

2021

ANNUAL REPORT
AND FINANCIAL
STATEMENTS



FOR THE FINANCIAL YEAR
ENDED JUNE 30, 2021







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I. KTB'S INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

KTB is a state corporation established and regulated under the Tourism Act No.28 of 2011, sections 29-39. Prior to enactment of the Tourism Act, KTB (then known as Kenya Tourist Board) operated under Legal Notice No.14 of 1997.

(b) PRINCIPAL ACTIVITIES

The Kenya Tourism Board mandate under the Tourism Act No. 28 of 2011 is to: -

- a) Develop, implement and co-ordinate a national tourism marketing strategy;
- b) Market Kenya at local, national, regional and international levels as a premier tourist destination;
- c) Identify tourism market needs and trends and advise tourism stakeholders accordingly; and
- d) Perform any other functions that are ancillary to the object and purpose for which the Tourism Board is established.

Mission

‘To inspire the world to visit Kenya through effective positioning of the destination’s experiences while enriching the lives of Kenyans and visitors alike’

Vision

The preferred destination offering Innovative, diverse and authentic experiences to the discerning visitor.

Core Values

To fulfil its mandate and accomplish its vision and mission, the Board will be guided by its core values of:

Excellence – surpassing standards of expectation, striving to be the best in serving internal and external stakeholders, totally committed, operating at peak potential.

Productive partnerships – collaborating and engaging with stakeholders to achieve Kenya tourism vision.

Innovation – a culture of innovation in all areas of work.

Creativity - creativity built into every initiative that drives the customer value proposition

OUR CUSTOMERS

OUR SERVICES

We strive to provide our customers with:

- Destination Marketing Services
- Tourism Marketing Information Services
- Tourism Statistics, Research and Information Services
- Media liaison and Tourism Sector Crisis Management Services
- Web Advertising Services
- Collateral Materials/Promotional Materials Services
- Exhibitions, Road shows and Stand Design Services
- Destination Training Services for Source Market Travel Trade
- Product Value Added Advisory Services
- Tour Operator Partnership Support
- General Industry Marketing Services

OUR STRATEGIC PARTNERS

Our key strategic partners include the following:

- Kenya Airways(KQ)
- Kenya Wildlife Services(KWS)
- Kenya Railways (SGR)
- Kenya Tourism Fund (KTF)
- Kenya Association of Tour Operators (KATO)
- Kenya Association of Hotelkeepers& Caterers (KAHC)
- Eco Tourism Kenya(EK)

OUR CUSTOMERS

Local

- Employees
- Government
- The Tourism Private Sector
- Suppliers
- The General Public
- Local & International media correspondents in Kenya
- Domestic Tourists

International

- Kenya Missions Abroad
- Market Development Representatives (MDRs)
- The Travel Trade in various source markets
- The International Media
- International Suppliers
- Foreign Tourists

(c) KEY MANAGEMENT

The KTB's day-to-day management is under the following key organs

- Board of Directors
- Chief Executive Officer
- Executive management

(d) FIDUCIARY MANAGEMENT

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

No.	Designation	Name
1.	CEO	Dr. Betty Addero Radier
2.	Ag. Director of Market Development &	Mr Fred Okeyo Okeng'o
2.	Director Finance & Administration	Mrs. Mary Maina
3.	Company Secretary	Mr. Allan Njoroge
4.	Head of Procurement	Mr. Gerald Omondi
5.	Human Resources Manager	Ms. Ibtisam Awadh

(e) FIDUCIARY OVERSIGHT ARRANGEMENTS

KTB's key fiduciary oversight arrangements are as below:

i) Board Audit Committee Activities

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

ii) Board Finance & Establishment Committee Activities

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

iii) Ad hoc BOD committee Activities

The BOD appoints ad hoc committees to carry out specific exercises. The ad hoc committees report to the Full Board.

(f) BOARD HEADQUARTERS

Kenya Re Towers, 7th Floor,
Ragati Road, Upper Hill,
P.O Box 30630 – 00100
Nairobi, Kenya.





SERVICE DELIVERY CENTRES

KTb'S CONTACTS

Telephone: (254) 202711262

E-mail: info@ktb.go.ke

Social Media

Website: www.ktb.go.ke, www.magicalkenya.com

Twitter: @MagicalKenya

Face book: MagicalKenya

Instagram: MagicalKenya

SERVICE DELIVERY CENTRES

NAIROBI

Jomo Kenyatta International Airport

Tel: 822111 – Ext. 5299/341728

MOMBASA

Mombasa International Airport

020 2047370

MARKET DEVELOPMENT REPRESENTATIVES

USA:

Luke Jones | Director

Advocate Travel Marketing

1230 Rosecrans Ave. Suite 140

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Phone: +1 (310) 977 4751

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Website: www.advocatetravel.com

INDIA:

Ms. Neeti Bhatia

Director

Intrepid Marketing & Communications

c/o Redbrick Offices Limited

Tex Center, E-Wing, Chandivali Farm Road

Andheri East, 400072

Email: neeti@intrepid-marketing.com

Mobile: +91 9711901753

Website: www.intrepid-marketing.com

SERVICE DELIVERY CENTRES

MARKET DEVELOPMENT REPRESENTATIVES

CHINA- THE DIGITAL AGENCY

Mr. Saxon Booth

Chief Commercial Officer

Beijing Shi Dai Yi Feng Information Technology Co. Ltd d/b/a Dragon Trail Interactive

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EUROPE :

Mr. Paul Charles

CEO & Founder

The PC Agency

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Telephone:+442077680001

Email: pc@pc.agency



SERVICE DELIVERY CENTRES

KTB'S BANKERS

Kenya Commercial Bank Ltd.
Moi Avenue Branch
P.O Box 484 – 00100
Nairobi, Kenya

INDEPENDENT AUDITORS

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

PRINCIPAL LEGAL ADVISERS

TripleOKLaw Advocates
5th Floor, Block C, ACK Garden House
1st Ngong Avenue, Off Bishops Road
P.O. BOX 43170
NAIROBI, 00100



II. THE BOARD OF DIRECTORS

Board Composition

In accordance with the Tourism Act, KTB Board of Directors consists of ten (10) members made up of a non-executive and independent Chairman, one Chief Executive Officer, Principal Secretary-National Treasury, Principal Secretary-Ministry of Tourism & Wildlife-State Department of Tourism, CEO of the Tourism Fund plus five independent and non-executive directors.

The members of the board are as below:	
Mr. Jimi Kariuki- reappointed 3rd May 2019	Board Chairman
Dr. Betty Addero Radier (PhD) - appointed 1st December 2016	Chief Executive Officer
Mr. Adam Jillo- reappointed 7th February 2019	Director
Mr. Ken Waibochi - reappointed 7th February 2019	Director
Dr. Mohanjeet Brar- reappointed 7th February 2019	Director
Mrs. Susan Maina- appointed 3rd May 2019	Director
PS, Ministry of Tourism& Wildlife- State Department of Tourism	Director
PS, National Treasury	Director
CEO, Tourism Fund	Director
Mr Antony Muigai Muriu	Alternate to PS, National Treasury
Mr. Charles Okeyo	Alternate to CEO, Tourism Fund
Ms. Alison Ngibuini	Alternate to PS, Ministry of Tourism & Wildlife-State Department of Tourism
Mr Allan Njoroge	Company Secretary





Mr. Jimi Kariuki
Chairman

Mr. Jimi Kariuki, Chairman of the KTB Board of Directors, born in 1967, holds a Master of Business Administration (MBA) degree from the Graduate School of Business, University of Cape Town, South Africa, and a Bachelor of Science (Bsc) degree in Marketing from Huron University USA, London Campus.

He is the Managing Director of Sarova Hotels, Resorts & Game Lodges, Kenya's leading independent hospitality group and has vast experience in the tourism sector spanning over two decades.

He is also a member of Sarova Hotel's Executive Management Committee and its Board of Directors. He has served on the Kenya Tourism Federation (KTF) Executive Committee (2003-2004), the Board of the Kenya Tourism Board representing KTF (2003-2004) and on the Board of the Kenyatta International Convention Centre (KICC) (2004-2006).



Dr Betty Addero Radier
Chief Executive Officer

Dr Betty Addero Radier, Chief Executive Officer of Kenya Tourism Board, born in 1968, is a seasoned Leader in both Public and Private sector in the fields of Entrepreneurship, Strategy Development, Marketing and Operations. She has over 20 years' experience growing and developing strategies for corporate clients in the, ICT technology, telecom and communication sector. Prior to her appointment as the CEO for The Kenya Tourism Board in 2016 she served as the Chair of the Tourism Research Institute in 2015 and held the position of Managing Director for over 10 years in the fields of Communication and Technology in Kenya, Uganda, Tanzania and Nigeria.

Betty holds a PhD. Degree in Entrepreneurship and small business development from the University of Cape Town South Africa and an MBA degree in strategy and finance from the University of Nairobi. She is an adjunct lecturer at Strathmore Business School in Kenya, specializing in Strategy, Marketing, Entrepreneurship and the Owner Management Program with a focus on 'Selling Beyond Borders'.

Betty has a passion for mentoring young ladies and engaging in motivational and business speaking engagements for Women in Entrepreneurship, Women in Boards and C-Suite members in corporate organizations on aspects of 'Breaking the Glass Ceiling', 'Learning, unlearning and relearning theory' and lately in international, regional and local fora focusing on Tourism



Mr Adam Jillo
Vice-Chairman

Mr Adam Jillo, Vice-Chairman of the KTB Board of Directors, born in 1958, holds a BSc in Tourism and Hospitality Management and Diploma in Strategic Management & Leadership. He is Chairman of KETICO LTD (Kenya Trade & Tourism Investment Company) and a partner at NATURE EXPEDITIONS (dmc) LTD - one of the leading indigenous tour operators in Kenya.

He is the past Chairman of KATO (Kenya Association of Tour Operators), past Vice-Chairman of the Kenya Tourism Federation, past Board Director at KEPISA representing the tourism industry, Past Chairman of Ecotourism Kenya and Past Board member at Tourism Trust Fund. He was also a member of the Tourism Recovery Taskforce.



Dr. Mohanjeet Brar

Dr. Mohanjeet Brar, born in 1971, holds a Doctor of Philosophy (PhD) in Plant Science.

He is the Managing Director of Gamewatchers Safaris & Porini Camps, a leading safari company and one of the pioneers of establishing and operating community conservancies in Kenya.

He is currently on the Board of the Maasai Mara Conservancies Association and the Wildlife Habitat Trust. And recently was the Chairman of Ecotourism Kenya as well as being Board member of the Kenya Tourism Federation, the East African Wildlife Society, the Kijabe Forest Trust and Atta (Advancing Tourism to Africa).



Dr. Mohanjeet Brar

Mr. Waibochi, born in 1966, holds a Bachelor of Science Degree in Mechanical Engineering from Bath University UK. He has been the Managing Director of Aberdare Safari Hotels, a hotel group that manages two properties in the Aberdare region for over 13 years. He has over 21 years of experience in the Hospitality Industry.

Prior to joining Aberdare Safari Hotels in an executive position, he was employed for 15 years in the Corporate sector multinational companies including Procter & Gamble (East Africa and Nigeria) for 11 years and Coca Cola Africa.



Susan Maina

Born in 1969, Susan holds a Master of Science (Health Economics and Policy) and a Master of Arts (Medical Sociology) from the University of Nairobi as well as a Bachelor of Arts Degree, Economics and Business Studies, Kenyatta University. She is a highly experienced Program Manager with significant expertise in the development, training and implementation of comprehensive Health Care Programs. She has over 15 years' experience in management of health programs and is equally experienced in developing, cascading, monitoring and evaluating institutions' strategic plans.

Susan has worked as a Consultant for Kenyatta National Hospital in developing the hospital's master plan and has also worked as the Head of College at the Nairobi Women's Hospital (NWH) Medical Training College. Susan is a Board Member of the JM Kariuki Hospital, Nyandarua County and Chair of the Health Quality Committee.



Hon. Safina Kwekwe
Tsungu, CBS

Honourable Safina Kwekwe Tsungu, CBS, born in 1973 is the Principal Secretary of the State Department of Tourism, Ministry of Tourism & Wildlife. Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector.

She served as the Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender, and previously as the County Executive Committee Member for Trade and Co-operative Development in Kwale County. She worked with Action Aid International –Kenya as a women's rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources. Hon. Tsungu pioneered the establishment of the EALA Women's Parliamentarian's Forum which she chaired for 5 years.

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.



