



TOURISM PROMOTION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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

Annual Financial Report and Financial Statements for the year ended June 30, 2020

BACKGROUND INFORMATION	iii
KEY ENTITY INFORMATION AND MANAGEMENT (Continued)	v
THE BOARD OF DIRECTORS.....	vii
CORPORATE GOVERNANCE STATEMENT.....	xx
PROJECT MANAGEMENT AND RESOURCE MOBILIZATION COMMITTEE.....	xx
MANAGEMENT DISCUSSION AND ANALYSIS	xxiii
REPORT OF THE DIRECTORS	xxvi
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxvii
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS FOR THE FY ENDED 30 TH JUNE 2020	3
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020.....	5
NOTES TO THE FINANCIAL STATEMENTS	7
Appendix 1: Progress on Follow up of Auditor Recommendations	17
Appendix II: Projects Implemented by The Entity	17
Appendix III: Inter Entity Transfers	17

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Annual Financial Report and Financial Statements For the year ended June 30, 2020

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background 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 the legal notice 24 of 2019. The purpose of the Fund is to provide finances for development, promotion and branding of tourism sector in Kenya.

(b) Principal Activities

This Principal activity of the Fund shall be to provide funds to support development, promotion and branding of tourism sector

Our Vision

To be the most efficient & effective entity in the provision of financial support for development, Promotion and branding of the tourism sector in Kenya.

Our Mission

Providing timely & sufficient funding to tourism implementing agencies necessary for the development, promotion, branding, diversification, and enhancement of tourism products, experiences and sustainability of tourism in Kenya.

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

Annual Financial Report and Financial Statements for the year ended June 30, 2020

- 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

(c) Key Management

The day to day management of the Fund is entrusted to the Chief Executive Officer who is also the Secretary to the Board. The CEO is assisted by a team of Six Secretariats seconded to the Fund from The Ministry of Tourism and Wildlife.

Tourism Promotion 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 and Wildlife	Chairman
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 Internal Security & Citizen Service	Member
7.	Principal Secretary – State Department for Transport	Member
8.	Private Sector	Member
9.	Private Sector	Member
10	Chief Executive Officer	Secretary

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	Mr. Stephen Kinyanjui
2.	Ag. Director Programmes Management.	Ms. Dorothy Mwera Katumika
3.	Ag. Funds Manager	CPA John Makona
4.	Ag. Projects Officer	Mwituria John Mwita

Annual Financial Report and Financial Statements for the year ended June 30, 2020

(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.

Board committees shall address relevant issues and make recommendations to the entire board for final approval. The committees shall be provided with sufficient authority, resources, and assigned responsibilities in assisting the entire board. The Board shall delegate some of its responsibilities to committees, which review the respective matters delegated to them and make recommendations to the Board.

All decisions, however, can only be made by the 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.

Among the Fiduciary Oversight Arrangements include;

i. Project Management and Resource Mobilization Committee

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

ii. Finance and Administration Committee.

The committee shall provide advice and assistance to the oversight Board of and the Secretariat regarding the Fund's fiduciary and general administrative duties.

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) Entity Headquarters

NSSF 'A' Building
P.O.BOX 30027- 00100
NAIROBI

(g) Entity Contacts

Telephone: 254-20-2724646
Email:ceotpf@tourism.go.ke

Annual Financial Report and Financial Statements for the year ended June 30, 2020

(h) Entity Bankers

Kenya Commercial Bank
Kipande house branch
Kipande Road

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

Annual Financial Report and Financial Statements for the year ended June 30, 2020

THE BOARD OF DIRECTORS



**Hon. Najib Balala
Chairman of the Board**

Hon: Najib Balala Studied at Harvard University, University of Toronto St. George Campus, Kakamega School, Alliant International University.



He has served as the Secretary of The Swahili Cultural Centre from 1993–1996. Chairman – Coast Tourist Association between 1996–1999. His tenure as the Mayor of Mombasa 1998–1999 witnessed a rapid transformation of Mombasa into an economic hub and drastic change in the affairs at Town Hall by team leading an anti-corruption crusade. Chairman, Chamber of Commerce and Industry (Mombasa Chapter) from 2000–2003, 27 Dec 2002 to 15 Dec 2007: Member of Parliament for Mvita Constituency, 7 Jan 2003 – 31 June 2004: Minister for Gender, Sports, Culture and Social Services Jan – June 2003: Acting Minister for Labour, 31 June – 21 Nov 2005: Minister for National Heritage, 27 Dec 2007 to 15 Jan 2013: Member of Parliament for Mvita Constituency, 11 Nov 2011 to March 2012: Chairman of the UNWTO Executive Council, 17 Apr 2008 to 26 March 2012: Minister for Tourism, 15 May 2013 to June 2015: Cabinet Secretary for Mining. Currently since June 2015: Cabinet Secretary for Tourism.

Hon Najib Balala, EGH is currently the Cabinet Secretary for Tourism and Wildlife

Annual Financial Report and Financial Statements for the year ended June 30, 2020

	<p>Hon. Safina Kwekwe Tsungu, CBS, was appointed the Principal Secretary for Tourism in the Ministry of Tourism and Wildlife on 14th January, 2020.</p> <p>Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector. Notably, she served as the Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender (March 2018- January 2020). She worked as the County Executive Committee Member for Trade and Co-operative Development in Kwale County, worked with Action Aid International –Kenya for more than 8 years as a women’s rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources for two and a half years. Hon. Tsungu pioneered the establishment of the EALA Women's Parliamentarian’s Forum which she chaired for 5 years. She is a holder of a Master’s degree in International Trade Policy and Trade Law from Lund University, Sweden, and a Bachelor of Commerce degree from The University of Nairobi. She is an Alumni of Alliance Girls High School.</p>
<p>Hon. Safina Kwekwe Member</p>	<p>Prof. Fred Harun Kiptoon Segor holds B.S.C., M.S.C., PhD (Chemistry). He is currently the Principal Secretary (PS) for the State Department of Wildlife. Prior to his current appointment, he served as PS for the State Department for Water Services, PS State Department for Livestock and also the PS in the Ministry of Health. He is the Chairman of Chepkoilel University College, the Departmental Building Committee and the DAAD Scholars Association University Chapter. He has also been a member of Examinations Irregularity Investigating committee, Implementation prioritization of schools/units committee, School of Science Bachelor of Sports Science Curriculum Committee and University of Eldoret building Committee,Conference,Seminars and Workshop Committee, Moi University academic Affairs Committee of the Senate, the vice chairman Kenya Chemical Society and Kenya DAAD Scholars Association Moi University Chapter; and Trustee, Moi University Academic Staff Union.</p> <p>He is an accomplished Scholarly writer having published 15 scientific publications and 11 papers mainly in the field of Chemistry.</p>
 <p>Prof. Fred K. Segor Member</p>	


