals), Building park-based fire management capacity (Equipment, fire management plan, M and E). This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2020/2021.

- v) **Domestic Marketing and Fam Trip promotion (Kshs. 100,000,000)**

Kenya Tourism Board applied for funds for Domestic Marketing and Fam Trip promotion Project. This project was to focus on a conversion-oriented campaign themed around short-breaks to fewer known destinations across the country and encourage year-round travel. The project involves domestic promotion (flighting on Media), Digital Activation, Production of Campaign assets and ongoing activations around key events in Kenya. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2020/2021.

- vi) **Establishment of Water Pans and Dams and drilling of boreholes in the Tsavo National (Kshs. 199,994,576)**

The State Department for Wildlife applied for funds towards the Establishment of Water Pans and Dams in the Tsavo National Park. The project involved provision of water in the Tsavo Ecosystem to last throughout the dry season. Twelve water pans were to be constructed in Tsavo East and Tsavo West National parks. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2020/2021.

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**vii) Research on Cultural Heritage mapping of products and experiences- KU-
(Kshs.9,265,500)**

Kenyatta University applied for funds for Research on Cultural Heritage mapping of products and experiences. This was Consultancy to undertaking cultural and heritage products and experiences capturing; digitized mapping of cultural and heritage tourism resources in Kenya; and developing story maps for Kenya's cultural tourism products and experiences. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2020/2021.

**viii) Consultancy for WRTI Development projects feasibility studies- WRTI-
(Kshs.36,150,380)**

Wildlife Research Training Institute applied for funds under Consultancy to undertake pre-feasibility and feasibility analysis of five (5) capital projects for development Wildlife Research and Training Institute Project. This project was Consultancy to undertake pre- feasibility and feasibility analysis of five (5) capital projects. They include WRTI complex at the Headquarters, Naivasha; Inland Waters and Wetlands Research Centre in Naivasha; The savanna, Arid and Semi-arid Research Centre in Tsavo; Montane/forest research Centre in King'ong'o Nyeri; and coastal and Marine research Centre in Malindi. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2020/2021.

**ix) Extension of the Runway and Apron at Ukunda Airstrip in Diani- KAA-
(Kshs.173,702,292)**

Kenya Airports Authority applied for funds under the above-named project towards Extension of the Runway from 1.2 km to 1.4km, Expansion of the apron to allow for additional three code-c aircraft parking at Diani-Kwale County. The application was received and evaluated in FY 2021/2022. This was approved by the Oversight board for funding and disbursement. The funds were disbursed in the FY 2021/2022

x) Digitization of collections at the National Museums of Kenya- NMK- (Kshs. 56,291,440)

National Museums of Kenya applied for funds under the Digitization of collections project with the concept being Digitizing & establishment of a mobile application for cultural and artefacts collections to enable the preservation of Materials. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2021/2022.

**xi) Development of the Visitor Information Centre at the Maktau WWI Heritage National
Museum -NMK- (Kshs. 68,497,974)**

National Museums of Kenya applied for funds under the Development of the Visitor Information Centre at the Maktau WWI Heritage National Museum Project. The project entailed Documentation

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and restoration of Taita Taveta WWI, construction of PWD compliant ablution block, visitor information centre and exhibition, interpretation and promotional materials as well as Development of marketing and promotional materials of WWI Heritage monuments. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2021/2022.

xii) Classification and Grading of Class A and B Hospitality Enterprises Project-TRA- (Kshs. 48,547,500)

Tourism Regulatory Authority applied for funds under the Classification and Grading of Class A and B Hospitality Enterprises Project through consultancy services to coordinate assessment & accreditation of Class A and B Hospitality Enterprises and delivery of accreditation plaques & certificates to the audited facilities. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023.

xiii) Ronald Ngala Utalii College- (Kshs. 500,000,000)

Tourism Fund applied for funds towards completion of the ongoing construction of Ronald Ngala Utalii College project. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023.

xiv) Refurbishment and Renovation of WRTI Sanctuary and Conference facilities Project- WRTI- (Ksh. 59,715,595)

Wildlife Research Training Institute applied for funds to procure consultancy services for the project of refurbishment and renovation of the WRTI sanctuary and conference facilities. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023.

xv) Research on Establishment of Impact of Climate Change of Tourism in the Country and Design of appropriate Climate Response and Sustainable Practices- TRI- (Kshs.43,831,296)

Tourism Research Institute applied for funds for situational analysis on adoption of sustainable best practices, evaluate the impact of climate change on the Tourism Sector in Kenya and Design appropriate climate response and sustainable best practices in line with global benchmarks. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023.

xvi) Rehabilitation of KICC Fountains- KICC- (Kshs. 26,667,762)

Kenya International Convention Centre applied for funds to undertake rehabilitation of the KICC fountains to improve the ambience and beauty of KICC, moderate the climate around the Centre by improving humidity and providing a place for delegates to network and have a break from meeting rooms. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023.

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xvii) Rehabilitation of Utamaduni Restaurant- Bomas of Kenya- (Kshs. 136,560,567)
Bomas of Kenya applied for funds for the rehabilitation of Utamaduni Restaurant project. The project entails renovation of the kitchen area, purchase of new equipment, development of a new cultural menu and procurement of audio visual equipment. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023.

xviii) Digitization of Cultural Tourism Products - Bomas of Kenya- (Kshs. 48,434,650)
Bomas of Kenya applied for funds for digitization of cultural tourism products project. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023

xix) Construction of Kasala Gate- KWS- (Kshs. 41,744,053)
Kenya Wildlife Service applied for funds for proposed buildings & associated civil works, Geological survey, drilling & equipping of a borehole at Kasala gate in Tsavo East National Park. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023

xx) Refurbishment and Modernisation of KICC Ballroom- KICC- (Kshs. 173,332,238)
Kenya International Convention Centre applied for funds to undertake modernization and refurbishment to of the fountains to enhance the Centre's competitiveness in international platform and effectiveness in executing its mandate. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023

xxi) Equip the Individual Training Kitchen- KUC- (Kshs. 250,000,000)
Kenya Utalii College applied for funds towards equipping of the Individual Training Kitchen (ITK) laboratory. The project entails purchase and installation of equipment, solar panel, generator, gas cylinder, cold room and water tanks. This project was evaluated and approved by the oversight board of management for both funding and funds disbursement. The funds were disbursed in the FY 2022/2023

xxii) Key Operational achievements
As part of its operationalization activities within the period under review, the Fund has created awareness by sensitizing Tourism implementing Agencies Officers and other stakeholders, establishment of various infrastructural and operational facilities to support the Fund Operations.