National Treasury

Dr. Julius Muia, CBS, the Principal Secretary at The National Treasury. Previously worked the Principal Secretary at the State Department for Planning - The National Treasury and Planning. He also worked as the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030.

Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President.

Dr Julius holds a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the same university. He is a Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), a member of Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators and a Certified Coach.



Mr. Mwangi

Mr. Mwangi born in 1982, holds a Master of Business and Administration (MBA) and Bachelor of Business Management

He is the Ag. Chief Executive Officer of the Tourism Fund and sits on the KTB Board as an ex-officio member by virtue of S.32 (1)(d) of the Tourism Act.



Mr Antony Muigai Muriu

Mr Antony Muigai Muriu, born in 1966, is the Alternate to the Principal Secretary, National Treasury.

Mr. Muriu is a Chief Economist and Head of the Central Planning and Project Monitoring Unit of the National Treasury. He is a Career Civil Servant with over 20 years of experience having risen through the ranks to the current position.

He holds a Bachelor of Arts in Economics from the University of Nairobi and Masters Degree in International Development Studies from the Graduate Institute of Policy Studies in Tokyo, Japan. He has also attended numerous short training courses both locally and abroad. Over the years, Mr. Muriu has worked in many Ministries and served in numerous Committees and Taskforces of the Government of Kenya.



Mr. Njoroge, the
Company Secretary
Head of Legal &
Corporate Affairs

Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Affairs, born in 1976, holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.

He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.

BOARD COMMITTEES

During the period under review, the following Committees were in place.

Board Marketing Committee

The Board Marketing Committee is chaired by a non-executive director (Susan Maina) and meets on quarterly basis. Other Members are Adam Jillo, Principal Secretary - Ministry of Tourism & Wildlife (State Department of Tourism) and the KTB Chief Executive Officer. The committee's responsibilities are to provide marketing strategies to the board and approve marketing plans, activities and budgets. The committee also constitutes the technical team on behalf of the Board in the event of extraordinary circumstances such as crisis.

Board Finance and Establishment Committee

The Board Finance and Establishment committee is chaired by non-executive director (Mr Adam Jillo) and meets on a quarterly basis. The other members are the Chief Executive Officer - Tourism Fund and the KTB Chief Executive Officer. The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, establishment and staff affairs.

Board Audit & Risk Committee

The Board Audit Committee is chaired by a non-executive director (Dr Mohanjeet Brar) and meets on quarterly basis. Other members who are non-executive directors Susan Maina, Mr Ken Waibochi, Principal Secretary - National Treasury and an independent Internal Audit Manager (Mr. Onesmus Karanja). The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.

Ad Hoc Committees

The Board of Directors may appoint ad hoc committees to carry out specific assignments as and when needed. The ad hoc committees report to the Full Board. In 2020/21, there were no ad hoc committees.



III. MANAGEMENT TEAM

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



Dr. Betty Addero Radier
Chief Executive Officer

Dr Betty Addero Radier, Chief Executive Officer of Kenya Tourism Board, born in 1968, is a seasoned Leader in both Public and Private sector in the fields of Entrepreneurship, Strategy Development, Marketing and Operations. She has over 20 years' experience growing and developing strategies for corporate clients in the, ICT technology, telecom and communication sector. Prior to her appointment as the CEO for The Kenya Tourism Board in 2016 she served as the Chair of the Tourism Research Institute in 2015 and held the position of Managing Director for over 10 years in the fields of Communication and Technology in Kenya, Uganda, Tanzania and Nigeria.

Betty holds a PhD. Degree in Entrepreneurship and small business development from the University of Cape Town South Africa and an MBA degree in strategy and finance from the University of Nairobi. She is an adjunct lecturer at Strathmore Business School in Kenya, specializing in Strategy, Marketing, Entrepreneurship and the Owner Management Program with a focus on 'Selling Beyond Borders'.

Betty has a passion for mentoring young ladies and engaging in motivational and business speaking engagements for Women in Entrepreneurship, Women in Boards and C-Suite members in corporate organizations on aspects of 'Breaking the Glass Ceiling', 'Learning, unlearning and relearning theory' and lately in international, regional and local fora focusing on Tourism



Mr Fred Okeyo Okeng'o
Ag. Director of Market
Development & Market
Support

Fredrick Okeyo Okeng'o, born in 1962, holds a Masters of Business Administration degree (Marketing) from the University of Nairobi, Bachelor of Science in Hospitality Management from Florida International University, USA and a Diploma in Hotel Management. He is a member of the Marketing Society of Kenya.

He has over 20 years in Destination and Tourism marketing. He has been responsible for various markets at different times of his assignments. Prior to the current role, he was a lecturer at Kenya Utalii College and has participated in many for a on Kenya's tourism development and marketing.

He is responsible for providing the strategic marketing direction and leadership in the management of KTB's marketing function and positioning Kenya as the preferred tourism destination. He oversees the implementation of approved marketing strategy and workplans.



Mr. Njoroge, the
Company Secretary
Head of Legal &
Corporate Affairs

Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Affairs, born in 1976, holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.

He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.

He is also responsible for legal matters pertaining to KTB, provide legal services to KTB to ensure that it is legally protected and that it adheres to all legal requirements.

He held similar positions in Bata Shoe Co. Ltd and Bidco Oil Refineries Ltd.



Mary G. Maina (Mrs)
Director Finance & Admin

Mary Maina, born in 1975, holds an Executive MBA from Kenyatta University, Bachelor of Commerce (Accounting major) 1st class degree from the Catholic University of Eastern Africa. She is a certified public Accountant (CPA), a certified Information Systems auditor (CISA) and a certified Internal Auditor (CIA).

Mary has 22 years of experience, 6 in external audit and 10 in internal audit and 6 years in financial and accounting experience.

She is responsible for effectively and efficiently managing all financial and human resources of KTB in order to achieve its goals and objectives.



Ibtisam Awadh (Ms)
Human Resources
Manager

Ibtisam Mbarak Awadh, born in 1982 holds a Master of Science in Human Resources Management and Bachelors of Business Administration- Accounts from Jomo Kenyatta of Agriculture and Technology University (JKUAT), Cambridge Higher Diploma in Human Resources Management acquired from the Institute of Human Resources Management. Advance Diploma and Diploma in Business Management from ABE (UK). She is a certified Human Resource Practitioner (CHRP), and active full member of the Institute of Human Resources Management (IHRM).

Ibtisam has over 10 years' experience in Human Resources and administration. She is responsible for effectively and efficiently managing all administration and human resources of KTB in order to achieve its goals and objectives.



Mr Onesmus Karanja
Internal Audit Manager

Onesmus Karanja, born in 1980, holds a Masters of Commerce postgraduate degree (Forensic Accounting) from Strathmore University, Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is a certified public Accountant (CPA), a Certified Information Systems Auditor (CISA) and a Certified Fraud Examiner (CFE).

Onesmus has over 15 years of experience in the areas of Audit Assurance, Risk Management and Investigations.

He is responsible for the quality and performance of internal auditing within KTB. He provides independent and objective assurance and consulting activity of KTB's operations to the Audit Committee and the CEO on the overall adequacy and effectiveness of KTB's arrangements for governance, risk management, and internal controls and their impact on the operations of the organization.



IV. CHAIRMAN'S STATEMENT



Mr. Jimi Kariuki
Chairman

On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for the Kenya Tourism Board for the year ended 30th June 2021.

On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for the Kenya Tourism Board for the year ended 30th June 2021.

Overview

During the year under review, total arrivals including cross-border arrivals closed at 483,257, a decrease of 68.1% compared to the previous year's figure of 1,513,241. Decline was also recorded in the number of domestic bed-nights which dropped by 33.9% as well as tourism revenue earnings which closed at Ksh. 78.34 Billion, a decrease of 38.8% compared to the previous year.

The tourism sector continued to bear the brunt of the COVID-19 pandemic that begun in the preceding financial year and was responsible for the severe social and economic disruption that ensued. As a result of the pandemic, more and more people continued to experience economic hardship arising from job losses across all industries, but particularly so in the tourism and travel industries.

On the bright side, during the financial year in the month of December 2020, the U.S. Food and Drug Administration issued the first emergency use authorization (EUA) for a vaccine for the prevention of coronavirus disease 2019 (COVID-19) in individuals 16 years of age and older. Since then, multiple COVID-19 vaccines have been authorized or licensed for use worldwide including Pfizer-Moderna, Oxford-Astrazeneca, Johnson & Johnson, Sputnik amongst others.

Operating Environment

Unlike the financial year 2019/20 that featured two contrasting halves of pre and post COVID environments, the financial year 2020/21 was fully ensnared in the global pandemic with little or no respite.

Despite the vaccine roll-out, the emergence of subsequent waves of infections as well as the rapid spread of the Delta variant have continued to place major hurdles to the recovery of the world's economies and particularly the tourism and travel sectors globally. As a result, travel, sporting activities, religious gatherings as well as political and cultural events continue to operate under strict restrictions. During the financial year, major sporting events held in the country that could have provided a major boost to the sector were held under strict COVID-19 protocols. These included the Magical Kenya Open, the Kenya Savannah Golf Classic, both European Tour golf events as well as the WRC Rally Championship that made its return to the destination after a break of 19 years.

Despite this, KTB leveraged on these major events to provide visibility for the destination locally and internationally as well as position Kenya as a safe destination to visit. In the tourism sector specifically, major tourism expos such as ITB, WTM and many others continued to run as virtual events during the financial year, with no firm confirmations on their return to physical events.

Significantly for KTB, during the financial year, many countries including Kenya, continued to have in place entry protocols aimed at preventing further spread of the virus including but not limited to entry bans, lockdown as well as strict



testing protocols for travellers into and out of the various destinations. During the financial year, Kenya was hit by the third wave of the pandemic in the month of April 2021 which resulted to lockdowns in parts of the country including key cities such as Nairobi and Mombasa. All these had the effect of grossly hampering the ability of visitors, both local and international, to travel into and within the destination despite KTB's valiant efforts at aggressively promoting the country's tourism attractions.

As a result, the full or partial closure of hotels, lodges, restaurants and other tourism establishments that was experienced in the previous financial year continued well into the new financial year with the attendant loss of employment for many of the sector's workers.

Strategy

As expected, the effects of the pandemic were glaringly reflected in the performance of the tourism sector. On average, arrivals and revenues fell by 80% compared to the pre-pandemic financial year. Despite the world being in the midst of the pandemic, KTB took this opportunity to build the brand awareness for the destination across all its key source markets, having benefitted from the Economic Stimulus Programme (ESP) rolled out by the Government with the aim of providing support to the industry. It is the Board's expectation that these brand building efforts will bear fruit once markets re-open and travellers begin to freely travel long haul.

During the financial year, the Board took a strategic decision to focus its marketing efforts on the domestic market in view of the travel restrictions placed on international travellers as well as the prevailing fear and uncertainty relating to long haul travel. As a result, the "Kenya Inanitosha" domestic campaign was the mainstay of KTB's marketing efforts. It was gratifying to see an increase in the uptake of tourism by the domestic market which helped to support the many tourism establishments that remained open during this period.

In view of the restrictions around international travel, a strategic shift was made from conversion campaigns to awareness programmes in the international source markets. Indeed most tourism destinations globally adopted a similar approach during the financial year.

In addition, the Board took this opportunity to strengthen its engagement with tourism sector stakeholders and partners through the extensive use of webinars to share information on the impact of the COVID 19 pandemic as well as laying down strategies to deal with the impact of the pandemic on the travel sector.

Corporate Governance

During the financial year, the Board continued to give focus to the entrenchment of a strong and effective corporate governance framework as the foundation for its activities, processes and programmes.

Despite the full brunt of the COVID-19 pandemic, the Board and its various committees has continued to meet through virtual means to discharge its important role of providing policy, oversight and strategy to the corporation. The Statement of Corporate Governance included in this report sets out in greater detail the various measures that the Board put in place to ensure a robust corporate governance environment.

Risk Management

With the emergence of the COVID-19 pandemic, there came the realization of the fragility of the tourism sector when beset by unforeseen and unprecedented risks. In view of this, the Board redoubled its focus on ensuring that risk management was mainstreamed into all of the organizations processes,

programmes and activities. Through the reconstituted Board Audit and Risk Committee, the Board received regular assurance from management on the implementation of the risk management framework approved by the Board with new emphasis on risks emanating from the COVID-19 pandemic. This was with the recognition that the Board carried the responsibility to ensure that KTB has adequate systems and processes of accountability, risk management and internal controls.