Annual Financial Report and Financial Statements for the year ended June 30, 2020

 <p>Ms. Josephtha O. Mukobe Member</p>	<p>Ms. Josephtha O. Mukobe holds a MSc. from Manchester University (UK) and a BA (Hons) Humanities and Social Science from the University of Nairobi. She has a public service career spanning for over twenty-five years. She joined the Civil Service in 1986 as a Personnel Officer in the Ministry of Home Affairs and National Heritage and rose through the ranks to the position of Deputy Director Human Resource Management. In July 2013, she was appointed as the Principal Secretary / Coordination of National Government where she was in charge of the Kenya Prisons Service, Probation, and Betting Control & Licensing Board.</p> <p>She has also served as the PS for State Department of Special Programmes. She is currently the PS for the State Department of Heritage under the Ministry of Sports and Heritage.</p> <p>Ms. Mukobe who is a person living with disability has founded and is a member of several disability organizations which include UDPK, Women Challenged to Challenge, etc. She has also represented the Country Internationally on Disability issues.</p>
 <p>Ms. Juma Agatha Nyaguthi Member</p>	<p>Over the last 22 years, Agatha Juma has had a professional life that has been as varied as it has been rich and colorful. The last 10 of these years have been spent in advocacy for a conducive business environment for the Private sector. Her most recent formal engagement was with the Kenya Private Sector Alliance as Head of Public Private Dialogue (seconded as Technical assistance from International Finance Corporation (IFC)) and before that as CEO of Kenya Tourism Federation. She still consults for the IFC/WBG as a short term consultant on Public Private dialogue and is an adjunct facilitator with the Africa Leadership Group ‘Leadership Accelerator program’ in Nairobi.</p> <p>She is a co-founder and director at Engage Kenya Ltd which is a communications and content creation organisation. Through coaching and training speakers and professionals in different fields, she has worked with over 400 people who have proceeded share their experiences and communicate for greater impact.</p> <p>Agatha is an ICF (International Coaching Federation) accredited Executive Coach and holds a diploma in Innovative and Creative Leadership from the THINK school of Creative Leadership in Amsterdam. She holds a Bachelor of Commerce in Management (B. Com), a postgraduate diploma in Marketing from the Chartered Institute of Marketing (CIM) and certification on Private sector growth from Swedish Institute for Public</p>

Annual Financial Report and Financial Statements for the year ended June 30, 2020

	<p>Administration (SIPU). She is certified by Toastmasters International as a competent communicator.</p>
 <p>Mr. Ali Hussein Kassim Member</p>	<p>Ali is the CEO of Kipochi, a Pan-African Fintech company that enables the financial ecosystem to utilize digital technologies towards enhancing efficiency, bring innovative financial solutions to the unbanked across the continent and create awareness towards the transformative nature of Financial Technologies.</p> <p>Ali is a Co-Founder and Partner at Demo Ventures. DEMO Ventures is an early stage, smart capital fund, currently raising its inaugural fund, focused on digital innovation and digital transformation in selected sectors in Africa. We leverage our proprietary Pan African deal to catalyze investment into early stage, high growth potential start ups in Africa.</p> <p>He is also the Principal, AHK & Associates, a Digital Transformation Consultancy focused on enabling clients leverage Digital Technologies to achieve Transformational Change in their organizations. He is also an investor and mentor to start-ups the Demo Ventures Franchise. Angel investor and mentor to various start-ups in the region spanning Fintech, Agritech, Edutech and Healthtech.</p> <p>Ali was the founding CEO of Wunderman (Kenya), a Global Digital top ten Agency, CEO at 3mice interactive media, a pioneer digital agency in East Africa</p> <p>Board & Oversight Experience</p> <p>Global Board Advisor at the Mifos Initiative - The Mifos project was formally launched by Grameen Foundation in 2006 to provide a cost-effective software system to operate microfinance institutions and help them more efficiently and effectively deliver financial services to the poor. As the first open-source project for microfinance, Grameen Foundation pioneered a new model for the development, delivery, and support of technology in this industry.</p> <p>Longhorn Publishers, the leading publishing house in East & Central Africa where he is instrumental in defining the Digital Strategy for the company and Chairs its Audit and Risk Committee</p> <p>Law Africa, a leading Law Publisher in East Africa</p> <p>His board experience also includes a six-year term as board member at the Kenya Network Information Centre, the .ke Registry between 2006-12.</p>

Annual Financial Report and Financial Statements for the year ended June 30, 2020

	<p>FA. Stephen Ikikii, Ph. D</p> <p>Stephen holds a PhD in Economics, MSc in Financial Economics and BSc (Mathematics & Statistics). He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA).</p> <p>Stephen is an Economist with over 15 years’ experience at the National Treasury, and has represented Cabinet Secretary to the National Treasury in over 10 different boards of Statement Corporations.</p>
<p>Dr. Stephen Ikikii Member Representative; PS The National Treasury</p>	<p>Mr. Paul Famba, OGW, Director of Administration, Ministry of Interior and Co-ordination of National Government. I hold a Bachelor of Arts Degree from the University of Nairobi and a Masters of Arts Degree from Kenyatta University. I have Served in Government as an administrative officer for twenty years.</p>
	<p>Mr Stephen Mungai Kinyanjui, holds a Master of Economics (Policy and Management) degree from Kenyatta University and Bachelors of Arts (Economics and Mathematics) from the Egerton 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).</p> <p>Mr Kinyanjui, has a public service career of 12 years, having joined the service in 2009 as a Human Resource Management Officer, and later joining the Economist profession, under the State Department of National Planning and posted in the State Department of Tourism</p> <p>Currently he is the acting Chief Executive Officer, and the administrator of the Fund of the Tourism Promotion Fund.</p>
<p>Mr. Paul Famba Member Representative; PS State Department of Interior</p>	<p>Mr. Stephen Kinyanjui Ag. Secretary to the Board</p>