c) Funds Compliance with Statutory Requirements

During the period under review, the fund complied with all statutory requirements in line with the PFM Act and the National Treasury circulars with regards to the following reports, budget estimates, quarterly financial statements and annual financial statements. In addition to the above all, the statutory deductions were effected and timely submitted to relevant bodies.

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d) Major Risks Facing the Organization

Risk	Category	Mitigation
Low intake of funds due to low awareness	Medium	Create awareness among stakeholders on the roles of the Fund
Conflict of Interest	Low	Increased awareness creation on the roles of the Fund

e) Material Arrears in Statutory/Financial Obligations

The fund during the period under review did not have any material statutory arrears and financial obligations.

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9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

This consist of all components both internal and external that have had an impact on the performance of Tourism Promotion Fund. The mandate of Tourism Promotion Fund is to provide funds to support development, promotion and branding of tourism sector. Below is an outline of the organization's policies and activities that promote sustainability;

i) Sustainability Strategy and Profile

TPF has integrated economic, environmental and social aims into the Fund's goals, activities and planning with the aim of creating long-term value for the Fund, its stakeholders and the wider society. During the year in review the Fund activities were geared towards providing excellent services to its stakeholders. The accounting officer took the necessary measures to mitigate sustainability as explained below under environmental performance.

ii) Environmental performance

Tourism Promotion Fund is committed to ensure it has provided conducive environment for its stakeholders (internal and external). The fund has ensured this by acquiring facilities including office space, furniture's and equipment's for officers. The Fund has also provided good platforms ie. Website from where the stakeholders can access the Fund's information. It is also in the process of developing an ERP (Enterprise Resource Program) system where clients and staff can access services in one platform. This is for efficiency and monitoring purposes of the programs by stakeholders

iii) Employee welfare

The Fund drafted career guidelines that were forwarded to SRC for job grading structure and evaluation. The approval was granted in August 2022 and the process off implementation is ongoing. Tourism Promotion Fund has also designed programs including training and induction which are going to benefit the employees and assist in staff growth.

iv) Market place practices;

As a funding agency, the Fund has been undertaking several initiatives to achieve market place practices, e.g undertaking adverts through social portals and website

a) Responsible competition practice.

The Fund has ensured that there is fairness in its activities by ensuring fairness in allocation of funds and the way funds are utilized. A clear funding and disbursement criteria has been formulated to guide the tourism implementing agencies follow when doing their applications to ensure fairness in distribution of funds.

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b) Responsible Supply chain and supplier relations

The Fund did a prequalification of suppliers and has a bank of suppliers for various commodities and services. It is from this list whereby the supplies chain management uses for procurement. The Fund has maintained good relationship with suppliers, as per the FY 2022/2023 the Fund had no pending bills.

The Fund is committed to follow the procurement regulations, through the criteria laid down the Fund ensured that it funds projects which are going to have an impact in the tourism sector.

Responsible marketing and advertisement

The Fund marketing practices and advertisements were done responsibly following the government laid guidelines both online and print media.

Product stewardship

The Fund has ensured that tourism product development is done and information passed to the stakeholders and availing funding to the implementing agencies.

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10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the TPF affairs.

Principal activities

The principal activities of the entity are;

- i. Finance development, promotion and branding programmes and initiatives in relation to tourism products including tourism niche products and tourism events;
- ii. Finance marketing, promotion and branding of Kenya in specific local, regional and international market segments;
- iii. Finance tourism data capture, analysis and dissemination of the same and any other related research which may include deployment of technology-based applications;
- iv. Finance development of tourism facilities and establishments in areas where the private sector is unable or unwilling to develop, but with a high potential for tourism promotion and branding;
- v. Co-financing of tourism development and promotion projects with the county governments on the basis of an agreed ratio of matching grants;
- vi. Fund programmes and initiatives for tourism safety and security geared towards development, promotion and branding of tourism sector;
- vii. Finance development of innovations and inventions which promote tourism development, promotion and branding
- viii. Funding of plugging projects which contribute to development, promotion and branding of tourism sector
- ix. Finance programmes and initiatives geared towards tourism intelligence and information gathering for purposes of developing, promoting and branding tourism in Kenya; and
- x. Standards development and capacity building in the tourism sector

Results

The results of the entity for the year ended June 30, 2023 are set out as outlined in the Chief Executive Report on Page (xiii) of this document.

Directors

During the FY 2022/23 a new Oversight Board was constituted whose members are shown on page (vii-x).

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. However according to Tourism

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Promotion Fund regulations Sec. 8, *“The earnings of or accruals to the Fund shall be retained in the Fund, and shall be spent only for the objects and purposes for which the Fund is established”.*

Auditors

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

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Tourism Promotion Fund Regulation 2019, regulation 31 requires the Board to prepare financial statements which give a true and fair view of the state of affairs of Tourism Promotion Fund at the end of the financial year and the operating results of the Tourism Promotion Fund for that year. The Directors are also required to ensure that the Tourism Promotion Fund keeps proper accounting records which disclose with reasonable accuracy its financial position.