Future Outlook 2021/22

The new financial year 2021/22 begins with the world still yet to emerge from the throes of the COVID-19 pandemic. Despite vaccine roll-out having gathered pace across most countries in the world, it is clear that a lot remains to be done. In Kenya's key source markets such as USA, UK, China, and Germany among others, the vaccine has been rolled out to significant portions of their adult populations. Despite this, these major economic powers are yet to declare victory against the vaccine, fuelled by vaccine reluctance amongst segments of their populations as well as the effects of the Delta variant.

Locally, Kenya just like its third world counterparts continues to suffer from low vaccination rates as well as the spread of the Delta variant. For this reason, the Board will continue to exercise cautious optimism going into the FY2021/22 as any progress this year will heavily depend on Kenya being able to assure international visitors that it is safe to visit the destination as well as foreign countries being confident enough to lift travel restrictions for their citizens to travel abroad.

Going forward, the Board intends to roll out programmes aimed at capitalising on the destination awareness created in the last financial year. Programmes aimed at attracting tourists from markets that are open for travel, including new markets for Kenya, will be given priority. In addition, the Board will exercise flexibility in its programmes to reach out to traditional key source markets as they re-open during the course of the financial year.

The Board will also work closely with Government and trade partners to ensure that the destination continues to be positioned as a COVID-ready tourism destination under the "SAFE TRAVELS" initiative.

Acknowledgement

On behalf of my Board as well as the staff and management of KTB, I wish to thank the Government of Kenya, our parent Ministry of Tourism & Wildlife, the various county governments, our sister parastatals, the tourism private sector as well as our various other stakeholders for their support and partnership during this challenging pandemic year. We look forward to the close working relationship between KTB and these partners and stakeholders as we enter the new FY2021/22 in order to effectively execute our mandate despite the difficulties that may lie ahead.

Finally, as Chairman of the Board, I also wish to thank my fellow directors for their dedication and their diligent service during the year as well as their redoubling of efforts to address the many challenges that presented themselves during the year. My appreciation also goes to the Management and staff of the organization who worked tirelessly during the FY to keep the destination visible despite the devastating effects of the pandemic. With unity of purpose, we venture forward, with cautious optimism, into the new financial year.



JIMI KARIUKI
CHAIRMAN, KTB



V. REPORT OF THE CHIEF EXECUTIVE OFFICER



Dr. Betty Addero Radier
Chief Executive Officer

The tourism sector alongside other sectors of the economy have borne the brunt of the Covid-19 pandemic leading to less travels in the destination by both the local and international visitors.

The tourism sector alongside other sectors of the economy have borne the brunt of the Covid-19 pandemic leading to less travels in the destination by both the local and international visitors.

Loss of employment, derailed programs towards sustainable businesses have characterized the sector's performance since the onset of the corona virus in March 2019.

On behalf of KTB's management, let me take this opportunity to present to you the sector's performance under the review period for financial year 2020/21.

Visitor arrivals

In the period FY 2020/21 July - June Kenya received a total of 483,257 visitors compared to 1,513,241 in 2019/20, illustrating a decline of 68.1%.

During the period under review, Jomo Kenyatta International Airport (JKIA) contributed 72.1% of the total arrivals closing at 348,346 a decline of 66.8% when compared to 1,059,426 realized in FY2019/20.

Moi International Airport Mombasa (MIAM) closed at 22,633 passengers contributing 4.7% of the total arrivals, this is a decline of 75.3% when compared to 91,793 attained in FY2019/20.

Other Airports closed at 2,576 arrivals which is 0.5% of the total arrivals, a decline of 85.9% when compared to 18,314 in FY 2019/20.

Cross-border arrivals closed at 109,702 a contribution of 22.7% to the total arrivals and a decline of 68.9% compared to FY2019/20 results.

Revenue generation

Under the review period, revenue recorded a drop of 38.8% with Kshs. 78.34 Billion, down from Kshs. 127.9 Billion posted in the same period in FY2019/20.

Arrivals per source markets

The market share was posted as follows:

United States of America

The US market recorded the highest arrival in the period under review contributing 15% of the total arrivals with 72,607 visitors. This is a decline of 58.9% as compared to 176,700 in FY2019/20.

The Covid-19 pandemic brought outbound departures from the US to a near standstill in the first half of 2020. According to Euromonitor outbound departures from the US decline by 53% to 60.3 million trips.

It is predicted that international travel will be slower to rebound as global restrictions are lifted according to individual country recovery timelines.

Tanzania

In the regional market, Tanzania was the top market and second after US. It posted 10.7% of the total arrivals closing at 51,523, a decline of 61.7% compared to 135,094 in FY2019/20, same period.

Uganda was the third posting 10.1% of the total market share closing at 48,913 visitors to record 71% decline compared to 168,920 arrivals the same periods in FY2019/20.

UK market

The UK market was placed at the 4th position, contributing 6.7% of the total market share with 32,526 arrivals, a decline of 76% compared to 135,419 visitors in the same period in FY2019/20.

The UK government advice against travel to Kenya as part of the countries on the red list alongside national restrictions, such as introducing 14 days of self-isolation for arrivals from certain countries including Kenya, have kept many tourists touring outside the UK, resulting in a strong decline in the number of arrivals into the country.

According to Euro monitor, outbound travel has been hit hard especially business and long-haul travel, due to economic reasons, such as a decline in real GDP and disposable income and depreciation of the pound sterling.

China

The Chinese market was at position 5 recording a 5.4% of the total market share to close with 26,003 visitors, a decline of 56.3% when compared to 59,540 in FY2019/20.

The Covid -19 pandemic has shifted Chinese consumers' persistent demand for travel products to the domestic market. In this more confident environment, people are travelling, but trips are getting shorter and more local than in previous years.

Chinese travellers will feel more comfortable going to places where they think have similar levels of monitoring and control of the virus through measures like checking temperatures, reporting symptoms, active contact tracing, and robust testing regimes.

COMPARISON & MARKET SHARE

	FY2019/20 Jul-Jun	FY2020/21 Jul-Jun	% Change	% Share
USA	176,700	66,150	(62.6)	13.9
TANZANIA	135,094	51,714	(61.7)	10.9
UGANDA	168,920	49,860	(70.5)	10.5
UK	135,419	31,792	(76.5)	6.7
CHINA	59,540	25,646	(56.9)	5.4
INDIA	86,303	20,691	(76.0)	4.3
RWANDA	34,529	16,447	(52.4)	3.5
SOUTH SUDAN	17,541	12,287	(30.0)	2.6
GERMANY	56,160	11,328	(79.8)	2.4
NIGERIA	23,601	12,314	(47.8)	2.6
ETHIOPIA	28,534	11,199	(60.8)	2.3
REST OF THE WORLD	590,900	167,129	(71.7)	35.1
TOTAL	1,513,241	476,558	(68.5)	100

Purpose for visit.

Meeting Incentives, Conventions and Exhibitions (MICE)

The major reason for travel into Kenya, taking a share of 32.4% was MICE, the first ever in the recent past and this explains how covid-19 pandemic has also confined visitors to their comfort of their homes, boardrooms and with less travels.

Visiting Friends and Relatives was second reason for visiting Kenya contributing 30.7% of the arrivals.

Holiday and Leisure

One of the leading reasons for visiting Kenya for the longest time in the recent past has been holiday and leisure. Under the review period however, this segment dropped to the 3rd position contributing 26.7% of travelers. This drop is directly attributed to minimal desire for holiday and leisure visitation during the Covid-19 pandemic era.

Transiting visitors.

Kenya is growing as a regional destination connecting hub. The transiting visitors during the period under review was at 5.6% of the total number of visitors into the country. The other reasons for entry were 4.6% contributed by Education, Medical, Religion and Sports

Domestic tourism

Just like the international market, domestic market has also performed dismally as a result of the negative impact of Covid-19 pandemic. Even with this, the tourism industry is counting on domestic market to cushion tourism business as a result of reduced travels by international visitors.

Within the review period, the domestic market had an estimated bed occupancy of 2.55 million. This is a decline estimate of 33.9% compared to 3.85 million the same period in FY 2019/20.

Covid-19 is still here with us and part of strategies to remain in tourism business is to refocus attention to the growth of domestic market, harness its potential to keep the sector afloat through and beyond the pandemic period.

Our strategy and tourism outlook

Just like in countries around the world, travel in Kenya has been hit hard by Covid 19 and the effects are bound to be felt for some time to come.

Even as government puts in effort to support the tourism sector through stimulus package in areas of conservation, hotels and airlines, we are however cognizant of the fact that there is still a long road towards recovery ahead, with low demand and significantly reduced inbound tourism flows, along with decreased disposable incomes and fears over the safety of travelling. This means it will take a long time for the travel industry in Kenya to recover.

The government efforts on vaccination and revised protocols for the hospitality sector remains our hope towards the resumption of travels both locally and from our key source markets.

Even as we re-focus on domestic tourism, continuous partnership with the travel trade and connecting with our travellers through online marketing and destination activation are our biggest priority

Domestic and regional air travel are vital for re-energizing the tourism industry as borders open up. With consumers likely to remain increasingly price sensitive as a result of the Covid-19 crisis, this will benefit low-cost carriers, with many of these airlines already increasing both their travel frequency and regional reach prior to the crisis.

As such we will continue to forge partnerships with our local airline to push both domestic and regional travels while ensuring increased emphasis on safety measures both on board planes and in the airport.

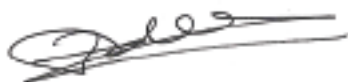
Conclusion

Let me take this opportunity to express my gratitude to all our stakeholders whose continuous commitment and collaboration has enabled us to grow in all aspects.

Let me also thank the KTB board and our line Ministry of Tourism and Wildlife for providing us with support and policy guidance towards achieving of our Mandate. A lot that we have achieved has been realised under your stewardship.

To the KTB staff, thank you for the hard work and commitment with which you have executed your role, always remember all that you do counts to better destination marketing.

To the industry players, thank you for working with us and enabling us to position the country as one of the world's sought-after destinations. We are where we are because of you all.



Dr. Betty Addero Radier
Chief Executive Officer





VI. REVIEW OF KTB'S PERFORMANCE FOR FY 2020/21

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The current Kenya Tourism Board strategic plan covers the period 2018-2023. The Financial Year (FY) 2019/20 was the first year of implementation of the plan. The plan has six strategic focus areas supported by fifteen strategic objectives. The focus areas include:

1. Innovation culture
2. Powerful destination Magical Kenya Brand
3. Improve competitive positioning of Magical Kenya Brand
4. Effective partnering with private sector
5. Organizational change & performance
6. Establishing sustainable funding

KTB develops its annual work plans based on the above 6 pillars/ focus areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Board achieved its performance targets set for the FY 2020/2021 period for its 6 strategic pillars/ focus areas, as indicated in the diagram below:

Strategic Focus Area (SFA)	Strategic Objective	Activities	KPIs	Achievement
SFA1: Innovation Culture	Leverage technology adoption by the organization	Identification of strategic business processes to be automated. Acquisition, installation and operationalization of marketing and management ICT tools Training of users	% completion of processes audit No. of systems acquired and installed Users trained	<ul style="list-style-type: none"> KTB finalised the customizations of the EDMS system; this is a paper management system to support record keeping and paper management within the organisation KTB also acquired the Digital Asset Management(DAM) software to support the storage and management of images and videos in the organisation
SFA1: Innovation Culture	Facilitate the development of diverse and authentic Kenyan experiences and promote them to priority markets.	Put in place a framework of an experience system (top experiences).	Number of top experiences selected per year	<ul style="list-style-type: none"> KTB unveiled 29 new signature experiences to add to the already existing unique 18 MKSE collection Through the Top Experience program ,KTB supported 22 Counties to identify 47 potential experiences which will be assessed in 2021/22 and recommendations for development provided KTB held 3 Sessions to train trade on MKSE, KTB conducted Guides training in Dec 2020 KTB conducted Bomet County stakeholders training on product packaging in Dec 2020