Annual Financial Report and Financial Statements for the year ended June 30, 2020

MANAGEMENT TEAM

<p>Mr. Stephen Kinyanjui Ag. Secretary to the Board</p>	<p>Mr Stephen Mungai Kinyanjui, holds a Master of Economics (Policy and Management) degree from Kenyatta University and Bachelors of Arts (Economics and Mathematics) from the Egerton 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).</p>
<p>Ms. Dorothy Mwera Katumika Ag. Director Programmes Management.</p>	<p>Ms. Dorothy Mwera Katumika holds a Master of Arts in Economics degree from the University of Nairobi and a Bachelor of Arts degree (Economics option) from the University of Nairobi. She holds professional qualifications in Project Planning and Management, Monitoring and Evaluation and Strategic Environmental Assessment (SEA).</p> <p>Ms. Mwera, has a public service career of over 10 years, having joined the Economics profession under the State Department of National Planning and posted to the Ministry of Environment and Forestry and State Department of Wildlife.</p>
<p>CPA John Makona Ag. Funds Manager</p>	<p>Mr. John Makona has worked as a Finance Officer in various Ministries for over 11 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 as well as Financial Change and Risk Management in Public Sector from Eastern and Southern African Management Institute (Arusha).</p> <p>Makona is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK)</p>
<p>Mwituria John Mwita Ag. Projects Officer</p>	<p>Mr. Mwituria John Mwita is a Tourism Officer. Has worked in the Ministry of Tourism as a Tourism Officer and also in the State Department for Wildlife as a wildlife Officer. Has a BSc in Hospitality and Tourism Management</p>

Annual Financial Report and Financial Statements for the year ended June 30, 2020

CHAIRMAN'S STATEMENT

The Tourism Promotion Fund is a semi-autonomous government agency in the Ministry of Tourism and Wildlife 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, through the Finance Bill in June 2016.

The Tourism Promotion Fund derives its mandate from the Legal Notice No 24, dated 12th April, 2019 on the Public Finance Management (Tourism Promotion Fund) Regulations, 2019, to provide funds to support development, promotion and branding of tourism sector. This is therefore the first financial report for the Tourism Promotion Fund for the year ended June 2020 as fully consolidated Board of Management for the fund.

The Fund accrues its finances through proceeds realized under section 3 of the Air Passengers Service Charge Act; moneys appropriated by the National Assembly for the purpose of the Fund; income from investments of any surplus funds in the Fund; interest accruing to the Fund; grants, donations or other bequests made to the Fund; moneys paid into the Fund from any other source as may from time to time be approved by the Cabinet Secretary; and any other moneys as may be provided for in an Act of Parliament.

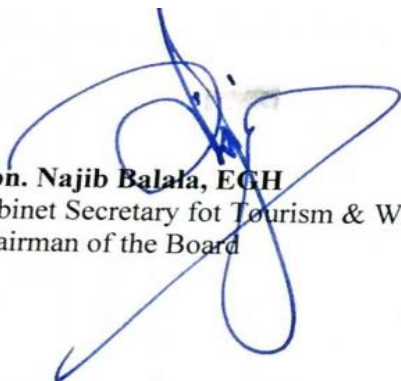
The key projected activities during the year were: to determine the Annual Revenue & Expenditure of the fund; to establish / review Financial Allocation of the Fund revenue; establish & monitor the amount of funds transferred to and from the fund; to determine source of Additional Funding for Fund objects; to review and manage the investment of surplus funds from the Fund; to determine/ & Manage retention funds; to establish and administer Risk Control and Management of the Fund. Further the fund aimed to: promote project/ programs for funding as per the regulations; undertake Project/ program Monitoring & Evaluation as per NIMES guidelines and ensure marketing and branding of funded projects. In addition, the fund aimed to facilitate the Functions of the TPF Oversight Board; to develop and manage Operations Controls and Systems and to facilitate the Management and with Operations facilities, equipment and services. Lastly, the fund aimed to improve mobilization, utilization and management of financial resources; strengthen IEC and ICT for better service delivery; enhance implementing agencies and other stakeholders' partnership, collaboration on effective funds management and to train, capacity build and enhance fund secretariat officers.

Further to these activities, TPF was able to record major achievements in various areas since its inception. Key achievements included: Appointment gazettement and operationalization of Board of Management; establishment of the Fund Secretariat; development of Fund management guidelines; capacity building of the Board members, and the Secretariat; disbursement of funds to support tourism development projects and programmes; creation of awareness of the Fund through sensitization of tourism implementing agencies officers and other stakeholders; establishment of various infrastructural and operational facilities to support the Fund Operations.

Annual Financial Report and Financial Statements for the year ended June 30, 2020

TPF experienced various challenges that constrained full achievement of planned activities. These include: Inadequate budgetary allocation and non-remittance due to the effects of the Tourism and aviation sector by Covid-19 pandemic; inadequate physical infrastructure and equipment; lack of well-defined organizational structure; inadequate skills in proposal development, and project management and poor perception of the Fund's activities.

The future outlook is towards resource mobilization from financial institutions and donors and financing through the government exchequer to complement the revenue from the air passengers levy. Also capacity building for both the fund secretariat Staff and the Officer's in the Tourism implementing agencies so as to ensure effective and efficient management of the Funds; development and enactment of the Fund Career guidelines and Human Resource policy; relooking at the legal instruments and fund regulations to make them more user friendly; and establishment of the Fund Website, online application, tracking and analysis portal, and lastly tracking the implementation progress of TPF funded projects and programs, with quarterly reports.



Hon. Najib Balala, EGH
Cabinet Secretary for Tourism & Wildlife
Chairman of the Board

Annual Financial Report and Financial Statements for the year ended June 30, 2020

REPORT OF THE CHIEF EXECUTIVE OFFICER

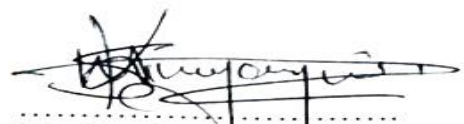
I am delighted to report that this year which was the first Financial year of operation for Tourism Promotion Fund, we made significant gains towards achieving the organisational strategic objectives. This was made possible because of the dedicated board of trustees as well as the fund secretariat who have continued putting in tremendous effort for the sake of the Funds objectives.