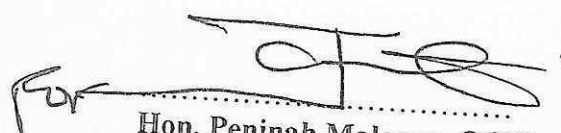
This responsibility includes: Oversight on adequate financial management appointment arrangements and ensuring that these continue to be effective throughout the reporting period; Approval and oversight on proper planning, budget execution, financing and reporting of the fund finance; Approval on acquirement and safeguarding of the Fund assets; Directing the application of appropriate accounting policies; Approving and allocating fund estimates that are reasonable in the circumstances; and Overseeing monitoring, evaluation and reporting the utilisation of funding by the implementing entities.

The Directors accept responsibility for the Tourism Promotion Funds 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. The Directors are of the opinion that the Tourism Promotion Fund's financial statements give a true and fair view of its state transactions during the financial year ended June 30, 2023, and its financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of this financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the Tourism Promotion Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

TPF's financial statements were approved by the Board on 13th September 2023 and signed on its behalf by:


Mr. Stephen Kinyanjui
Chief Executive Officer
Secretary to the Board


Hon. Peninah Malonza, OGW
Cabinet Secretary for Tourism, Wildlife & Heritage
Chairperson of the Board

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 21 of the Public Finance Management Act 2009 and Section 22 of the Public Finance Management Act 2009 require the Board to prepare financial statements which give a true and fair view of the state of affairs of the Council at the end of the financial year and the transactions and events of the financial year which have affected the Council's financial position.


The responsibility for the preparation of the financial statements rests with the Board. The Board is responsible for ensuring that the financial statements are prepared in accordance with the requirements of the Act and the Regulations. The Board is also responsible for ensuring that the financial statements are prepared in accordance with the requirements of the Act and the Regulations.

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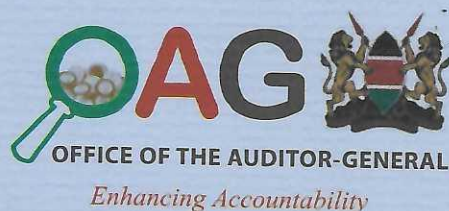
Approved on behalf of the Council

The financial statements were approved by the Council on 17th September 2011 and signed on its behalf


Chairperson of the Council
Council Chamber, 11th Floor, Victoria Buildings
100, Queen's Road Central, Hong Kong


Secretary to the Council
100, Queen's Road Central, Hong Kong

REPUBLIC OF KENYA



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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tourism Promotion Fund set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2023 statement of financial performance, statement of changes in net assets,

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tourism Promotion Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accruals basis) and comply with the Public Finance Management (Tourism Promotion Fund) Regulations, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of Proceeds to be Realized Under Section 3 of the Air Passengers Service Charge Act

The statement of financial performance reflects proceeds to be realized under Section 3 of the Air Passengers Service Charge Act amounting to Kshs.2,322,387,828 as further disclosed in Note 5 to the financial statements. However, the amount differs with recomputed Note 5 to the financial statements proceeds amounting to Kshs.2,329,702,284 resulting in unexplained variance of Kshs.7,314,456. Further, the proceeds were received from Kenya Airports Authority. However, the statements financial performance of the Kenya Airports Authority reflected transfers to the Fund amounting to Kshs.2,015,256,000 resulting to unreconciled variance of Kshs.307,131,828.

In the circumstances, the accuracy and completeness of proceeds to be realized under the air passengers service charge Act amounting to Kshs.2,322,387,828 could not be confirmed.

2. Inaccuracy in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents amounting to Kshs.1,668,635,544. The amount includes Dollar bank account balance amounting to Kshs.1,302,483,624 as disclosed in Note 14 to the financial statements. Review of the cash books and bank statements revealed that the closing Dollar bank account balance amounted to USD 10,237,643.56 as at 30 June, 2023. The Dollar balance was converted to Kenya Shillings at a rate of Kshs.127.94 to a Dollar instead of Central Bank mean exchange rate of Kshs.140.52 as at 30 June, 2023 or an equivalent of Kshs.1,438,593,673. This is contrary to Significant Accounting Policy 4e of the financial statements. Further, resultant variance of Kshs.136,110,049 has not been explained.

In the circumstances, the accuracy and completeness of cash and cash equivalents amounting to Kshs.1,302,483,624 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tourism Promotion Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements

applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted expenditure of Kshs.3,040,227,000 against actual expenditure of Kshs.1,464,290,873 resulting to under expenditure of Kshs.1,575,759,386 or 52% of the budget.

The under expenditure may have affected implementation of the planned activities of the Fund.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Oversight Board Not Fully Constituted

A review of records revealed that contracts of the two members of the Oversight Board appointed by the Cabinet Secretary had expired in April, 2022 no subsequent appointments were made. This is contrary to Regulation 14(1)(h) of the Public Finance Management (Tourism Promotion Fund) Regulations, 2019 which states that there will be an established Board to be known as Oversight Board for the Fund which shall consist of two persons of opposite gender appointed by the Cabinet Secretary responsible for matters relating to tourism .

In the circumstances, Management was in breach of the Public Finance Management (Tourism Promotion Fund) Regulations, 2019.

2. Staff Acting Beyond Six Months

Review of records revealed that the entire management team were in acting positions for a period over one year. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. Further, the Fund has

incurred expenditure on acting allowance amounting to Kshs.1,282,105 which would have been avoided had the manager been appointed substantively.

In the circumstances, Management was in breach of the Public Service Commission Act, 2017.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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 procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance.