Strategic Focus Area (SFA)	Strategic Objective	Activities	KPIs	Achievement
	Leverage digital marketing	Acquire and upgrade digital marketing tools: Data Management Platforms (DMP) Google studio Social Analytics Tools Social Listening Tools User Generated Content Tools	Number of tools acquired % increase in conversions on the Magical Kenya Brand website	<ul style="list-style-type: none"> · KTB acquired key tools to support digital marketing, 2020/21 focused on tools to support monitoring and reporting on the performance digital marketing platforms, this included the content aggregation tool, Social Bakers, Crowd reef and Canto. The Customer relationship Management software integrated with KTB website and social media platforms
		Train the marketing team in emerging and high impact areas: Train digital marketing team on the destination and usage of digital marketing tools	% increase in engagement % Number of reports	<ul style="list-style-type: none"> · KTB Board members trained on digital trends · Digital marketing staff trained on the use of the social media monitoring tools acquired ;social bakers and Canto
	Improve data sourcing, market intelligence and analysis.	Generation of timely and quality reports	Number of reports Number of Forums	<ul style="list-style-type: none"> · KTB submitted all the quarterly reports · KTB conducted 12 Virtual Webinars for various stakeholders from various markets
		Automate data collection & mining process	Level of automation	<ul style="list-style-type: none"> · KTB on boarded Euro monitor and the Forward Keys data source companies to provide secondary data to support market intelligence and analysis in the organisation
SFA2: Powerful Magical Kenya Brand	Increase the level of association of Magical Kenya Brand	Refresh and relaunch the brand across all stakeholders (External & Internal) at both National and International)	Refresh the Magical Kenya Brand Effective Communication campaign	<ul style="list-style-type: none"> · KTB implemented the Inanitosha Domestic Campaign, this contributed to the brand building at the domestic level · KTB developed Collaterals for various events implemented in the year
	Improve competitive positioning of Magical Kenya Brand	Develop and implement Brand Communication campaigns	Effective Communication campaign	<ul style="list-style-type: none"> · KTB partnered with KQ in a campaign in the North America Market · KTB partnered with Romania/ Bulgaria charter · KTB partnered with Qatar Airline for Europe and North America · KTB partnered with the Romanian charter · KTB partnered with Jambo Jet · KTB partnered with Safaricom and Equity bank · KTB together with 10 companies participated in the virtual Reconnect event that was organized by Fair Fest India
		Build awareness and adoption by stakeholders of new brand	% Brand awareness	<ul style="list-style-type: none"> · The Brand awareness level will be measured in 2021
		Drive an effective CRM program to build loyalty	Number of launched effective ambasad or programs - Diaspora market (Unique 3 markets) Growth rate of conversion & retention against audiences	<ul style="list-style-type: none"> · KTB acquired the CRM system to drive an effective customer management and build the customer loyalty

Strategic Focus Area (SFA)	Strategic Objective	Activities	KPIs	Achievement
SFA 3: Effective Sales System			(% of loyal data base) E-Learning programs by market No. of new experiences % advocacy from identified audiences	
	Build Brand Kenya affinity with prospective visitors.	Develop and implement effective joint digital and co-marketing (online and offline) campaigns	% of conversions	<ul style="list-style-type: none"> · KTB conducted a consumer awareness campaign for the USA ,India, UK and RoE markets · KTB through the digital marketing Unit conducted digital awareness campaigns across the key source markets over the pandemic period · The Tembea Kenya and Inanitosha campaign for the domestic were held in collaboration with trade who provided the offers
	Grow market share with; Tour Operators and Online Travel Agencies/Travel Agencies	Develop and implement a Kenya specialist certification and e-learning platform	Develop and launch program Number of certified members	<ul style="list-style-type: none"> · KTB launched the ELearning programme currently with 1200 active users taking courses
SFA4: Effective partnering with private sector	Improve participation, ownership and marketing performance of the Kenyan Tourism Industry.	Develop platforms for engagement with the trade (industry microsite, briefing, e-newsletter, webinars on specific topics, educational and training efforts)	Launched platforms % increment in participation levels by tourism stakeholders	<ul style="list-style-type: none"> · CRM and ELearning platforms created to increase the stakeholders engagement · Microsite developed for the Tembea Kenya / Inanitosha Campaign
	Improve participation, ownership and marketing performance of other Stakeholders.	Engage non-tourism stakeholders in Strategic partnerships	Number of new partnerships	<ul style="list-style-type: none"> · KTB held one year joint consumer campaigns held with Equity bank and Safaricom for the domestic market · KTB launched the coffee and Tea farms farm tours in May 2021, this adds to the list of unique, diverse and innovative experiences that Kenya offers
SFA 5: Organization Change & Performance	Develop succession plans that are cognizant of the emerging workforce	Integrate sustainable tourism agenda into stakeholders forum	Number of stakeholders forums where sustainable tourism agenda is integrated	<ul style="list-style-type: none"> · 12 webinars held with Trade in the year
			Gap analysis report	<ul style="list-style-type: none"> · KTB continued to implement skills and competency gap analysis action plan that was developed in 2019/20 towards improving the employee satisfaction and competence · KTB staff Training Needs Assessment (TNA) developed and approved for the FY 2020/21

Strategic Focus Area (SFA)	Strategic Objective	Activities	KPIs	Achievement
Establishing Sustainable Tourism		Hold staff training and development to bridge skills gaps	% of gap bridged	· Guided by the TNA report KTB implemented 33 staff trainings being 100% achievement of the planned trainings.
		Mentoring and Coaching	No. of staff coached No. of mentees who complete a partnership	· KTB relaunch of the staff mentorship program in Q3
		Implement career progression framework for core roles	Engagement level of core holders Retention rate	· KTB had 100% staff retention rate for the financial year
		Implement the new organization structure	% of positions filled % of staff holding new roles & trained on the new skill	· KTB had 3 staff promotions in the financial year (2 in marketing department and 1 in Internal Audit department)
	Increase KTB is marketing funds, sources and stakeholder products and services co-creations.	Grow the total KTB budget	KTB annual budget (Billions)	· YR 2020/21 approved budget is KShs. 1.832B. The budget was however revised down to 1.468 Billion. Due to the Covid Pandemic it was not possible to realise the A in A
			Appoint funding mobilization resource	· Resource mobilization Committee appointed. Operationalization of the committee to be actualized in 2021
		Increase appropriation in aid	Percentage of A-in-A against the total budget	· A-I-A affected by Covid-19. Industry contribution budget revised downwards due to cancellation of MKTE
		Reduce % operational overhead costs	Percentage of marketing budget against total budget	· 2020/21 budget allocation: Marketing received 76% while operations received 24%



VII. CORPORATE GOVERNANCE STATEMENT

Introduction

The KTB Board of Directors is responsible for the governance of the Corporation and recognizes that corporate governance is an essential framework for the achievement of KTB's objectives as well as measurement of corporate performance and as a critical means of ensuring that KTB is effectively directed, controlled and held accountable

To this end, the Board has put in place measures and processes to ensure that high standards of corporate governance are maintained at all levels of the corporation.

The Board recognizes that for governance to be effective, it must be realized through leadership and collaboration, with the Board at the helm leading by example and complementing the senior management. This enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of KTB while taking into account the interest of stakeholders.

This Corporate Governance Statement provides the necessary information to enable all stakeholders to evaluate the application of KTB's governance and ethical obligations and to satisfy themselves that KTB has satisfied its obligations thereunder.

The Board of Directors

The Board of Directors has a formal schedule of matters reserved for it. The directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters.

Ultimately, the Board of Directors determines KTB's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of KTB to the Chief Executive Officer. However, it retains overall responsibility for KTB's financial performance, compliance with laws and regulations and monitoring of its operations.

Under the leadership of the Chief Executive Officer, the role of management is to conduct the day-to-day operations of KTB in a way that is consistent with the strategic plans, business plans and budgets approved by the Board. In this context, the Chief Executive Officer makes recommendations to the Board with respect to matters of corporate strategy and policy. The Board then makes the decisions which it deems appropriate and supervises the execution of such decisions and reviews.

In line with its role to set and oversee the overall strategy of the organization, during the year the Board engaged with the parent ministry to receive presentations on the New Vision for Tourism in Kenya that was developed by McKinsey consultants engaged by the parent ministry with a view to aligning the same to the organization's Corporate Strategic Plan 2018 - 2023. In view of the devastating effects of the COVID-19 pandemic on the travel and tourism sectors, the Board also put in place measures to continually re-evaluate the organization's strategic direction to take into account the current market realities. The Board also laid the groundwork for the mid-term review of the organization's Corporate Strategic Plan 2018 – 2023.

Board Size, Composition and Appointment

The Board comprises of six (6) independent non-executive directors including the Board Chairperson as well as three (3) other ex-officio members drawn from the central government and a sister parastatal in addition to the Chief Executive Officer.

The public sector representatives are the permanent secretaries or their designated alternates from the National Treasury and also the parent ministry. The Chief Executive Officer of the Tourism Fund is also a member of the Board by virtue of the fact that KTB is partly funded by the tourism levy administered by the Tourism Fund. As required by MWONGOZO, the Board brings together members from different professional backgrounds with diverse skills and competencies as shown in Pie Chart 1. The representation of the respective genders on the Board is shown in Pie Chart 2.

During the year, the board operated with one vacancy as a result of the term of one of the independent directors having come to an end in the preceding financial year.

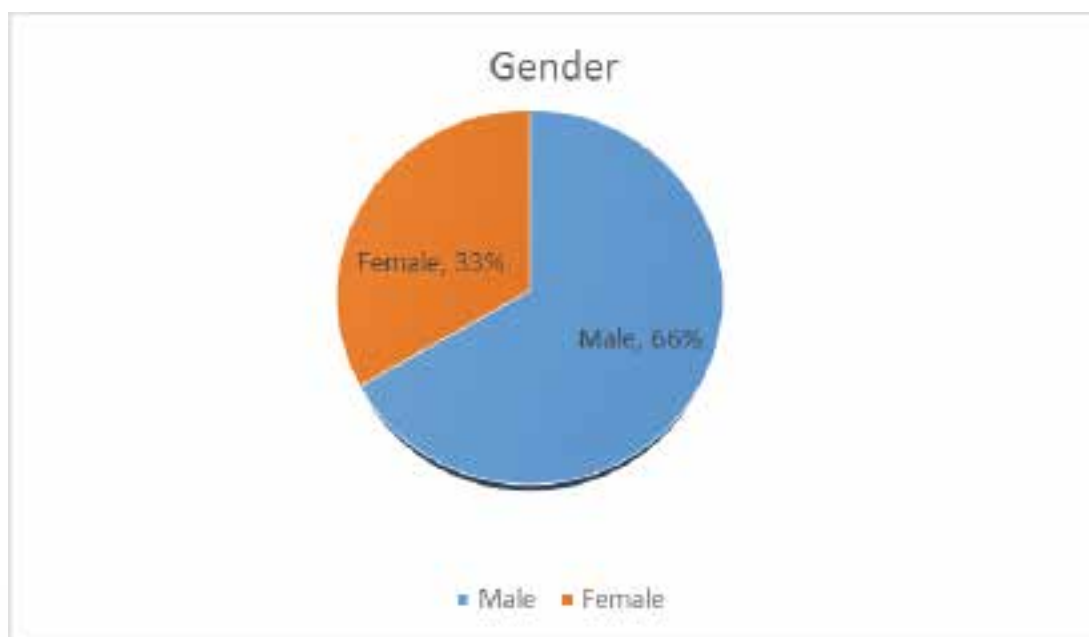




Pie Chart 1: Board Competencies



Pie Chart 2: Board gender representation



The position of the Chief Executive Officer is filled through public advertisement and competitive recruitment. The appointment is done by the Cabinet Secretary, Ministry of Tourism & Wildlife in consultation with the Board. The Chief Executive Officer is an ex-officio member of the Board but has no voting right at any meeting of the Board.

The Board Chairman is appointed by the President. The independent directors who are representatives from the private sector are appointed by the Cabinet Secretary in the Ministry of Tourism & Wildlife. These comprise of five members, not being public servants, appointed by the Cabinet Secretary taking into account regional balance and gender parity, of whom two are nominated by the registered national tourism associations and three are persons with knowledge or experience in matters relating to international tourism, finance, business administration, law, marketing or a related discipline.

The directors' abridged biographies appear on pages VIII to XIII of this Annual Report. The Board membership is shown on page VII.

Independence, Separation of Roles and Responsibilities

All Directors except the Chief Executive Officer are non-executive. The non-executive directors are independent of Management, they establish a framework for the delegation of authority and ensure succession planning for the Chief Executive Officer and senior management is in place. Their role is to advise, constructively challenge and monitor the implementation of the agreed corporate strategy within the risk appetite and control framework that is set out by the Board.

The roles and responsibilities of the Chairman of the Board, the Chief Executive Officer and non-executive directors remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

On the other hand, the Chief Executive Officer is responsible to the Board and takes the overall responsibility for the management of organization and takes responsibility for the effective and efficient day to day running of the affairs of the organization. The Chief Executive Officer recommends the strategy to the Board and implements it and makes operational decisions. The Chief Executive Officer also ensures appropriate and timely information flows within the Board, its committees and management.

Oversight Role of the Board

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the organization.