The Tourism Promotion Fund derives its mandate from the Legal Notice No 24, dated 12th April, 2019 on the Public Finance Management (Tourism Promotion Fund) Regulations, 2019, to provide funds to support development, promotion and branding of tourism sector. During the year, The Funds budget was set at **Kshs.2.064 b**. This was however revised down to **Kshs. 1.506 b** due to the Global pandemic of the Covid19 being experienced worldwide which has had a negative impact on the Global Tourism and the Economy in general with unprecedented negative impact to the Sector. The impact being that the Fund could only operate on the actual funds transferred prior to the outbreak of the Pandemic.

During the Financial Year, the total expenditure amounted to **Kshs. 317.68 M**. This expenditure was approximately **21%** of the total approved budget, the reason for the low expenditure was the fact that the TPF received the expenditure approval from The National Treasury in the Month of April 2019 which was barely 3 months to the end of the Financial Year hence no much activities could be undertaken. The expenditure comprised of **Kshs.17.68 M** for operational expenses which include Use of goods and Services, Administration and other operating expenses, Remuneration of directors as well as acquisition of Property, Plant and Equipment. **Kshs. 300 M** was a core mandate expenditure (**Note 1**) (Grant to KWS); the amount was disbursed to Kenya Wildlife Service for “Revamping of the Nairobi National Park” which was the only project funded among several that had been earmarked for funding/implementation in this Financial Year. Other projects which had been approved by The National Treasury in the FY 2019/2020 including Establishment of KICC Prefab Convention Centre, Establishment of Lake Naivasha Waterfront and Kenya Tourism Covid-19 Recovery Strategy Tourism War Room Consultancy were pushed forward for implementation in the next FY 2020/2021.

The total Assets as at 30th June 2020, amounted to **Kshs. 1.195 b** comprising of Property, Plant and Equipment (PPE)of **Kshs.7.23 m** and Cash and Cash Equivalent of **Kshs.1.188 b**. There were no Liabilities as at the end of the Financial year.

Finally, I would to acknowledge Government for continued support, the Board for Strategic Vision and guidance, Kenya Airports Authority and other stakeholders for their support in development, promotion and branding of tourism sector.



Mr. Stephen Kinyanjui
Ag. Chief Executive Officer
Ssecretary to the Board

REVIEW OF TOURISM PROMOTION FUND PERFORMANCE FOR FY 2019/2020

Tourism Promotion Fund has 4 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019 2022/2023. These strategic pillars are as follows:

- Pillar 1: Resource Mobilization and Management.
- Pillar 2: Project Funding and Management
- Pillar 3: Fund Corporate Governance and Administration
- Pillar 4: Fund Institutional Strengthening t & 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 2019/2020 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	1.1 To the determine the Annual Revenue & Expenditure of the fund	Annual Revenue and Expenditure report	I. Correspondences through the office of the CEO with KAA on Remittance & Reports on transfer of Funds	The fund was able to determine its annual revenue and expenditure and was approved by the board The board was able to approve the financial allocation of the fund revenue
	1.2 establish / review Financial Allocation of the Fund revenue	Financial allocation of the fund revenue	ii. Collate /gather information on the Monthly revenue accrued to the fund	
	1.3 Establish & Monitor the amount of funds transferred to and from	Remittance and disbursement of funds report	iii. Review the accrued Estimates for past period revenue	
	1.4 To determine source of Additional Funding for Fund objects.	Additional funds	iv. Preparation of MTEF Budget as per Treasury guidelines	

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	1.5 To review and manage the investment of surplus funds from the Fund	Investment of surplus funds	v. Preparation of Supplementary Estimates as per Treasury Circular	The TPF was able to receive remittance of funds from KAA and the board approved the disbursement of funds to the approved projects. A supplementary estimates report was done as per treasury circular A risk control and management framework draft done.
	1.6 To determine/ & Manage retention funds		vi. Establish /develop disbursement model/framework/criteria	
	1.7 To establish and administer Risk Control and Management of the Fund		vii. Discussion/determination on additional source of Funds	
			viii) Design and investment model for the surplus funds	
Pillar 2: Project Funding and Management	2.1 To promote project/ programs for funding as per the regulations	Budget circular	Issue a budget circular to MDAs	1. Disbursement of funds to support tourism development projects and programmes 2. Creation of awareness of the Fund through sensitization of tourism implementing agencies officers and other stakeholders;
	2.2 To undertake Project/ program Monitoring & Evaluation as per NIMES guidelines	Sensitization report to MDAs	Carry out sensitization seminars	
		Project Analysis Criteria & Guidelines	Establish the project Analysis criteria & Guidelines	
			Approve the fund application form and criteria	
		Application form	Undertake Analysis of Applied Projects & Agencies Annual Plans	
		Approved Criteria	Recommend for approval the report on project applications analysis	
		Projects Analysis Report Board resolution and minutes		

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements	
		Approved projects and contracts	Establish the funding Program for Successful entities Communication of funding initiation & request for project contracts details and analysis. Discuss/Analyse/ approve Projects Contracts for Funding		
Pillar 3: Fund Corporate Governance and Administration	3.1 To facilitate the Functions of the TPF Oversight Board	Board resolutions and minutes	Establish/develop HR Policies & Career guidelines	Secretariat staff on board with well-defined job descriptions.	
	3.2 To develop and manage operations Controls and Systems.	HR Policies and manual Accounting and financial management system	Present the Policies to the Board and to SRC/PSC		The fund is in the process of acquiring its own office space. Proposed staff establishment done together with job descriptions.
	3.3 To facilitate the Management and with Operations facilities, equipment and Services	Succession management and career progression strategy Audit and risk management system Non-financial report	Develop and implement a succession management and career progression strategy	Procure and operationalize a fund accounting and financial resource management system	
			Operationalize an audit and risk management system	Prepare non-financial report of the fund activities	Non-financial report was prepared.