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

In preparing the financial statements, the 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 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


FCPA Nancy Gathungu, GBS
AUDITOR-GENERAL

Nairobi


04 March, 2024


**Tourism Promotion Fund
Annual Reports and Financial Statements
For the Year ended 30th June, 2023**

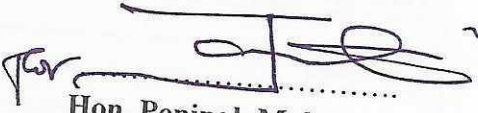
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/2023 Ksh.	2021/2022 Ksh.
Revenue from Non-Exchange Transactions			
Proceeds to be realized under section 3 of the Air Passengers Service Charge Act;	5	2,322,387,828	1,181,698,150
Government Grants			-
Internally Generated Revenue-Interest from Call Deposit	6	5,602,089	21,455,875
Transfers from other governments – gifts and services in kind			-
Total Revenue		2,327,989,917	1,203,154,025
Expenses			
Use of goods and services			
Board Expenses	7	98,209,055	76,121,922
Depreciation and amortization expense	8	4,080,289	6,531,165
Personal Emoluments	9	8,619,013	4,115,556
Repairs & Maintenance	10	1,658,663	-
Contracted Services	11	2,058,094	783,822
Grant to Implementing Agencies (Core Mandate Expenses)	12	2,204,491	
Total expenses	13	1,328,833,661	1,343,902,162
Other gains/(losses)		1,445,663,283	1,431,454,627
Surplus/(deficit) for the period/year		882,326,663	(228,300,602)
Net Balance for the year		882,326,663	(228,300,602)

The notes set out on pages 8 to 19 form an integral part of these Financial Statements


Mr. Stephen Kinyanjui
Chief Executive Officer
Secretary to the Board


CPA John Makona
Ag. Head of Finance
ICPAK. No. 17796


Hon. Peninah Malonza, OGW
Cabinet Secretary for Tourism
Wildlife & Heriatge
Chairperson of the Board

Tourism Promotion Fund
Annual Reports and Financial Statements
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023


The notes set out on pages 8 to 19 form an integral part of these Financial Statements

The Financial Statements were approved by the board on 13th September 2023 and signed on behalf of the Board of Directors by:

	Notes	2022/2023	2021/2022
		Ksh.	Ksh.
Assets			
Current Assets			326,220,115
Cash and Cash Equivalent	14	1,668,635,544	-
Inventories	15	-	478,897,142
Call Deposit	17	-	805,117,257
Total Current Assets		1,668,635,544	
Non-Current Assets			41,133,628
Property, Plant and Equipment	16	40,655,316	
Intangible Asset	16B	4,469,826	
Total Non-Current Assets		45,125,141	41,133,628
Total Assets		1,713,760,685	846,250,885
Liabilities			
Current Liabilities			14,816,833
Trade and Other Payables	18	-	
Unremitted Tax		-	14,816,833
Total Current Liabilities			
Non-Current Liabilities			-
Total Liabilities			14,816,833
Net Assets		1,713,760,685	831,434,052
Represented by:			
Retention Funds		831,434,052	1,059,734,654
Surplus/(deficit) for the period/year		882,326,633	(228,300,602)
Capital Fund		1,713,760,685	831,434,052


 Mr. Stephen Kinyanjui
 Chief Executive Officer
 Secretary to the Board


 CPA John Makona
 Ag. Head of Finance
 ICPAK. No. 17796


 Hon. Peninah Malonza, OGW
 Cabinet Secretary for Tourism,
 Wildlife & Heriatge
 Chairperson of the Board

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

	Notes	Ordinary Share Capital	Revaluation Reserve	Fair Value Adjustment Reserve	Retained Earnings	Proposed Dividend	Capital/Development Grants /Fund	Total
As at 01.07.2021		-	-	-	(128,845,376)	-	1,188,580,030	1,059,734,654
Surplus/ Deficit for the Year		-	-	-	(228,300,602)	-	-	(228,300,602)
As at 30.06.2022		-	-	-	(357,145,978)	-	1,188,580,030	831,434,052
As at 01.07.2022		-	-	-	(357,145,978)	-	1,188,580,030	831,434,052
Surplus/ Deficit for the Year		-	-	-	882,326,633	-	-	882,326,633
As at 30.06.2023		-	-	-	528,025,286	-	1,188,580,030	1,713,760,685

The notes set out on pages 8 to 19 form an integral part of these Financial Statements

**Tourism Promotion Fund
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For the Year ended 30th June, 2023**


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


Details	Notes	2022/2023	2021/2022
		Ksh.	Ksh.
Cash Flows from Operating Activities			
Receipts			
Proceeds to be realized under section 3 of the Air Passengers Service Charge Act;	5	2,322,387,828	1,181,698,150
Interest From Call Deposit	6	5,602,089	
Total Receipts		2,327,989,917	1,181,698,150
Payments			
Use of goods and services	7	98,209,055	76,121,922
Remuneration of directors	8	4,080,289	6,531,165
Personal Emoluments	10	1,658,663	-
Maintenance of office Furniture & Equipment	11	2,058,094	783,822
Contracted services	12	2,204,491	-
Grant to Implementing Agencies	13	1,328,833,661	1,343,902,162
Total Payments		1,437,044,253	1,427,339,071
Net Cash flows from operating activities		890,945,664	(245,640,921)
Cash flows from Investing activities			
Increase/Decrease in Inventories		-	-
Increase/Decrease in Accounts Payable		(14,816,833)	112,453
Interest From Call Deposit	17	-	21,455,875
Purchase of Property, Plant and Equipment	16	(7,023,262)	(38,576,931)
Intangible Asset	16B	(5,587,282)	(21,455,875)
Call Deposit Account		478,897,142	-
Proceeds from sale of Non-Current Assets		451,469,765	(38,503,039)
Net Cash flows in Investing activities			
Cash Flows from Financing Activities			
Proceeds from Borrowing			-


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Details	Notes	2022/2023	2021/2022
		Ksh.	Ksh.
Repayment of borrowings			
Net Cash flows used in Financing Activities			
Net Increase/(Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalent at 1st July 2022		1,342,415,429	(284,143,960)
Cash and Cash Equivalent at 30th June 2023		326,220,115	610,364,075
		1,668,635,544	326,220,115

The notes set out on pages 8 to 19 form an integral part of these Financial Statements


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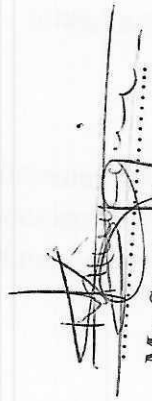

Hon. Peninah Malouza, OGW
Cabinet Secretary for Tourism, Wildlife & Heritage
Chairperson of the Board