The responsibilities of the Board are clearly spelt out in the Tourism Act No. 28 of 2011, MWONGOZO Code of Governance and the Board Charter. The Board defines the purpose of the organization, its strategic intent, objectives and its values. It ensures that procedures and practices are in place to protect KTB's assets and reputation.

The Board retains full and effective control over KTB and monitors Management's implementation of the plans and strategies set by the Board. It ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

The Directors Code of Conduct and Ethics defines the governance parameters within which the Board exists and operates. In accordance with the principles of good corporate governance, each director undertakes to always act in the best interest of KTB and exercise his/her power in the execution of duties in good faith and acts with care and prudence.





Board Meetings

The Board of Directors normally meets at least once every quarter and is chaired by a non-executive Chairman. The Board, including the Board Committees, holds regular scheduled meetings throughout the year and special meetings are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the Board/Committee chair, through the Corporation Secretary, prior to the date of the scheduled meeting. A summary of Full Board meetings attendance by the Board of Directors is shown below.

Board Member	Position	3rd Aug	11th Aug	29th Sept	12th Nov	28th Jan	11th May
Jimi Kariuki	Chairman	✓	✓	✓	✓	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓	✓	✓	✓
Adam Jillo	Vice-Chairman	✓	✓	✓	✓	✓	✓
Dr. Mohanjeet Brar		✓	✓	✓	✓	✓	✓
Ken Waibochi		✓	✓	-	✓	✓	-
Susan Maina		✓	✓	-	✓	✓	✓
Hon. Safina Kwekwe	Alternate is Alison Ngibuini	-	-	✓	✓	✓	✓
Dr. Julius Muia	Alternate is Anthony Muriu	✓	-	✓	✓	✓	✓
David Mwangi	Alternate is Charles Okeyo	-	-	-	✓	-	-

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities.

The Committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience. Each Committee is guided by the individual Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board.

The Committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board. Matters deliberated on by the Committees are presented to the Board by the respective chairmen during the next Board meeting. Ad Hoc Committees are also constituted by the Board on a need basis as and when required. During the year, the Board did not constitute any ad-hoc committees.

During the year, the Board Committees were re-constituted in order to comply with the Head of the Public Service circular (OP/CAB.9/1A) of 11th March 2020 on Management of State Corporations. As a result, the number of members to any board committee was limited to no more than one-third of the full board. The number of committees that any member can sit was also limited to two. The Board also implemented the requirement for annual rotation of the committee memberships as provided for in the circular.

Board Marketing Committee

The Board of Directors has delegated to the Board Marketing Committee the authority to undertake the following functions:

1. Provide input from the private sector to KTB's marketing strategies and plans
2. Undertake proactive crisis management on behalf of the Board and constitute the technical team in the event of a crisis.
3. Provide strategic direction for KTB's marketing policies
4. Deliberate on cross-cutting issues that impact on tourism development and growth in co-operation with Government and other institutions.
5. Provide input in the selection and recruitment of senior staff within the marketing department by reviewing job specifications
6. Engage with strategic partners such as KWS, KQ, KTF among others
7. Any other matters assigned to the Committee by the Full Board.

A summary of Board Marketing Committee meetings attendance by the committee members is shown below.

Board Marketing Committee Meeting Attendance from 1st July 2020 to 30th June 2021

Committee Member	Position	28th July	28th Oct	13th Jan	21st April
Susan Maina	Chairman	✓	✓	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓	✓
Adam Jillo		✓	✓	✓	✓
Hon. Safina Kwekwe	Alternate is Alison Ngibuini	-	✓	✓	✓
Dr. Mohanjeet Brar*		✓	N/A	N/A	N/A

Board Finance & Establishment Committee

The Board of Directors has delegated to the Board Finance & Establishment Committee the authority to undertake the following functions:

1. To deliberate on all financial matters presented by management and make recommendations to the Full Board, including reviewing of the KTB budgets and annual financial statements, among others
2. To deliberate on all matters relating to human resources including staff emoluments and benefits, organizational structure, recruitment, appraisals and termination, among others
3. To deliberate on legal matters affecting the organisation and to receive updates on legal issues that the organisation may be party to.
4. To deliberate on procurement matters including receiving of procurement reports
5. To deliberate on Performance Contracting matters including reviewing of the draft annual performance contract and receiving quarterly PC reports.
6. To deliberate on the Corporate Strategic Plan including receiving of quarterly strategic plan implementation reports
7. To deliberate on any other matters that may be delegated to the Committee by the Full Board

A summary of Board Finance & Establishment Committee meetings attendance by the committee members is shown below.

Board Finance & Establishment Committee Meeting Attendance from 1st July 2020 to 30th June 2021

Board Member	Position	30th July	17th Sept	29th Sept	14th Nov	22th Jan
Adam Jillo*	Chairman	N/A	✓	✓	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓	✓	✓
David Mwangi**	Alternate is Charles Okeyo	-	N/A	N/A	✓	✓
Ken Waibochi***	Chairman	✓	N/A	N/A	N/A	N/A
Susan Maina***		✓	N/A	N/A	N/A	N/A
Hon. Safina Kwekwe***	Alternate is Alison Ngibuini	-	N/A	N/A	N/A	N/A
Dr. Julius Muia****	Alternate is Anthony Muriu	✓	✓	✓	N/A	N/A

*Joined committee on 11th August 2020

**Joined committee on 12th November 2020

***Exited committee on 11th August 2020

****Exited committee on 12th November 2020





Board Audit & Risk Committee

The Board of Directors has delegated to the Board Audit & Risk Committee the authority to undertake the following functions:

1. Assist the Chief Executive Officer in enhancing internal controls in order to improve efficiency, transparency and accountability
2. Review audit issues raised by both internal and external auditors
3. Resolve unsettled and unimplemented relevant Parliamentary Committees recommendations.
4. Enhance communication between management, internal and external auditors and foster an effective internal audit function
5. Establish and maintain an effective Board risk management process.

A summary of Board Audit & Risk Committee meetings attendance by the committee members is shown below.

Board Member	Position	4th August	29th October	22nd January	16th April
Dr. Mohanjeet Brar	Chairman	✓	✓	✓	✓
Susan Maina*		N/A	✓	✓	✓
Ken Waibochi*		N/A	✓	✓	✓
Dr. Julius Muia**	Alternate is Anthony Muriu	✓	N/A	N/A	✓
Adam Jillo***		N/A	✓	✓	✓
David Mwangi****		N/A	✓	N/A	N/A

*Joined committee on 11th August 2020

**Exited committee on 11th August and re-joined on 12th November 2020

*** Exited committee on 11th August 2020

**** Joined committee on 11th August and exited on 12th November 2020

Remuneration of the Board

The non-executive directors are paid a taxable sitting allowance as approved by the State Corporations Advisory Committee. The Chairman is paid a monthly honorarium at a rate approved by the Government.

Transport expenses incurred by directors in respect of travel for Board business are reimbursed at the prevailing AA rates. The independent directors are also entitled to outpatient and inpatient medical cover and a personal accident cover as approved by the Government.

Directors Induction and Training

The Board develops an induction program designed to introduce new directors to the operations of the Board and also organizes corporate governance trainings at different times during the year. The programs are aimed at deepening the boards' understanding of the changes in risks, laws and business and political environment in which the Board operates.

During the year, some members undertook "The Effective Director" Programme by Strathmore Business School that ran from 22nd to 24th September 2020 as well as "The Effective Director" Masterclass Programme that ran between 19th & 20th November 2020 to sharpen their corporate governance knowledge. In addition, the Board Audit & Risk Committee members attended a course on "Board Audit Committee Masterclass" conducted by ICPAK in February 2021. Other board programmes conducted during the financial year included the Digital Marketing Workshop conducted in collaboration with Google and Facebook.

Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is normally scheduled in accordance with the widely accepted principles of corporate governance. The self-evaluation is intended to review the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and its Committees jointly and individual members of the Board, including the Chief Executive Officer.

During the FY, the Board undertook a self-evaluation exercise in respect of the FY 2019/20 that was facilitated by the State Corporations Advisory Committee and thereafter received findings from the same. The Board performed excellently having attained a combined score of 92.20%. Meetings of the Board continued to be managed effectively and efficiently through the use of a 100% paperless electronic board management solution. During the financial year, the Board additionally adopted the use of virtual meetings through the use of video-conferencing platforms in compliance with the prevailing COVID-19 protocols.

Code of Conduct and Ethics

The directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on an ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

The Board has in place a Code of Conduct and Ethics whose aim is to define the Board's commitment to the highest standards of behaviour and to build respect, confidence and credibility with its stakeholders. The Code provides guidance to its members regarding ethical and behavioural considerations as they address their duties and obligations during their appointment and their term in KTB. The Board has also put in place a corruption prevention framework to ensure the highest standards of ethical behaviour are maintained.

Accountability & Audit

The Board is required to present an objective and understandable assessment of the organizations' operational position and prospects. To this end, the Board ensured that accounts were presented in accordance with the International Public Sector Accounting Standards (IPSAS).

(i) External Auditors

Kenya Tourism Board accounts are audited by the Office of the Auditor-General. The Office of the Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

(ii) Internal Auditors

The Board in furtherance of its duties to ensure that the process, structure and internal controls are maintained and adhered to has recruited qualified and experienced in-house internal audit staff to carry out such functions and present reports on compliance.

Internal Controls and Risk Management

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of systems of internal controls. The Board ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, the Board has in place a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. The Board recognizes that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

The Board has delegated the day to day management of risks to Management through systems and processes carried out on a day to day basis.

Relationship with Stakeholders

The Board appreciates that stakeholder perception affects the organization's reputation. Therefore, the Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organization by taking into account their legitimate interests and expectations in decision making.

The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns whilst having regard to legal and strategic considerations.

The main avenues through which the board communicates with stakeholders are through press statements, stakeholder forums, courtesy calls as well as annual reports and financial statements. Precipitated by the unprecedented COVID-19 pandemic, during the year the Board redoubled its stakeholder engagement programmes with tourism sector trade and associations through the extensive use of webinars and online forums.

The Board has continued to encourage electronic communication through publishing documents on the corporate website www.ktb.go.ke and on the destination website www.magicalkenya.com and has endeavoured to ensure that the two websites are highly interactive and contain all the relevant information that stakeholders may require. In addition, KTB also regularly publishes an electronic newsletter for purposes of communicating with its stakeholders





VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A- KTB'S OPERATIONAL AND FINANCIAL PERFORMANCE

Overview

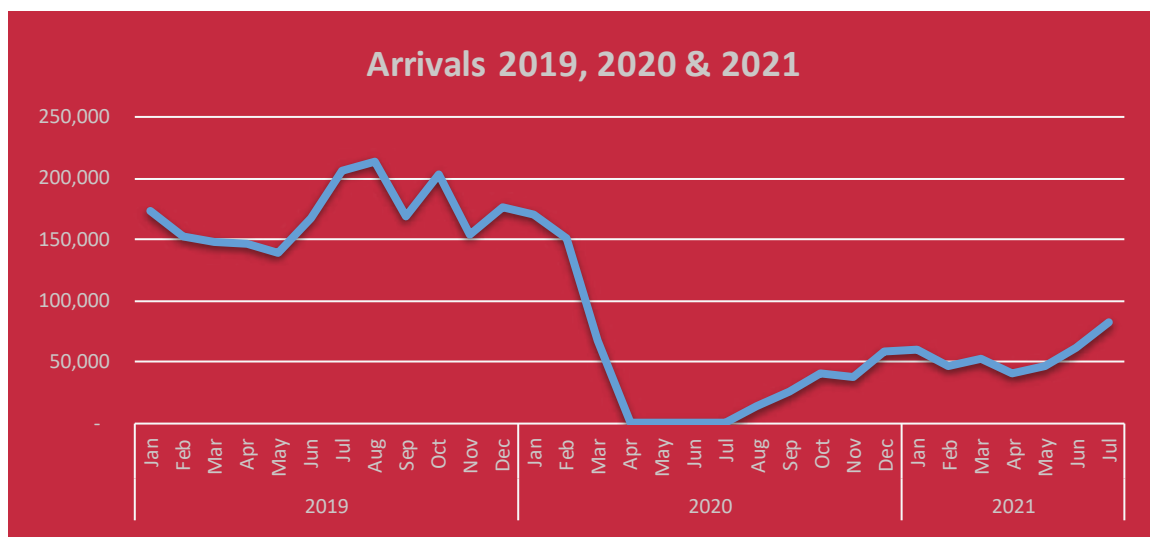
a) Total Arrivals

In the period FY 2020/21 July - June Kenya welcomed 483,257 visitors compared to 1,513,241 in 2019/20, illustrating a decline of -68.1%.