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements											
Pillar 4: Fund Institutional Strengthening & Capacity Building	4.1 To improve mobilization, utilization and management of financial resources.	Financial accounting and human resource systems	Prudent utilization of resources	The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.											
	4.2 To strengthen IEC and ICT for better service delivery.	Risk and compliance framework	Automation of the funds business processes		The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.										
		ICT strategy Communication strategy Sensitization and awareness report Staff training report	Establish and implement governance risk and compliance framework			The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.									
		Collaboration and partnership framework	Management of the human resource for effective service delivery				The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.								
			Show case the funds activities to other stakeholders					The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.							
			Develop guidelines for business process						The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.						
			Reengineering							The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.					
			Develop guidelines for systems development								The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.				
			Take stock and identify systems that can be shared by different entities in the fund									The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.			
			Train technical staff and all users										The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.		
			Improve media management and engagement											The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.	
			Develop and operationalize the fund website												The process of establishment of the Fund Website, online application, tracking and analysis portal has commenced.
			Develop and implement fund communication strategy												

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Annual Financial Report and Financial Statements for the year ended June 30, 2020

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 meetings in the 2019/20 FY.

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.

Project Management and Resource Mobilization 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. Advise 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
7. Development & Establishment of ICT/digital, online application and funding portal for the fund activities

Annual Financial Report and Financial Statements for the year ended June 30, 2020

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 and Administration Committee.

The committee shall provide advice and assistance to the oversight Board of 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 and 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.

Succession plan

Tourism Promotion Fund (TPF) is in the process of developing its career progression guidelines that will have a clearly stipulated framework on succession management.

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Board Charter

The Charter is in the process of being developed.

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 established a board to be known as Oversight Board for the Fund which shall consist 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 is in the process of being developed.

Board and Member Performance

The current board has been in office for a period of less than 10 months. Once they have completed the first year in office is when they will be evaluated on performance.

Conflict of Interest

A Conflict of interest form is filled by each board member on appointment.

Board Remuneration

TPF is still in the process of developing its career guidelines that will clearly stipulate board remuneration. In the meantime, board members are paid a sitting allowance for board meetings.

Annual Financial Report and Financial Statements for the year ended June 30, 2020

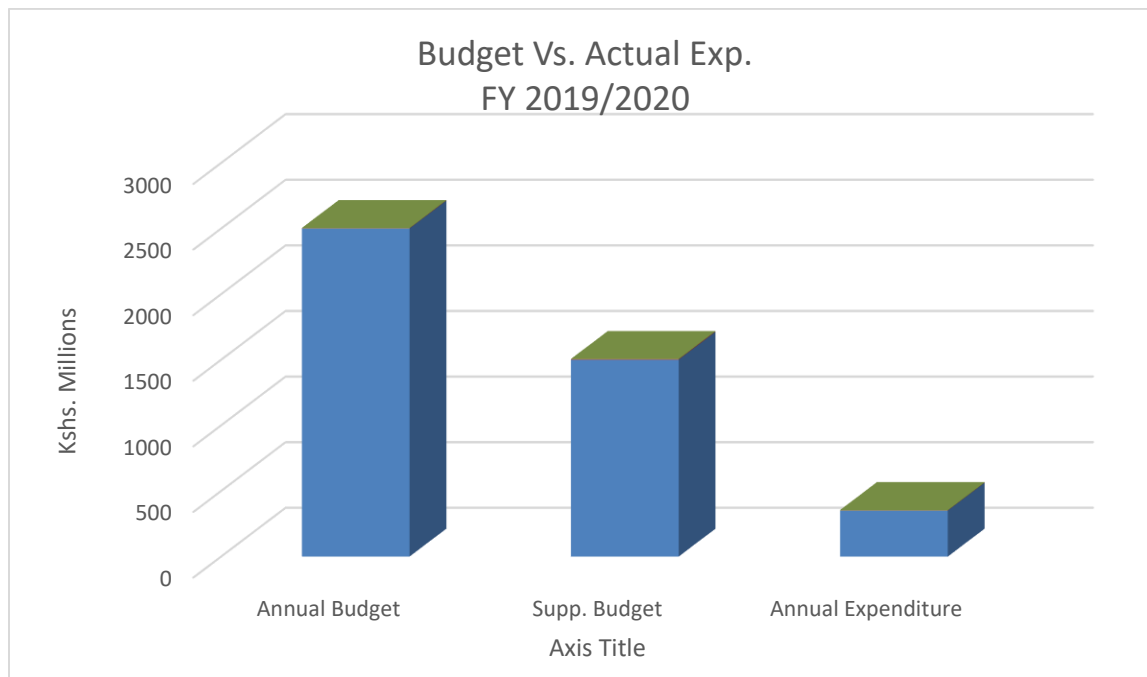
Ethics and Conduct as well as Governance Audit

The TPF Board is still in the process of operation and in its first 10 months of being operationalized.

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. The focus of the year was to fund core mandate objectives including projects in tourism Implementing agencies. However, during the year in focus, only one project was funded, where the implementation is still ongoing in this Financial Year. The total expenditure amounted to **Kshs. 317.68 M**. This expenditure was approximately **21%** of the total approved budget as illustrated in the graph below;

Budget Vs Actual Expenditure



As indicated in the graph, the annual budget had initially been set at **Kshs 2.064B** this was revised down to **Kshs.1.506 B** while the Annual expenditure stood at **Kshs. 317M** which was 21% of the approved budget.

Key projects or investments funding decision for 2019/2020 FY

i. KICC Prefab

The Ministry of Tourism and Wildlife commits to construct a 15,000 sqm expo Centre at KICC with a capacity of hosting 5,000 delegates in a bid to increase Kenya’s capacity for MICE events and improve her competitiveness as a MICE destination

Annual Financial Report and Financial Statements for the year ended June 30, 2020

ii. Revamping of Nairobi National Park

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.

iii. Tourism War Room (tourism post Covid-19 recovery Strategy Development)

The covid-19 pandemic has presented the single most devastating challenge on the modern tourism and travel industry. In Kenya tourism which is a key sector of Kenya's economy has had to contend with a total collapse of its operations. It is therefore of essence that the sector develops a comprehensive strategy to enable it to cope with and recover from the ramifications of the pandemic while building resilience for survival and sustainability in the face of continuing pandemic and similar shocks in future. The proposed consultancy will therefore involve the design and management of the proposed strategic planning engagement process between the Ministry of Tourism and Wildlife and participants from a cross section of sector relevant agencies, associations and businesses (the **Engagement Process**) for a Tourism War Room Strategy.