Annual Reports and Financial Statements
For the Year ended 30th June, 2023


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

Item	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	% Utilization
	2022/2023	A	2022/2023	B	2022/2023	C=A+B	2022/2023	D		
Revenue	1,782,870,000	Kshs.	0	Kshs.	1,782,870,000	Kshs.	2,322,387,828	Kshs.	(539,517,828)	130%
Proceeds to be realized under section 3 of the Air Passengers Service Charge Act;	25,000,000		0		25,000,000		5,602,089		19,397,911	22%
Interest from Call Deposit	1,232,357,000		0		1,232,357,000		1,232,357,000		0	100%
Retention Funds b/f	3,040,227,000		0		3,040,227,000		3,560,346,917		(520,119,917)	
Total income							98,209,055		6,439,945	94%
Expenses	104,649,000		0		104,649,000		1,658,663		13,789,337	11%
Goods and services	15,448,000		0		15,448,000		7,023,262		26,738	100%
Compensation of employees	7,050,000		0		7,050,000				0	
Property, Plant and Equipment	0		0		0		5,587,282		569,711	88%
Intangible Asset	4,650,000		0		4,650,000		4,080,289		141,906	94%
Remuneration of Directors	2,200,000		0		2,200,000		2,058,094			
Maintenance of office Furniture and equipment	2,888,216,000		0		2,888,216,000		1,328,833,661		1,559,382,339	46%
Grant to Implementing Agencies	2,420,000		0		2,420,000		2,204,491		215,509	91%
Contracted Services	15,594,000		0		15,594,000		14,636,076		957,924	94%
Partitioning Works	3,040,227,000		0		3,040,227,000		1,464,290,873		1,575,759,386	48%
Total expenditure										

The notes set out on pages 8 to 19 form an integral part of these Financial Statements


.....
Mr. Stephen Kinyanjui
Chief Executive Officer
Secretary to the Board


.....
CPA John Makona
Ag. Head of Finance
ICPAK. No. 17796


.....
Hon. Peninah Malonza, OGW
Cabinet Secretary for Tourism, Wildlife & Heritage
Chairperson of the Board

Tourism Promotion Fund
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18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Tourism Promotion Fund was established through the National Assembly Delegated duty to the Cabinet Secretary responsible for Finance under Section 24(4) of the Public Finance Management Act, 2012, in June 2016 through introduction of an additional charge of US \$ 10 for foreign air travel and 100 Shillings for domestic air travel per passenger. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The purpose of the Fund is to provide funds to support development, promotion and branding of tourism sector in Kenya.

The object and purpose of the Fund is to provide funds to support development, promotion and branding of tourism sector.

Without prejudice to the generality of paragraph (1) above, the Fund shall provide for (**Core Mandate Expenditures**);

- (a) financing development, promotion and branding programmes and initiatives in relation to tourism products including tourism niche products and tourism events;
- (b) financing marketing, promotion and branding of Kenya in specific local, regional and international market segments;
- (c) financing tourism data capture, analysis and dissemination of the same and any other related research which may include deployment of technology-based applications;
- (d) financing development of tourism facilities and establishments in areas where the private sector is unable or unwilling to develop, but with a high potential for tourism promotion and branding;
- (e) Co-financing of tourism development and promotion projects with the county governments based on an agreed ratio of matching grants; Object and purpose. 176 Kenya Subsidiary Legislation, 2019
- (f) funding programmes and initiatives for tourism safety and security geared towards development, promotion and branding of tourism sector;
- (g) financing development of innovations and inventions which promote tourism development, promotion and branding;
- (h) funding of plugging projects which contribute to development, promotion and branding of tourism sector;
- (i) financing programmes and initiatives geared towards tourism intelligence and information gathering for purposes of developing, promoting and branding tourism in Kenya; and
- (j) standards development and capacity building in the tourism sector

2. Statement of Compliance and Basis of Preparation

The Financial Statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) as recommended by The National Treasury and in accordance with the requirements of the PFM Act 2012 as well as Tourism Promotion Fund Regulations.

**Tourism Promotion Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The annual report is prepared under **historical cost convention** except items of Property, Plant and Equipment which are measured at cost less accumulated depreciation and any accumulated impairment losses.

The financial statements have been prepared and presented in Kenya Shillings, rounded to the nearest thousands. Several accounting policies have been adopted in preparation of this Financial Statements and they have been consistently applied to all the years presented.

3. Adoption of New and Revised Standard

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2023.

4. Significant Accounting Policies

a) Revenue recognition

TPF recognizes revenues from interest on investment when the event occurs and the asset recognition criteria are met. It is recognized when it is probable that the future economic benefits associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

b) Budget information

The original budget for FY 2022/2023 was appropriated by the National Assembly. Subsequent revision were made to the approved budget in accordance with specific approvals from the appropriate authorities to make the final budget. The additional appropriations are added to the original budget by upon receiving the respective approvals in order to conclude the final budget. The TPF budget was **Kshs.3,040,227,000** in the FY 2022-2023 budget following the governing body's approval. TPF'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.

Tourism Promotion Fund
Annual Reports and Financial Statements
For the Year ended 30th June, 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment

Items of Property, Plant and Equipment have been measured at cost less accumulated depreciation and any accumulated impairment losses (**historical cost convention**). Depreciation is charged so as to allocate the cost of assets less their residual value using the straight-line method. The following annual rates are used for depreciation of property and equipment:

	Rate
Property	15%
Motor Vehicles	10%
Furniture & Fittings	40%
Computers	10%
Office Equipment's	10%
Partitioning & Cladding	

For this particular statement, the depreciation has been calculated at the above annual rates.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residue value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognized in the statement of comprehensive income.

d) Inventories

Inventory is measured at the lower of cost and net realizable value.

e) Foreign currency transactions

Transactions during the year that are in the Dollar account are converted into Kenya shillings at rates (Commercial Bank Rate-KCB) ruling at the transaction dates. Current assets (Cash and Cash Equivalent) and current liabilities at the statement of financial position date that are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the statement of financial position date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand as well as deposits in bank accounts (three) being operated by Tourism Promotion Fund. These are the actual Cash balances for the three accounts as at the end of the Financial Year.