Tourism Arrival Performance Trend Analysis (January 2019 – 2021 July)

From the trend analysis below it is clear that the sector is on a recovery trajectory



Tourism Performance Forecast

The forecast table below is derived from the New Vision strategy report compiled by McKinsey. McKinsey provided predictions on revenue growth which was used to work out the estimates for tourism arrival and domestic bed night.

Year	Revenue US\$ Billions			Revenue Growth (%)		Actual	
	Domestic	International	Total	Domestic Growth	International Growth	Domestic Bed Nights	International Arrivals
2020/21	0.05	0.71	0.76				
2021/22	0.07	0.99	1.06	40.0	39.4	3.00	0.529
2022/23	0.09	1.29	1.38	28.6	30.3	3.86	0.69
2023/24	0.12	1.67	1.79	33.3	29.5	5.14	0.89
2024/25	0.15	2.06	2.21	25.0	23.4	6.43	1.10

Point of Entry

During the period under review Jomo Kenyatta Intl' Airport (JKIA) contributed 72.1% of the total arrivals closing at 348,346 this is a decline of 66.8% when compared to 1,059,426 realized in FY2019/20. Moi International Airport Mombasa (MIAM) closed at 22,633 passengers contributing 4.7% of the total arrivals, this is a decline of 75.3% when compared to 91,793 attained in FY2019/20. Other Airports closed at 2,576 arrivals which is 0.5% of the total arrivals, this is a decline of 85.9% when compared to 18,314 in FY 2019/20. Cross-border arrivals closed at 109,702 a contribution of 22.7% to the total arrivals and a decline of 68.9% compared to FY2019/20 results.





Market Share

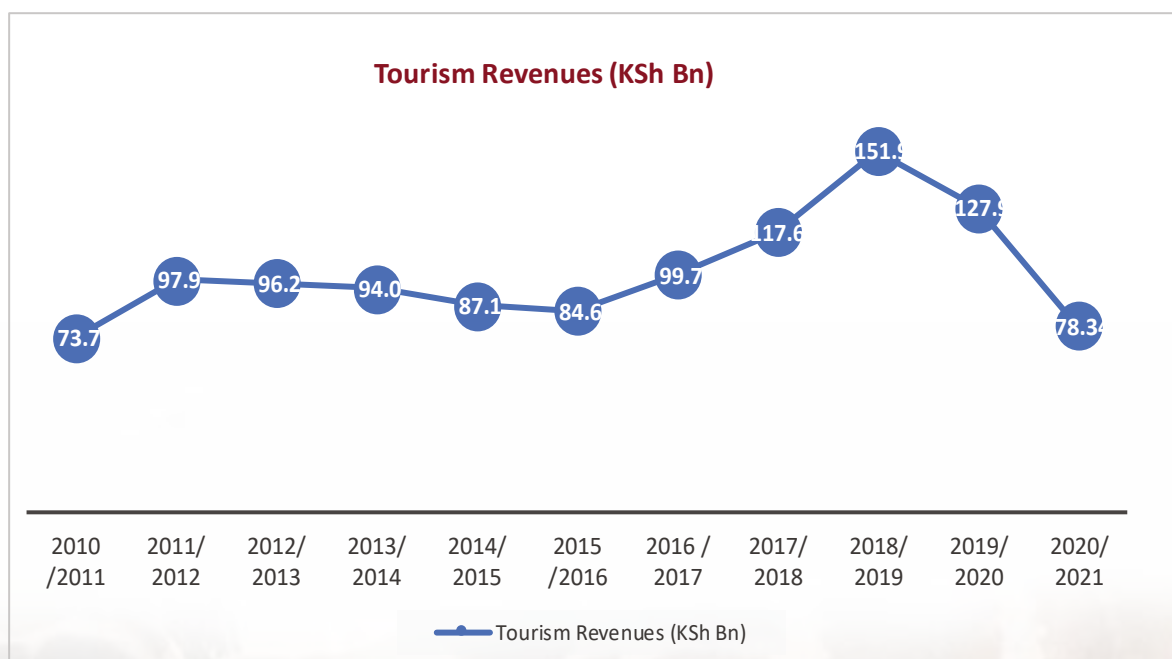
In terms of market share; the USA is the leading source market contributing 15% of the total arrivals in the period closing at 72,607. This is a decline of 58.9% when compared to 176,700 in FY2019/20. Tanzania is 2nd contributing 10.7% of the total arrivals closing at 51,523, this a decline of 61.7% when compared to 135,094 in FY2019/20 same period. Uganda is 3rd contributing 10.1% closing at 48,913 - a decline of 71% compared to 168,920 arrivals the same periods in FY2019/20. UK in 4th position, contributed 6.7% with 32,526 a decline of 76% compared to 135,419 arrivals same period in FY2019/20. China is 5th contributing 5.4% of the arrivals closing with 26,003 visitors, a decline of 56.3% when compared to 59,540 in FY2019/20.

Purpose of Entry

In terms of purpose of entry, Business & MICE are the main purpose of entry contributing 32.4% of the total arrivals, followed by VFR with a contribution of 30.7% of the total arrivals. Holiday is 3rd contributing 26.7%. Transit passengers is 5.6% of the total arrival in the period and 4.6% was contributed by Education, Medical, Religion and Sports

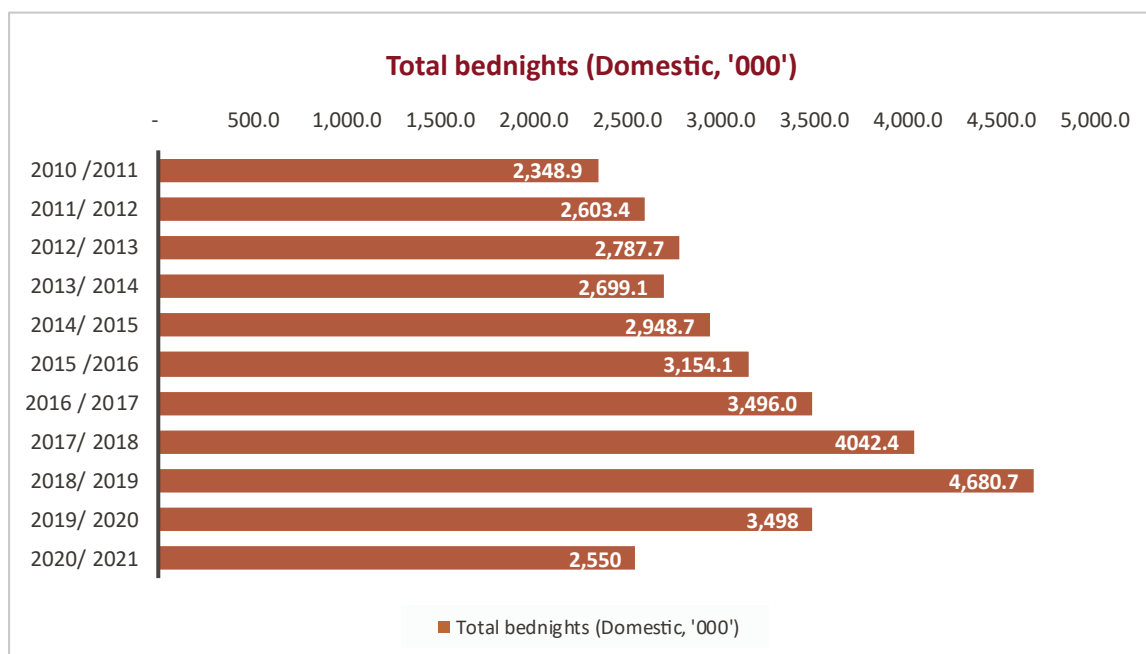
b) Tourism Receipts

The tourism revenue figures for the period July – June FY2020/21 are estimated to have closed at Kshs. 78.34 Billion, this is a decline of -38.8% when compared to Kshs. 127.9 Billion realized in the same period in FY2019/20.



c) Bed-nights by Domestic Tourists

The domestic tourism bed occupancy for FY 2020/21 in the July – June period are estimated to have closed at 2.55 million. This is a decline estimate of 33.9% compared to 3.5 million the same period in FY 2019/20.



d) Financial performance

KTB received KShs 725 Million from GoK grants; Kshs 20Million from Tourism Fund and earned KShs 61.3 Million from Appropriation in Aid Million in FY 2020/21. KTB accrued Government grants of KShs 590.589M. This amount relates to the recurrent, development and ESP funds that had not been received at year end. These amounts were received subsequent to year end on 8th July 2021.





SECTION B - REVIEW OF THE ECONOMY, TOURISM SECTOR & FUTURE DEVELOPMENTS

1. REVIEW OF THE ECONOMY

Following the outbreak of the Covid-19 virus in Kenya, the country imposed a dusk-to-dawn curfew on March 27. The measure was extended to 21 days from April 25. All international flights and trains were suspended on March 20. Strict hygiene and social distancing measures were put in place for establishments and the services sector. Many establishments, including restaurants, were temporarily closed on March 27. On April 27, the government eased these restrictions. On September 29, the curfew was reinstated, this includes public places, hotels, restaurants, and other establishments that comply with the public health protocols of Kenya.

According to Euromonitor, despite the perceived political instability and an economic freedom ranking that is 'mostly unfree', Kenya is expected to recover quickly from the Coronavirus (COVID-19) pandemic, thanks to rising domestic demand, but unemployment will remain high. A diverse society could add to social tensions, but a rapidly-growing population will enhance the consumer market's potential. Although behind developed countries, the technology space is vibrant and attractive to investors.

2. REVIEW OF THE TOURISM SECTOR

The effects of COVID-19 on travel in Kenya started in mid-March 2020. The closure of the border and the suspension of flights led to a drop in inbound tourist flows. The travel restrictions were eased in June 2020. This allowed airlines to resume operations, though demand remained low. The rise of online travel bookings as a result of the pandemic has accelerated, with many consumers seeking greater flexibility and ease of access. The pandemic also led to prolonged caution as travelers looked for ways to secure future trips.

In 2020/21, Kenyan consumer hotel booking dropped due to safety concerns and the lack of disposable income. The impact of the COVID-19 pandemic is expected to have a greater impact on the country's mid-market and budget hotels. Online booking is also expected to become more vital in the future.

The decline in the number of bookings through travel intermediaries in Kenya was largely caused by the impact of COVID-19. However, despite the drop in demand, online travel has shown some positive growth, as Kenyan consumers prefer the convenience of booking online.

3. TOURISM FUTURE DEVELOPMENT AND OUTLOOK

Just like in countries around the world, travel in Kenya was hit hard by COVID-19 in 2020 and its impact is bound to be felt in the coming financial year. All areas of travel and the tourism industry were negatively impacted by the pandemic and the Kenyan government had to step in with financial support for businesses which had been hardest hit by the pandemic, including airlines and hotels. There is still a long road of recovery ahead, with low demand and significantly reduced inbound tourism flows, along with decreased disposable incomes and fears over the safety of travelling meaning it will take a long time for the travel industry in Kenya to fully recover. According to Euromonitor, it is likely to be at least three years before tourism demand reaches pre-crisis levels.

According to UNWTO, international tourism is slowly picking up from very low levels, though the recovery remains fragile and uneven amid much uncertainty. Some of the green shoots have emerged including the reopening of European Union destinations for safe travel. Air travel demand is still recovering from the recession. Summer bookings to several Caribbean and Mediterranean destinations are on the uptick.

Also, vaccination programs around the world, together with softer restrictions for vaccinated travellers and the use of digital tools to facilitate safe travel such as the EU Digital COVID Certificate, are all contributing to the gradual normalization of travel. However, rising concerns over the Delta and other variants have led several countries to re-impose restrictive measures. The Delta variant is spreading rapidly and driving a new spike of cases in different parts of the world.

Along with the ongoing vaccination roll-out, the safe and responsible restart of tourism will continue to depend on a coordinated response among countries regarding travel restrictions, harmonized safety protocols and effective communication to help restore consumer confidence.

4. WHAT IS BEING DONE FOR TOURISM MARKET RECOVERY IN FY 2021/22

Kenya as a tourism destination is facing a very challenging marketing environment today, which has been worsened by the break out and spread of the global COVID 19 pandemic.

The outbreak of COVID 19 has had serious negative impact on the destination's marketing programs which was exacerbated by the global shutdown of economic activities, with borders closed, flights suspended, quarantines and lockdowns, hotels and attractions were closed. Though faced with a grim and uncertain situation but with optimism from monitoring developments in various markets, Management developed a post-Covid- 19 intervention strategies, periodically reviewed, to address the recovery of the tourism sector.