The table below highlights Operational and Financial Performance achievements for the Financial Year 2019/2020.

NO.	PERFORMANCE CRITERIA	TARGET (FY 19/20)	ACHIEVEMENT (FY 19/20)	% ACHIEVEMENT
FINANCIAL STEWARDSHIP & DISCIPLINE				
1.	Absorption of Allocated Funds	100	21	21
2.	Appropriation in Aid (A0I0A)	Kshs 2.064B	Kshs.1.506 B	72.96
3.	Pending Bills	≤1	0	100
CORE MANDATE				
4.	Implementation of Programmes to support development, promotion and branding of tourism sector	14	1	7.1
5.	Guidelines and Policies developed	100	50	50
6.	Awareness of the Fund operation improved	100	75	75

Annual Financial Report and Financial Statements for the year ended June 30, 2020

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.

Major Risks Facing the Organization

Risk Factor	Level	Mitigation
Inadequate funds	High	Lobby for more funds from National Treasury and develop proposal for funding from donors
Political interference	High	Appropriate legislation and guidelines that separates the Fund from politic Political interference should be minimized to ensure professionalism
Possibility of slow buy-in by stakeholders	Medium	Involve them meaningfully through constant sensitization
Fraud and pilferage	Medium	Strengthen management and administration policies, procedures and practices
Lack of Political Goodwill	Low	Lobby political players for support
Expected litigation	Low	Strengthen the institutional capacity to deal with legal matters.
Competition for funding from various tourism implementing agencies	Low	Collaboration and partnerships with other departments

Material Arrears in Statutory/Financial Obligations

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

Annual Financial Report and Financial Statements for the year ended June 30, 2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 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, 2020 are set out as outlined in the Chief Executive Report on Page (12) of this document.

Directors

The members of the Board of Directors who served during the year are shown on page (2-8). During the year no director retired/ resigned.

Auditors

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

Annual Financial Report and Financial Statements for the year ended June 30, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act 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 TPF at the end of the financial year and the operating results of the TPF for that year. The Directors are also required to ensure that the TPF keeps proper accounting records which disclose with reasonable accuracy its financial position.

This responsibility includes: Oversight on adequate financial management 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

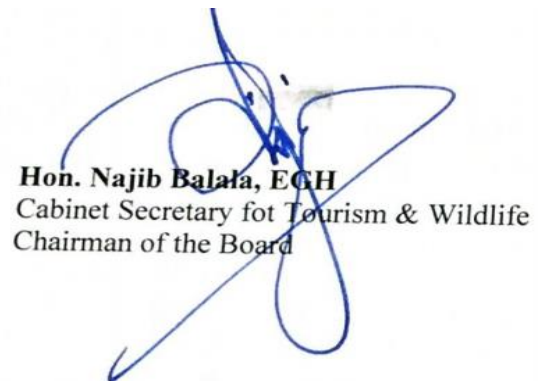
The Directors accept responsibility for the TPF's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the TPF's financial statements give a true and fair view of its state transactions during the financial year ended June 30, 2020, 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 TPF 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 30th September, 2020 and signed on its behalf by:


.....
Mr. Stephen Kinyanjui
Ag. Chief Executive Officer
Ssecretary to the Board


Hon. Najib Balala, ECH
Cabinet Secretary for Tourism & Wildlife
Chairman of the Board

Annual Financial Report and Financial Statements for the year ended June 30, 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Proceeds to be realized under section 3 of the Air Passengers Service Charge Act;	2	1,506,255,997	0
Government Grants		0	0
Internally Generated Revenue		0	0
Transfers from other governments – gifts and services in kind		0	0
Total revenue		1,506,255,997	0
Expenses			
Use of goods and services	5	5,179,136	0
Employee costs		0	0
Administration and other operating expenses	6	4,176,900	0
Remuneration of directors	7	964,500	0
Maintenance of office Furniture & Equipment		30,000	0
Contracted services		0	0
Grants and subsidies		0	0
Depreciation and amortization expense	8	94,745	0
Finance costs		0	0
Grant to Implementing Agencies (Core Mandate Expenses)	1	300,000,000	0
Total expenses		310,445,281	0
Other gains/(losses)		0	0
Surplus/(deficit) for the period/year		1,195,810,716	0
Net Balance for the year		1,195,810,716	0

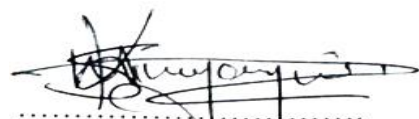
The notes set out on pages 7 to 16 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019/2020	2018/2019
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and Cash Equivalent	9	1,188,580,030	0
Inventories		0	0
Non-Current Assets			
Property, Plant and Equipment	8	7,230,686	0
Total Assets		1,195,810,716	0
Liabilities			
Current Liabilities			
Unremitted Tax		0	0
Total Liabilities		0	0
Net Assets		1,195,810,716	0
Represented by:			
Capital Fund		1,195,810,716	0

The notes set out on pages 7 to 16 form an integral part of these Financial Statements

The Financial Statements were approved by the board on 30th September, 2020 and signed on behalf of the Board of Directors by:



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

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	AIA Revenue	Revaluation Reserve	Specific grants	Capital/Development Grants /Fund	Total
As at July 1st 2019	0	0	0	0	0
Receipts during the Yr.	1,506,255,997	0	0	0	1,506,255,997
General Expenses for the year	310,445,281	0	0	0	310,445,281
As at June 30th 2020	1,195,810,716	0	0	0	1,195,810,716

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Details	Notes	2019/2020	2018/2019
		Kshs.	Kshs.
Cash Flows from Operating Activities			
Receipts			
Proceeds to be realized under section 3 of the Air Passengers Service Charge Act;		1,506,255,997	0
Payments			
Use of goods and services		5,179,136	0
Administration and other operating expenses		4,176,900	0
Remuneration of directors		964,500	0
Other Payments		30,000	0
Grant to Implementing Agencies		300,000,000	0
Total Payments		310,350,536	0
Net Cash flows from operating activities	10	1,195,905,461	0
Net Cash flows from Investing activities			
Purchase of Property, Plant and Equipment	8	(7,325,431)	0
Proceeds from sale of Non- Current Assets		0	0