Tourism Promotion Fund
Annual Reports and Financial Statements
For the Year ended 30th June, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Subsequent events

There have been no events/ activities subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th 2023.

5. Transfers from Other Government Entities- (From KAA to TPF)

Description		2022/2023		2021/2022	
		Ksh		Ksh	
Revenue Account					
02.08.2022		144,173,339		15.10.2021	20,771,219
02.02.2023		298,396,883		05.11.2021	115,168,246
09.06.2023		80,580,544		28.01.2022	98,577,744
15.06.2023		288,979,405		16.05.2022	116,551,313
Dollar Account					
	USD	Exchange Rate			
02.08.2022	2,655,566	119	316,012,398	15.10.2021	50,427,502
02.02.2023	3,234,993	125	414,387,635	05.11.2021	238,549,432
19.05.2023	2,699,011	138	369,764,573	28.01.2022	265,798,320
15.06.2023	2,981,482	140	417,407,507	16.05.2022	275,854,373
Total			2,322,387,828		1,181,698,150

6. Interest on Call Deposit

Date Received	2022-2023	2021-2022
	Kshs.	Kshs.
30.06.2022		
24.01.2023		21,455,875
Total	5,602,089	21,455,875

This is interest received from Kenya Commercial bank Call deposit Account. This is the interest accrued as at 24.01 2023 when the call deposit investment was recalled.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Hospitality Supplies and Service	2,196,112	1,997,460
Communication Supplies & Services	944,602	743,789
Printing, Advertising & Information Supplies & Services	1,210,099	545,000
Office & General Supplies & Services Accessories for Computers & Printers	13,215,787	4,637,948
Training Expenses/Seminars and Workshops	5,179,432	5,888,732
Hire of Training Workshop/Retreat Facilities	5,298,136	5,865,527
Bank Charges	178,321	119,761
Fuel Oil & Lubricants	2,025,000	1,299,000
Rent	5,507,308	5,400,976
Subscriptions	22,400	21,200
Travel, accommodation, subsistence and other allowances	38,430,391	32,622,944
Provision for Monitoring & Evaluation Expenses & Allowances	5,284,391	4,119,500
Specialized Equipment's	-	3,141,600
Policy Documents& S.P Development	6,026,920	2,369,530
Corporate Branding	2,261,100	-
Insurance, General & Motor)	737,856	750,315
Performance & Management Compliance	7,691,200	5,598,640
Audit Fee	2,000,000	1,000,000
Total	98,209,055	76,121,922

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Board Expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Board Expenses	4,080,289	6,531,165
Total	4,080,289	6,531,165

9. Depreciation & Amortization Expense

	2022/2023	2021/2022
	Kshs.	Kshs.
Depreciation Expense	7,501,574	4,115,556
Amortization Expense	1,117,456	-
Total	8,619,031	4,115,556

10. Personal Emoluments

	2022/2023	2021/2022
	Kshss.	Kshss.
Personal Emoluments	1,658,663	-
Total	1,658,663	-

This is acting allowance at 20% of the basic salaries

11. Repairs and Maintenance

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Repair and Maintenance of Laptops	70,000	84,500
Maintenance of Vehicle	1,400,175	699,322
Maintenance of Office Furniture & Equipment	587,919	-
Total	2,058,094	783,822

12. Contracted Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Contracted Guards & Cleaning Services	534,491	-
Website Maintenance Contract	1,670,000	-
Total	2,204,491	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Grants and Subsidies to Tourism Implementing Agencies
Funds were transferred to the following entities;

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Grants & Subsidies to Tourism Implementing Agencies		
Transfer to Tourism Fund	500,000,000	700,000,000
Transfer to Tourism Research Institute	43,831,296	-
Transfer to State Department for Wildlife	-	199,994,576
Transfer to Kenya Tourism Board	-	100,000,000
Transfer to Kenyatta University	-	9,265,500
Transfer to National Museums of Kenya	-	124,789,414
Transfer to WRTI	59,715,595	36,150,380
Transfer to Kenya Airports Authority	-	173,702,292
Transfer to Tourism Regulatory Authority	48,547,500	-
Transfer to Kenyatta International Convention Centre	26,667,762	-
Transfer to Kenyatta International Convention Centre	173,332,238	-
Transfer to Kenya Wildlife Service	41,744,053	-
Transfer to Bomas of Kenya	136,560,567	-
Transfer to Bomas of Kenya	48,434,650	-
Transfer to Kenya Utalii College	250,000,000	-
Total	1,328,833,661	1,343,902,162

14. Cash and Cash Equivalents

Details	2022/2023	2021/2022
	Kshs.	Kshs.
Cash at Bank		
Operations Account	16,576,090	5,210,043
Revenue Account	349,575,830	132,783,074
Dollar Account	1,302,483,624	188,226,998
Total	1,668,635,544	326,220,115

All the three accounts are held in **KCB BANK KIPANDE HOUSE.**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Inventories