In FY 2021/22, the Marketing Strategy aims to consolidate the gains made in addressing the challenges posed by impact of the Covid-19 as it improves on the destination's competitiveness. The focus therefore continues to be on domestic tourism, experiences, branding, communication and support to stakeholders.

The thrust of the strategy is on restarting business by firstly focusing on Domestic Tourism, which is still the most viable market alongside few International markets. However, we will continue to maintain a presence in our key source markets to inspire travel when the markets are ready. Products and Experiences will reflect how we show up in the markets. We continue to present Kenya as offering so much more: People, Nature, Culture and More including flowers, tea and extended to sports, adventure, arts, and culture.

Communication and Public Relations remains a pillar of our strategic thrust; to tell our stories with an emphasis and optimization of the Digital platform while focusing on sharing authentic and compelling content. Our publicity initiatives will take the lead in growing the trust and confidence among travellers as we share with them the opportunities to experience the diverse and unique Kenyan offerings.

Partnerships with Trade, Airlines, Tourism Associations, Non- Tourism Partners, Embassies, Government will continue to play a key role in marketing the destination. This will enable Kenya increase its reach and present the destination in more fulfilling ways.

5. STRATEGY 2021/22

The Kenya Tourism Board (KTB) strategic plan covers the period 2018-2023. The financial year 2020/21 was the second year implementing the strategic plan.

The global economic outlook is projected to improve in the financial year 2021/22, primarily a more positive outlook is expected with the rapid vaccine deployment, and significant reduction in COVID-19 infection cases in the source markets. Strong fiscal stimulus measures particularly in the US and UK are expected to lead to a stronger economic rebound in the first half of the year 2022. The strategy implementation in 2021/222 will focus on restoring the gains depleted over the Covid Pandemic period by conducting marketing activities that will ensure growth of International arrivals and tourism earning back to the pre Covid levels in 2019.

Having put the right infrastructure in place as well as automated most of the key processes at KTB over the last two years. In 2021/22, KTB will focus on strengthening engagement with Magical Kenya signature experience owners by marketing the experiences. KTB will also focus on steadily growing the number of loyal clients through the CRM system as well as increase the level of stakeholders engagement through the ELearning KATs programme. Internally, the organisation will seek to increase KTB marketing funds sources through the operationalization of the resource mobilization committee as well as ensuring staff capacity development and welfare is prioritised.

SECTION C- KTB'S COMPLIANCE WITH STATUTORY REQUIREMENTS

KTB is committed to comply with all statutory requirements. During the year, there were no major non-compliance that may expose KTB to any liabilities.

Below is a list of ongoing or potential court cases, the claim and the current case status:

	CASE	CASE NO.	PLACE	CLAIM FOR:	AMOUNT	STATUS KSHS
1	Council of Governors –vs- KTB & Others	Petition No. 278 of 2017	Constitutional & Human Rights Division – NBI	Court to declare certain matters relating to tourism as devolved	N/A	The petition has been stayed pending the outcome of an appeal filed on a similar case.
2	Kenya Tourism Board- Appellant -vs- Commissioner of Domestic Taxes-Respondent	Income Tax Appeal No. E006 of 2020	High Court at Nairobi Commercial & Admiralty Division	Appeal against decision of the Tax Appeals Tribunal	182,456,743	KTB withdrew the appeal in favor of out of court settlement through mediation that is being facilitated by the Office of the Attorney General through Solicitor General's Office.



SECTION D - KEY PROJECTS AND INVESTMENT THAT WERE IMPLEMENTED IN FY 2020/21

KTB made significant progress in the implementation of the strategy despite the challenges arising from the Covid 19 Pandemic. The financial year kicked off at a rather slow pace there was a gradual reopening of the destinations following the closure of airspaces from March 2020 due to the Covid 19 Pandemic. Domestic flights in Kenya resumed on 15 July 2020 while the international flights resumed on 1 August 2020.

Activities implemented in Q1 were geared towards raising the destination profile as a safe destination as well as creating confidence among the domestic market segments following the impact of the Covid 19 pandemic. This included amongst others, the launch of the Kenya Coast domestic campaign, live stream broadcast of the London Marathon, KTB also leveraged on the whales' migration in August to position the spectacular event as a twin to the annual wildebeest migration in Maasai Mara Game Reserve. Kenya registered 40,852 international arrivals and tourism earnings worth Kshs. 6.590 Billion. The bed nights closed at 284,880.

In Q2 KTB focused on reassuring travellers on the safety of the destination. This included amongst others the consumer awareness campaigns, virtual travel road shows, participation in Virtual exhibitions such as WTM London and USTOA. To drive domestic tourism over the period, KTB conducted the Tembea Kenya Campaign that rallied Kenyans to explore Kenya's tourism offering. KTB also conducted webinars for the various markets, aimed at rebuilding the trades confidence in promoting and selling the destination. The number of international arrivals doubled in Q2 to 84,751, the tourism earnings rose to Kshs. 17.9 Billion. The bed nights also increased to 613,027. The improved performance in Q2 was attributed to the easing of travel restrictions both in the country and in the key source markets as well as improved travellers confidence following reduction in the number of infections.

Q3 saw the onset of the third wave of the Covid 19 pandemic hence the reintroduction of travel restrictions in most of the source market. Activities in markets such USA, Europe and Domestic market stalled due to extended locks downs in the markets. Marketing activities organized for the markets over the period were deliberately delayed to monitor the readiness of the markets; activities affected included the joint campaigns with OTAs and ambient branding activities in the markets such as the London Bus Branding in UK and Rest of Europe. In USA, the campaign with the OTAs was affected while in the Domestic market the Tembea Campaign was stopped for a while following the introduction of travel restrictions and curfews within the country in March 2021. Despite the challenges, the quarter closed at 157,702 international arrivals, tourism earnings worth Kshs. 25.81 Billion. The domestic bed nights however went down to 545,844; this was attributed to the curfew and the lockdowns in the country introduced in March 2021.

The global economic outlook continued to improve in Q4 2021, primarily to a more positive outlook in developed countries, where rapid vaccine deployment, a significant reduction in COVID-19 infection cases



and strong fiscal stimulus measures (particularly in the US) were expected to lead to a stronger economic rebound in the second half of the calendar year 2021. As at June UK had one of the highest COVID-19, vaccination rates globally. USA and China equally presented good progress. The financial year performance is summarised as follows:

PERFORMANCE CRITERIA	Unit of Measure	Annual Target	Cum.2020/21	Variance
Increased Tourism Arrivals	No. in Millions	0.204	0.483	0.279
Increased Tourism Earnings	Kshs. (B)	16.36	78.34	61.98
Increased Domestic Tourism Bed-nights	No. in Millions	0.964	2.55	1.586

Some of the Key highlight moments for KTB in the financial year included:

1. The Magical Kenya Open and the Kenya Savannah Classic.

KTB was one of the main sponsors for the activation of the two tournaments. The two event were broadcasted to over 490 million homes globally and played a key role in cementing Kenya's position as a top golfing destination in Africa as well as demonstrating the destination preparedness for international travel .The two events were held at the Karen Country Club on 18th – 21st March 2021 and 23rd – 26th March 2021, respectively



2. Launch of the Magical Kenya Signature Experiences

2020/21 saw the launch of an additional 29 Magical Kenya Signature experiences .The goal of the program is to grow and diversify the tourism products and experiences in the destination to ensure the destination offers an outstanding experience to suit today's demanding traveller. MKSE programme was one of key milestones of Kenya's tourism transformation demonstrating that despite the challenges of Covid-19, the industry was ready for kick-off once travel resumes fully. The newly recognised facilities had their products and experiences marketed for local and international travellers through the year providing extra visibility while driving conversion for the respective companies.



3. The World Safari Rally Championship

The World Safari Rally Championship resumed in 2021 following a 19-year absence from the World Rally Championship. The Safari Rally has been one of the most iconic sporting events in Kenya for decades and over the years profiled Kenya to the world as the ultimate safari destination by showcasing many attractions in Kenya. The return of the event was therefore a great moment that presented yet another great opportunity to showcase the Magical Kenya brand. The event was conducted between 24 -27 June, in Naivasha; a popular tourism destination. The event bolted the domestic bed nights to 2.55 M above the target of 964,000 for the year.



SECTION E- KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/ IMPLEMENTING IN FY 2021/22

In FY 2021/22, KTB will be implementing various marketing and PR programs in order to improve destination competitiveness. These programs include:

Management has planned the following activities:

1. Domestic Campaign to get Kenyans and residents to travel within the country
2. International Campaign to attract visitors to Kenya
3. Airline Partnerships to target more visitation to Kenya
4. Inspirational Content Development to connect with Kenya
5. Coop-marketing with airlines and other transport companies
6. Familiarization trips for both media and trade
7. Marketing campaigns with tour operators, supporting airlines, conducting trade trainings, consumer digital campaigns and Online travel agencies to drive consumer awareness and interest in the destination.
8. E-learning and deployment of a Digital Agency and destination brand awareness campaigns and consumer campaigns to optimize the digital campaigns.
9. Continuous implementation of Signature experiences in collaboration with the private sector
10. Implement Top experiences through county engagement, and packaging of niche experiences
11. Implement a global Kenya Travel Specialist program in various languages and accessible to all travel consultants keen on selling Kenya
12. Leveraging key influencers such as world marathoner champion Eliud Kipchoge and international events such as Magical Kenya Open
13. Implement Customer Relationship Management (CRM) framework to build and maintain strong, loyal relationships with visitors and prospects
14. Participate in events such as Tembo Naming Festival ,ITB Berlin , WTM London, and MKTE

These programs will be funded from grants from the Government, Tourism Fund and Tourism Promotion Fund.

KTB continues to play its part towards promoting and implementing best practice in conservation and sustainable tourism through different initiatives.

Investment decisions

Where KTB finds itself with funds in its Bank Accounts not required for immediate operating needs, the surplus funds shall be placed invested in line with National Treasury Circular No. 4/ 2017, no investment were done during the year. Interest income was earned on current account balances at the rates negotiated with the bank.



SECTION F- MAJOR RISKS FACING KTB

KTB has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. KTB reviews and monitors the development and implementation of systems of internal controls. KTB ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, KTB developed a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. KTB recognizes that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

During the year, the Board reviewed the internal controls, policies and procedures and was satisfied that appropriate controls and procedures were in place. The Board has delegated the day to day management of risks to management through systems and processes carried out on a day to day basis.

RISKS	LIKELIHOOD/ PROBABILITY	RISK IMPACT	MITIGATION STRATEGIES
Tourism products and experiences do not respond to the dynamic needs of travellers.	Medium	High	<ul style="list-style-type: none"> Develop a Tourism experience system that provide authentic and exceptional travel experiences. Capacity building for the trade on product/experience packaging.
Missing out on increasing number of travellers who are on the digital platforms	Low	High	<ul style="list-style-type: none"> Recruitment of staff, acquisition of digital marketing tools and training of the marketing team on the usage of these tools
Damage to the destination brand due to negative publicity.	High	High	<ul style="list-style-type: none"> Have strategic media engagement and image building strategy
Real or perceived threats to tourist security	High	High	<ul style="list-style-type: none"> Enhance partnership with security agencies Proactive crises management. Active peace messaging by local and global PR agency.
Ineffective marketing and public relations programs	Low	Medium	<ul style="list-style-type: none"> Implementation of marketing and PR activities aligned to consumer needs Develop strong partnerships with media and trade.
Reduced brand equity	Low	Medium	<ul style="list-style-type: none"> Communicate the diversity of Kenya's tourism offering
Lack of growth of Kenya sales amongst the trade in the key source markets	Low	Medium	<ul style="list-style-type: none"> Improved market intelligence and use of digital analytics to counter competition
Lack of awareness on destination Kenya amongst the key trade in the source markets	Medium	High	<ul style="list-style-type: none"> Capacity building programs for the trade in the source markets Develop and implement an online certification programs to recruit and equip Kenya specialists.
Lack of adequate demand for Kenya	Medium	Medium	<ul style="list-style-type: none"> Develop and implement Joint marketing activities to drive demand for Kenya and conversions

RISKS	LIKELIHOOD/ PROBABILITY	RISK IMPACT	MITIGATION STRATEGIES
Inadequate engagement of tourism stakeholders in destination marketing	Low	Medium	<ul style="list-style-type: none"> Develop and implement Joint marketing activities to drive demand for Kenya and conversions
Covid Related Risks 1. Reduced business opportunities due to possible closure/scaling down of tour operators activities in the source market.	High	High	<ul style="list-style-type: none"> Develop platforms for engagement with the trade (industry microsite, briefing, e-newsletter, webinars on specific topics, educational and training efforts) Engage with other stakeholder on Strategic Partnerships
Covid Related Risks – Travel Preference 2. Consideration of Kenya as unsafe destination due to Covid –19 crisis 3. Reduced disposable income due to Covid 19 4. Reduced business travel	High	High	<ul style="list-style-type: none"> Increased awareness campaign both at international and domestic level to communicate the safety of the destination based on the available protocols on Covid 19. Hiring of MDR in key source markets with well outlined KPIS. There should be more collaboration with the trade. Consider the review of the current KTB strategic plan will need to be reviewed based on the current crisis. Increased awareness on safety practices of Covid-19 protocols. MDR's and other appointed marketing agents to proactively disseminate information on the destination Covid -19 safety procedures. Continuous consumer awareness campaign in source markets to keep Kenya top of mind as a destination. Embrace digital marketing in campaigns Encourage attractive offers/packages from the tourism industry to booster tourism & business travel.
Covid Related Risks - Financial/Budgetary Risks: 5. Government prioritization of health thus budget allocation to other sectors such as tourism may be reduced. 6. Reduced collection by Tourism Fund. 7. Reduced travelers meaning less receipts for Tourism Promotion Fund (TPF)			<ul style="list-style-type: none"> Lobby for stimulus funds from government. Prioritization of key markets such as domestic and digital marketing.