Annual Financial Report and Financial Statements for the year ended June 30, 2020

Details	Notes	2019/2020	2018/2019
		Kshs.	Kshs.
Net Cash flows in Investing activities		(7,325,431)	0
Cash Flows from Financing Activities			
Proceeds from Borrowing		0	0
Repayment of borrowings		0	0
Net Cash flows used in Financing Activities		0	0
Net Cash and Cash Equivalents		1,188,580,030	
Net Increase in Cash and Cash Equivalents			
Cash and Cash Equivalent at 1st July 2019		0	0
Cash and Cash Equivalent at 30th June 2020		1,188,580,030	0

The notes set out on pages 7 to 16 form an integral part of these Financial Statements

Annual Financial Report and Financial Statements for the year ended June 30, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Property taxes	0	0	0	0	0
Public contributions and donations	0	0	0	0	0
Fines, penalties and levies	0	0	0	0	0
Proceeds to be realized under section 3 of the Air Passengers Service Charge Act;	2,064,806,650	(558,550,653)	1,506,255,997	317,675,967	1,188,580,030
Total income	2,064,806,650	(558,550,653)	1,506,255,997	317,675,967	1,188,580,030
Expenses					
Compensation of employees	0	0	0	0	0
Goods and services	8,740,000	(1,900,000)	6,840,000	3,668,449	0
Property, Plant and Equipment	14,000,000	500,000	14,500,000	7,325,431	7,174,569
Finance cost	0	0	0	0	0
Rent paid	0	2,000,000	2,000,000	1,510,687	489,313
Administration and other operating expenses	7,800,000	(3,107,000)	4,693,000	4,176,000	517,000

Annual Financial Report and Financial Statements for the year ended June 30, 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
Other payments	11,050,000	(993,000)	10,057,000	995,400	9,061,600
Core Mandate Expenses (Grant to Implementing Agencies)	2,023,000,000	(558,000,000)	1,465,000,000	300,000,000	1,165,000,000
Total expenditure	2,064,590,000	(561,500,000)	1,503,090,000	317,675,967	1,182,242,482
Surplus for the period	0		3,500,000	0	0

Notes

- i. The difference between actual and budgeted amounts is **Kshs.1,182,242,482** which is **78.7%** of the budgeted amount. The low expenditure is attributed to the time the budget was approved which was in the last quarter of the Financial Year hence no much could be implemented considering the time constraints.
- ii. The changes between the original and Final Budget stands at **Kshs. (561,500,000)** thus from **Kshs. 2,064,590,000 to Ksh. 1,506,255,000**. The negative difference is attributed to the Impact of Covid-19 coupled with the closure of the borders and ban of International and Domestic Passenger Flights in Kenya which has resulted to approximately 100% decline in the air passenger Levy that the Fund Revenue results from.

The notes set out on pages 7 to 16 form an integral part of these Financial Statements

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

1. Core Mandate Expenditure

This are expenses related to the object and purpose of the Fund which 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 on the basis of 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

For this particular **FY 2019/2020** Kenya Wildlife Service applied for and received funds (**Kshs.300 M**) from TPF to revamp and rehabilitate Nairobi National park. The specific activities to be undertake by KWS with TPF funding in the NNP master planned 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 (Twigwa) 016 Kms. (**Topographical Survey**) Detailed topographical survey for existing facilities for upgrading. The output will be the improved visitor experience, numbers and NNP revenue.

2. 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

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

During the year, The Funds budget was set at **Kshs.2.064 b**. This was however revised down to **Kshs. 1.506 b** due to the Global pandemic of the Covid-19 being experienced worldwide which has had a negative impact on the Global Tourism and the Economy in general with unprecedented negative impact to the Sector. The impact being that the Fund could only operate on the actual funds transferred prior to the outbreak of the Pandemic. The breakdown of how funds were received is as highlighted below;

Break down of Transfers from the Kenya Airports Authority

Direct Payments			Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
1	Kenya Authority	Airports	14 th Jan 2020	66,100,202.89	2019/2020
2	Kenya Authority	Airports	9 th Mar 2020	1,344,203,744.00	2019/2020
3	Kenya Authority	Airports	10 th Mar 2020	95,951,647.25	2019/2020
Total				1,506,255,594.14	

3. 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. 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.

4. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

The relevant new standard (IPSAS 40) on public Sector Combinations doesn't have an impact on TPF statements.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Annual Reports and Financial Statements for the year ended June 30, 2020

The several new and amended standards and interpretations in issue but not yet effective in the Financial Year (FY) ended 30th June 2020 have not been considered in preparation of the TPF financial statements for the FY ended 30th June 2020.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

Summary of Significant Accounting Policies

i. Accrual Concept

The annual report is prepared under **Accrual Concept** where accounts receivables and payables are included in the report as well as recording all revenues when they are earned and all expenses when they are incurred.

The original budget for FY 2019/2020 was approved by the National Assembly in April 2020. Subsequent revision were made to the approved budget in accordance with specific approvals from the appropriate authorities to make the final budget. Accordingly, the financial statements are prepared on accrual basis whereas the budget is prepared on cash basis. The amounts in the financial statements have been recast from accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget and therefore a comparison of budget and actual amounts prepared on a comparable basis to the approved budget has been presented in the statement of comparison of budget and actual amounts. A statement to reconcile the amounts on a comparable basis included in the statement of comparison of budget & actual amounts and the actuals as per the financial performance can be presented for the statements.

ii. Going Concern

The board of Trustees believe that TPF will continue in operational existence for at least twelve months from the date of these financial statements. Its therefore important for the Financial Statements to be prepared on a going concern basis which assumes that TPF will continue to meet its obligations as they fall due including implementation of the Core Mandate Projects for the foreseeable future.

iii. 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:

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

For this particular statement, the depreciation has been calculated at the a above rates subject to the time of accusation which was one month to the end of the Financial Year hence depreciation was only subjected on a one month of the year.

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.

iv. Cash and Cash Equivalent

Cash and cash equivalents include cash in hand as well as deposits in bank accounts (three) being operated by TPF. This are actually bank balance for the three accounts as at the end of the Financial Year.

v. Foreign Currency Transactions

Transactions during the year that are in the Dollar account are converted into Kenya shillings at rates 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.

vi. 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 2020., Typically, TPF stated its operations in the Financial Year 2019/2020.