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Total	-	-
	-	-

16. Property, Plant and Equipment

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers, TV	Office Equipment's	Office Partinining & Cladding	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.
At 30th June 2020	-	3,555,621	2,150,900	755,400	863,510		7,325,431
Additions	-	-	-	-	621,400		621,400
Disposals	-	-	-	-	-		-
Transfer/Adjustments	-	-	-	-	-		-
At 30th June 2021	-	3,555,621	2,150,900	755,400	1,484,910		7,946,831
Depreciation & Impairment	-						
Accumulated as at 1st July 2020	-	44,445	17,924	25,180	7,196		94,745
Change for the year	-	526,676	213,298	292,088	147,771		1,179,833
Accumulated as at 30th June 2021	-	571,121	231,222	317,268	154,967		1,274,578
NBV as at 30th June 2021	-	3,028,945	1,937,602	463,312	1,337,139		6,672,253
Cost At 30th June 2021	-	3,555,621	2,150,900	755,400	1,484,910		7,946,831
Additions	-	12,850,000	10,606,800	3,690,000	1,622,300	9,741,031	38,576,931
Disposals	-	-	-	-	-		-
Transfer/Adjustments	-	-	-	-	-		-
At 30th June 2022	-	16,405,621	12,757,700	4,445,400	3,107,210	9,741,031	46,523,762
Depreciation & Impairment	-						
Accumulated as at 30th June 2021	-	571,121	231,222	317,268	154,967		-
Charge for the year 2021/2022	-	1,978,968	745,430	671,160	229,606	487,052	4,115,556
Accumulated as at 30th June 2022	-	2,550,089	976,652	988,428	384,573	487,052	5,390,134
NBV as at 30th June 2022	-	13,855,532	11,781,048	3,456,972	2,722,637	9,253,979	41,133,628

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	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers, TV	Office Equipment's	Office Partinoning & Cladding	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.
Cost							46,523,762
Cost At 30th June 2022	-	16,405,621	22,565,531	4,445,400	3,107,210	-	7,023,262
Additions	-	-	123,212	1,648,500	5,251,550	-	-
Disposals	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-
At 30th June 2023	-	16,405,621	22,688,743	6,093,900	8,358,760	-	53,547,024
Depreciation & Impairment							5,390,134
Accumulated as at 30th June 2022	-	2,550,089	1,467,044	988,428	384,573	-	7,501,574
Charge for the year 2022/2023	-	2,460,843	2,264,088	2,160,612	615,311	-	12,891,708
Accumulated as at 30th June 2023	-	5,010,932	3,731,852	3,149,040	999,884	-	40,655,316
NBV as at 30th June 2023	-	11,394,689	18,956,891	2,944,860	7,358,876	-	40,655,316

This is the total Cost of Property, Plant and Equipment where the Cumulative Depreciation at the rates stated in the Notes stand at **Kshs.12, 891,708** leaving the **Net Book Value** at the end of the Year at **Kshs.40,655,316** respectively.

16. B Intangible Asset

Description	2022/2023	2021/2022
	Kshs	Kshs
Cost		
At 1st July 2022	-	-
Additions	5,587,282	-
At end of the year	5,587,282	-
Additions-internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	5,587,282	-
Amortization	1,117,456	-
At end of the year	4,469,826	-
Impairment loss	-	-
At end of the year	4,469,826	-
NBV		

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17. Call Deposit

Details	2022/2023		2020/2021
	Kshs.		Kshs.
Deposit 01.07.2022	478,897,142	Deposit-01/07/2020	457,441,267
Interest	5,602,089	Cumulative Interest 25.8.2020	-
Repayment of Principal	-	Repayment of Principal- 25.8.2020	-
Call Deposit to Revenue Account	(484,499,231)	Deposit-25.8.2020	-
Repayment of Principal	-	Repayment of Pricipal- 29.4.2021	-
Payment of Interest	-	Payment of Interest-29.4.2021	-
Cumulative Interest 30.06.2023	-	Interest Receivable 30.6.2022	21,455,875
Call Deposit Closing Balance	-	New Fixed Deposit-30.6.2022	478,897,142

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Trade and Other Payables

Details	2022/2023	2021/2022
	Kshs.	Kshs.
State Department for Broadcasting	-	180,757
Hawaka General Contractors Contractual	-	5,669,276
Hawaka General Contractors Contractual	-	8,966,800
Total	-	14,816,833

19. Cash Generated from Operations

Details	2022/2023	2021/2022
	Kshs.	Kshs.
Surplus for the Year	882,326,663	(228,300,602)
Adjusted for;		
Depreciation	8,619,031	4,115,556
Interest from Call Deposit	-	(21,455,875)
Net cashflow from operations	890,945,664	(245,640,921)
<i>(The total of this statement ties to the cash flow section on net cash flows from/ used in operations)</i>		

(The total of this statement ties to the cash flow section on net cash flows from/ used in operations)

20. Financial Risk Management

The organization's overall risk management policies are set out by the Oversight Board and implemented by Management, and focus on the unpredictability of changes in the operating environment and seek to minimize the potential adverse effect of such risks on the organisation's performance by setting acceptable levels of risk. The organization has in place set policies that it applies in hedging against financial risks to a certain limit dependent on the value of the fund. This includes ensuring that Regulations for disbursement of Funds to the tourism implementing agencies' are strictly adhered to.

These regulations include the requirement that a Tourism Implementing Agency must meet the funding Eligibility Criteria; which include verifying that annual work plan is aligned to the strategic plan of the corporation or agency and the medium term plan approved by the governing body of the state corporation or agency and in the case of an infrastructure development project, prepared project designs; plans and bills of quantities approved by the governing body; and the requisite regulatory approvals from relevant government institutions. In addition, ascertaining that the project to be financed is procured in accordance with the Public Procurement and Asset Disposal Act, 2015 No. 33 of 2015 as well as ensuring that the project to be financed is included in the approved estimates of revenue and expenditure for the tourism implementing agency.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For Liquidity Risk, which is the risk that Tourism Promotion Fund might not be able to meet its financial obligations as they fall due, the management performs cash flow forecast and monitors rolling forecasts to ensure the entity has sufficient cash to meet its operational needs. This includes revision of revenue and expenditure considering the indicators of revenue performance.

21. Related Party Disclosures

Government of Kenya

TPF is fully owned by the Government of Kenya. The Government of Kenya Provides Revenue (AIA) through KAA to TPF to finance its operations.