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Use of Goods and Services

Description	2019/2020	2018/2019	2019/2020	2019/2020
	Expenditure	Kshs.	Original Budget	Supp. Budget
Office Partitioning	0	0	0	0
Hospitality Supplies and Service	120,000	0	500,000	600,000
Communication Supplies & Services	114,000	0	150,000	150,000
Printing, Advertising & Information Supplies & Services	304,570	0	1,500,000	1,500,000
Office & General Supplies & Services Accessories for Computers & Printers	2,329,605	0	2,500,000	2,500,000
Training Expenses/Seminars and Workshops	558,500	0	3,090,000	1,090,000
Bank Charges	15,774	0	500,000	500,000
Fuel Oil & Lubricants	226,000	0	500,000	500,000
Rent	1,510,687	0	0	2,000,000
Total	5,179,136	0	8,740,000	8,840,000
Total Without Rent		0	8,740,000	6,840,000

- This is the total use of goods where the total **expenditure** stands at **Kshs.5,179,136.00** while the Original Budget and Supplementary allocation on the same items stands at **Kshs.8,740,000.00** and **Kshs.6,840,000.00** respectively.

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Administration and other operating expenses

Description	2019/2020	2018/2019	2019/2020	2019/2020
	Kshs.	Kshs.	Original Budget	Supp. Budget
General Administration costs for Setting up TPF and preparation of various necessary documents	2,093,000	0	5,000,000	2,093,000
	2,083,900	0	2,800,000	2,600,000
Total	4,176,900	0	7,800,000	4,693,000

- This is the total Administration and other operating expenses where the total **expenditure** stands at **Kshs.4,176,900.00** while the Original Budget and Supplementary allocation on the same items stands at **Kshs.7,800,000.00** and **Kshs.4,693,000.00** respectively.

7. Remuneration to Directors

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Board Expense	964,500	0
Total	964,500	0

- This is the total Allowances as paid to the Board Members for their meeting Sitting Allowances.

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Property, Plant and Equipment

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computer's	Office Equipment's	Total
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 30th June 2019	0	0	0	0	0	0
Additions	0	3,555,621	2,150,900	755,400	863,510	7,325,431
Disposals	0	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0	0
At 30th June 2020	0	3,555,621	2,150,900	755,400	863,510	7,325,431
Depreciation & Impairment						
Accumulated as at 1st July 2019	0	0	0	0	0	0
Change for the year (1 Month Rate)	0	44,445	17,924	25,180	7,196	94,745
Accumulated as at 30th June 2020	0	0	0	0	0	0
NBV as at 30th June 2020	0	3,511,176	2,132,976	730,220	856,314	7,230,686

- This is the total Cost of Property, Plant and Equipment where the total **expenditure** stands at **Kshs.7,325,431.00** while the Depreciation at the rates stated in the Notes at One Month stands at **Kshs.94,745.00** leaving the **Net Book Value** at the end of the Year at **Kshs.7,230,686.00** respectively.

Annual Reports and Financial Statements for the year ended June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Cash and Cash Equivalents

Details	2019/2020	2018/2019
	Kshs.	Kshs.
Cash at Bank		
Operations Account	24,191,651	0
Revenue Account	554,500,203	0
Dollar Account	609,888,291	0
Cash in Hand	0	0
Total	1,188,580,145	0
Dollar= 5,925,036.42		

- The total Cash at bank for the three accounts stands at **Kshs.1,188,580,145** as at **30th June 2020**.The dollar account conversion was at the rate of **Kshs.102.9341**.
- All the three accounts are held in **KCB BANK KIPANDE HOUSE**.

10. Cash Generated from Operations

	2019/2020	2018/2019
	Kshs.	Kshs.
Surplus for the year	1,195,810,716	0
Adjusted For:		
Depreciation	94,745	0
	1,195,905,461	0
Working Capital Adjustments		
Increase in inventory	0	0
Increase in Payables	0	0
Net Cashflow from Operating activities	1,195,905,461	0

- The total of this statement is similar to the Cash Flow Section on Net Cashflows from/ used in operations.

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Financial Risk Management

The organization's overall risk management policies are set out by the Board of Trustees 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 include ensuring that Regulations to be observed for disbursement of Funds to the Projects implementing agencies' are strictly adhered to ;Among this regulations include the requirement that a Tourism Agency must meet the funding Eligibility Criteria; which include verifying that annual work programme is aligned to the strategic plan of the corporation or agency and the medium0term 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; Secondly ;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;

For Liquidity Risk, which is the risk that TPF 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.

12. Related Party Balances

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.

Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Capital Commitments

Capital commitments	2019/2020	2018/2019
	Kshs	Kshs
KICC - Prefab	500,000,000	0
Lake Naivasha Waterfront	300,000,000	0
Nairobi National Park Programme	300,000,000	0
War Room and Recovery Strategy	35,000,000	0
Global PR	200,000,000	0
Total	1,335,000,000	

- These were commitments to be financed by the Fund out in the 2019/2020 financial year. This Capital commitments were authorised by the board on conditions that the TPF Regulations were adhered to for the fund’s disbursement.

14. Events after the Reporting Period

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

15. 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.

16. Currency

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

Annual Reports and Financial Statements for the year ended June 30, 2020

Appendix 1: Progress on Follow up of Auditor Recommendations

This is the first TPF Financial Year in operation hence there are no prior issues raised by the external auditor

Appendix II: Projects Implemented by The Entity

TPF doesn't have Projects being Funded by development partners

Appendix III: Inter Entity Transfers

Entity Name:		Tourism Promotion Fund			
Break down of Transfers from the Kenya Airports Authority					
Direct Payments			Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
1	Kenya Authority	Airports	14 th Jan 2020	66,100,202.89	2019/2020
2	Kenya Authority	Airports	9 th Mar 2020	1,344,203,744.00	2019/2020
3	Kenya Authority	Airports	10 th Mar 2020	95,951,647.25	2019/2020
Total				1,506,255,594.14	

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



.....
Mr. Stephen Kinyanjui
 Ag. Chief Executive Officer
 Ssecretary to the Board