22. Capital Commitments

Capital Commitments	2022/2023	2021/2022
	Kshs "000"	Kshs "000"
Destination PR & Digital Communication- <i>Kenya Tourism Board</i>	100,000	-
Refurbishment of Guest house/ Bandas at the KWS parks- <i>Kenya Wildlife Service</i>	20,000	-
Construction of PWDs compliant toilets at the parks- <i>Kenya Wildlife Service</i>	15,000	-
Development and rehabilitation of Nairobi safari Walk- <i>Kenya Wildlife Service</i>	50,000	-
Construction of a perimeter Wall around Wajir Museum- <i>National Museums of Kenya</i>	50,000	-
Automation, Signage and construction of lavatories /PWDs compliant toilets at Fort Jesus Heritage site- <i>National Museums of Kenya</i>	50,000	-
Design, development and implementation of the National Tourism Service Digital Platform- <i>State Dept. for Tourism</i>	25,000	-
Provision of permanent water source in the TSAVO NP- <i>State Dept. of Wildlife</i>	100,000	-
Facilitation/acquisition of office equipment and Vehicles management and administration- <i>State Dept. for Tourism</i>	105,135	-
Total	515,135	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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. However according to Tourism Promotion Fund Regulations Sec. 8, *“The earnings of or accruals to the Fund shall be retained in the Fund, and shall be spent only for the objects and purposes for which the Fund is established”*.

24. Events after the Reporting Period

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

25. Ultimate and Holding Entity

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

26. Currency

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

**Tourism Promotion Fund
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**APPENDIX 1: PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITORS
RECOMMENDATIONS**

**Tourism Promotion Fund
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Ref. No. on the external audit report (OAG/TPF/2021/2022/(38))	Issue/Observations from Auditor	Management Comments	Status: (Resolved /Not Resolved)	Timeframe
Inaccuracy in Revenue from Non-Exchange Transactions	The statements of financial performance reflects under Revenue from Non-Exchange transactions proceeds to be realized under Section 3 of the Air Passengers Service Charge Act transfers of Kshs.1,181,698,150. However, the financial statements of Kenya Airports Authority for the same period reflects an amount of Kshs.1,166,654,000 as transfer to the Fund. The variance of Kshs.15,044,150 between the figures has not been reconciled or explained	As per the findings, it's true, the statement of financial performance under Note 5 reflects Proceeds to be realized under section 3 of the Air Passengers Service Charge Act of Kshs. 1,181,698,150. In response to this finding, Tourism Promotion Fund Management wishes to state that the variance was caused by the difference in exchange rate being used by the two entities to Convert the proceeds remitted in dollars (The dollar account conversion rate used by TPF was at the rate of Kshs.115.00). However, the management has engaged Kenya Airports Authority to ensure the reconciliation of the figures as advised to ensure uniformity in reporting.	Not Resolved	Resolve with OAG by 31st November 2023
Budgetary and Control Performance	The statement of comparison of budget and actual amounts reflects approved revenue and expenditure budget of Kshs.2,445,561,000. However, the Fund incurred total expenditure of Kshs.1,466,115,000 or 60 % of the budget resulting to an overall underutilization of Kshs.979,446,000 or 40%. The under expenditure affected the planned activities by the Fund's Management and affected service delivery to citizens.	As per the audit findings, it's true the statement of comparison of budget and actual amounts reflects approved revenue and expenditure budget of Kshs.2,445,561,000. However, the Fund incurred total expenditure of Kshs.1,466,115,000 or 60 % of the budget resulting to an overall underutilization of Kshs.979,446,000 or 40%. In response to this finding, Tourism Promotion Fund Management wishes to state that it's true the		

**Tourism Promotion Fund
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Ref. No. on the external audit report (OAG/TPF/2021/2022/(38))	Issue/Observations from Auditor	Management Comments	Status: (Resolved /Not Resolved)	Timeframe
Over Expenditure on Board Expenses	<p>The statement of financial performance reflects Board expenses amount of Kshs.6, 531,165.. However, the amount, which is equivalent to 8 % of operations and maintenance budget of Kshs.77, 369,000 exceeded the set limit of 5% as per the Executive Office of the President circular No OP/CAB./9/1A of 11 March 2020 which caps Board expenses to the lower of Ksh.30,000,000 or 5% of operations and maintenance budget of the site corporation.</p> <p>In the circumstances, Management was in breach of the guidelines.</p>	<p>As per the Findings, its true Note 8 of board expenses reflects an expenditure Kshs.6,531,165. However, this amount was above 5% of operations and maintenance budget contrary to the circular by 2%. In response to this finding, Tourism Promotion Fund Management wishes to state that apart from the statutory meeting Allowances, the expenditure included expenses on board allowances for the special meetings held both by the oversight board, and also the special meetings by the three sub-committees of the board (Project Management and Resource Mobilization, Finance and Administration Committee, and Audit and Risk Management Committee) Secondly, there were Workshops held by oversight board members to analyze and evaluate project proposals for funding considering, among the functions of the board</p>		

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

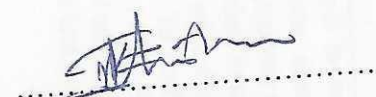
TPF doesn't Implement Projects, funds are disbursed to the Tourism Implementing Agencies who implements the projects.

APPENDIX III: INTER-ENTITY TRANSFERS

Entity Name:		Tourism Promotion Fund		
Break down of Transfers from the Kenya Airports Authority				
Revenue Receipts	Bank Statement Date	Amount		Indicate the FY to which the amounts Relate
		(Kshs.)		
Revenue Account				
1	Kenya Airport Authority	02.08.2022	144,173,339	2022/2023
2		02.02.2023	298,396,883	2022/2023
3		09.06.2023	80,580,544	2022/2023
4		15.06.2023	288,979,405	2022/2023
5	Kenya Airport Authority	02.08.2022	316,012,398	2022/2023
6		02.02.2023	414,387,635	2022/2023
7		19.05.2023	369,764,573	2022/2023
8		15.06.2023	417,407,507	2022/2023
Grand Total			2,322,387,828	

The above amounts have been communicated to and reconciled with the parent Ministry as well as KAA;


Mr. Stephen Kinyanjui
 Chief Executive Officer
 Secretary to the Board


CPA John Makona
 Ag. Head of Finance
 ICPAK. No. 17796