SECTION G - MATERIAL ARREARS IN STATUTORY/ FINANCIAL OBLIGATIONS

In 2016/17, KRA undertook an assessment of KTB operations covering the period July 2012 to October 2016 and thereafter raised a tax assessment of KSh. 182,568,010 relating to withholding tax on fees paid to the Market Development Representatives (MDRs).

KTB raised an objection to the assessment on the grounds that KRA's assessment was based on a misapprehension of the nature of KTB's activities and a misinterpretation of the Income Tax Act. Accordingly, KTB filed an appeal at the Tax Appeals Tribunal (TAT) with a view to obtaining a legal interpretation of the applicable statute and quashing of the tax assessment.

In its ruling, the Tribunal on 18th December 2019 disagreed with KRA's argument that the income from the marketing activity of KTB could be attributed to KTB even though received by the Government. Despite this, the TAT ruled in favour of KRA in the appeal filed by KTB.

KTB, being dissatisfied with the decision of the Tax Appeals Tribunal filed an appeal to the High Court of Kenya after due consultation with the Attorney General's office. The purpose of the appeal is to seek the Court's interpretation of the applicable law. At the same time, KTB commenced alternative dispute resolution (ADR) proceedings with KRA in line with recent circulars that directed Government agencies to withdraw court cases and use mediation frameworks facilitated by the AG's office.

KTB received a copy of an agency notice issued by KRA to KTB's bankers, Kenya Commercial Bank, on 30th June 2020 declaring KCB as the payer of KShs 182,456,743. KTB applied to the High Court and was granted a stay of the enforcement of the Agency Notice were issued on several dates: 24th July, 2020, then extended until 21st August 2020 and then to 28th December 2020 and then to 15th October 2020 and then to 21st January 2021 to allow mediation between KRA and KTB. The National Treasury was also apprised of the discussion and is participating in the mediation process.

Kenya Commercial Bank lifted the agency notice in November 2020 (letter received in March 2021) while KTB withdrew the appeal case at the High Court in February 2021 in favor of out of court settlement. The mediation process continues and is being facilitated by the Office of Attorney General through Solicitor General's office.

Management provided for the full amount FY 2019/20.

SECTION H - KTB'S FINANCIAL PROBITY & SERIOUS GOVERNANCE ISSUES

Strong and effective corporate governance is integral to the KTB's long-term success and is essential in delivering KTB's overall strategy. The various board committees continue to serve a vital tool for the discharge of the Board's functions.

KTB Board and management ensure financial probity and there have been no serious governance issues during the period.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KTB exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on six (6) pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

1. Sustainability strategy and profile

Crisis reveal the underbelly of any sector and the economy in general. Covid-19 pandemic is no different. It has already caused devastating impacts on the tourism sector worldwide and revealed the weaknesses in the sector in terms of business models, competitive positioning, product development and its dependence on other sectors of the economy such as transport and health. Sustainability therefore was once again brought into the front and center of all conversations at local and global levels with regards to restart and gradual recovery of the sector.

Nature (inclusive of wildlife, landscapes and seascapes etc) and Culture are Kenya's base resources for tourism and their preservation is key in ensuring sustainability of the sector. Currently over 70% tourism in Kenya and in sub-Saharan Africa is dependent on wildlife. For this reason, Sustainability is a key consideration in tourism destination development, management and marketing. Sustainability strives to ensure a delicate balance between people, planet and profits. To facilitate this, KTB has put in place a Sustainability Committee that interfaces with product owners and partners to drive the sustainability agenda at both organizational and destination levels.

KTB is also a member of Ecotourism Kenya, an association that champions responsible tourism in Kenya through an eco-rating scheme, annual eco-warrior awards, annual ecotourism forums and projects focused on capacity building, and certification of destinations and tour operations among others. In its marketing efforts, sustainability is a key theme to address the consumer trends and demand for sustainable products/experiences/destinations especially among the millennials who form two thirds of the world's population.

KTB developed the Kenya Tourism Sustainability Report focusing destination efforts towards addressing the Sustainable development goals 8, 11 and 12 as well as goal 17 where KTB works with various partners in sustainability projects such as Kenya Wildlife Service, Friends of Karura Forest, and Ecotourism Kenya among others. In the preceding financial year, KTB engaged a sustainability consultant to develop the corporate and destination sustainability report which measure the current state of affairs as well as recommendations on how KTB can enhance the organization's and destination's sustainability index.

Adoption of market and product diversification strategies have also helped in sustaining the sector especially during the low season focusing on domestic and regional markets, in addition, to the international markets. On the product front, diversifying the offering beyond beach and safari and moving beyond the popular circuits to new and less known circuits ensures tourism benefits are spread across the country and throughout the year. This meets the basic requirement of sustainability which is that it must meet the needs of current and future generations but also benefit everyone across the country. Exposing international media and travel agents to ecotourism products and facilities and conservancies through media and trade familiarization trips also play a key role in shaping the products and experiences packaged and sold by agents in the source markets as well as shaping perceptions for the media audiences.

Capacity building amongst staff, and trade partners through the various forums has played a key role in enhancing appreciation for sustainability and mentoring the youth through partners such as Kenya Utalii College and the Global Tourism Resilience and Crisis Management Centre/ Kenyatta University among others.

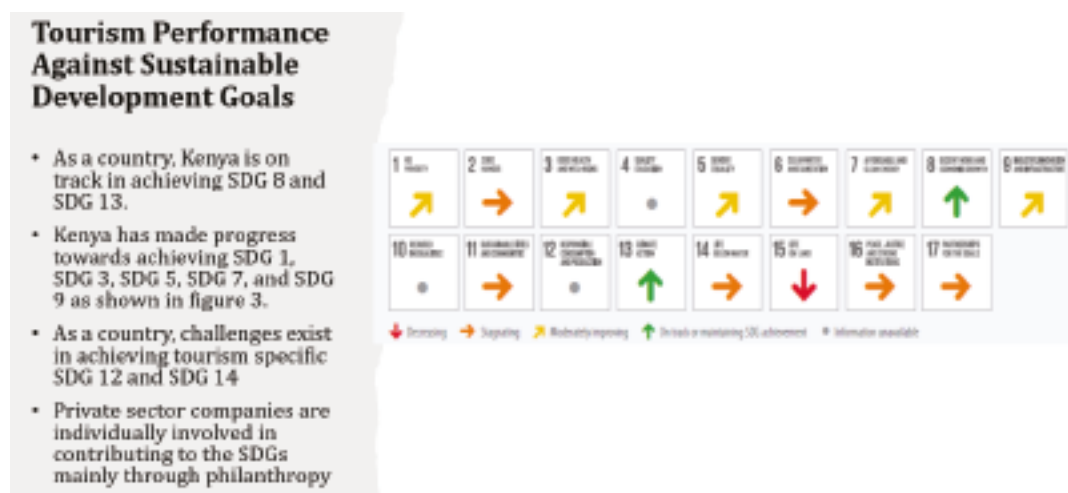
KTB has joined stakeholders in recent campaigns such as the #Singleplasticuseban and activities such as animal collaring in Maasai Mara National Reserve and Amboseli National Park. Most recently KTB has collaborated with Kenya Wildlife Service in conceptualizing and execution of the Elephant Naming Festival aimed at elephant conservation efforts.





Introduction of new programs such as the Magical Kenya Signature Experiences Programs, Top Experiences Program and the Safari Innovation Program are aimed at enhancing the value design of Kenya's tourism offering and in the process increase the sales for tourism businesses in Kenya that will in the medium and long term provide a competitive advantage and sustain the business in the face of stiff competition. The Magical Kenya Signature Experiences program in particular has incorporated sustainability in its criteria thereby ensuring a Signature Collection of unique and diverse Kenyan travel experiences that are responsible with environment and communities. In the third quarter of the last financial year, the unveiling of the 2nd Collection was done at Karura Forest which served to create awareness about the Forest but also contributed to the preservation of one of the few remaining Carbon sinks in Nairobi City.

The Covid-19 pandemic has refocused the sector on sustainability in terms of long term view of the sector and survival by adapting to the unfolding changes and getting ready to cater to the emerging travellers. KTB has partnered with the Global Tourism Resilience & Crisis Management Centre – East Africa to review the tourism product inventory and re-align based destination sustainability priorities such as spreading tourism across the country, diversify the product range and effective packaging of the products and experiences to ensure wider clientele is served which will contribute towards increased length of stay and spend in the destination.



2. Environmental Performance

Tourism is a vital sector that is also very fragile as it is affected by local and global happenings such as terrorism. Measures taken by the Kenya Government with regards to environmental conservation such as laid down rules in the constitution, relevant institutions established to manage environmental matters, requirements on green building and projects such as wind farms, solar panels and geothermal power go along way in conserving the environment.

KTB has been part of the Single Use Plastic Ban campaign through highlighting companies that are setting the pace such as Eco-world Watamu, provision of water bottles to staff to reduce on the use of plastic cups and creating awareness via digital platforms.; tree planting from time to time and promotion of tourism that feature enriching experiences in pristine environments such as Kereita Forest and Arabuko Sokoke Forest among others.

3. Employee welfare

The HR Policy and procedure manual and the Gender Mainstreaming Policy guides on the hiring process and affirms on matters pertaining to gender ratio. Staff and other stakeholders' inputs/ engagements

(NGEC, NACADA, NCPWD and NACC) and the Board of Directors are involved in improving the Policies when reviewed from time to time.

Skills are improved through training, coaching and mentoring. Reward and Sanctions policy in place to guide on the reward system. KTB intends to domesticate the safety and compliance policy.

4. Market place practices

a) Responsible competition practice.

KTB adheres to the requirements of the PPADA 2015 and the PPADR 2020, which stipulates transparency and fairness in all procurement activities. All participants involved in the procurement processes are treated equally in terms of information submission and responses to queries.

KTB ensures transparency through the publishing and advertisement its tenders in the Public procurement information portal as well as in the organizations website. This ensures fair competition among potential suppliers.

b) Responsible Supply chain and supplier relations

Kenya Tourism Board undertakes its procurement processes in line with the requirements of the PPADA 2015 and PPADR 2020. Award of tenders is based on fairness, transparency and objectivity as per the requirements of the Act. KTB maintains open communication line with all its suppliers via dedicated email and telephone. KTB also has set credit terms that is disclosed to all bidders before award of contracts and the same is duly maintained. KTB honours contracts and ensures that payments are made within the agreed timelines subject to satisfactory delivery of goods and services.

c) Responsible marketing and advertisement-efforts to maintain ethical marketing practices

KTB ensures ethical marketing practices by seeking to promote honesty, fairness, and responsibility in all advertising. This is ensured through using reputable advertising agencies such as Scanad Advertising, which has a global network, wide range of reputable clients and a good reputation as an agency. KTB ensures that information in its marketing about the organization and the destination is correct and verified. KTB also engages reputable representation companies (Market Development Representatives) in the source markets to support the implementation of the global marketing strategy.

d) Product stewardship- efforts to safeguard consumer rights and interests

The consumer is at the center of KTB's initiatives ensuring that the needs and interests of consumers are taken into account when designing destination products and experiences. This is achieved through regular forums held with the product owners and private sector stakeholders to share market intelligence including regular consumer insights. Embracing sustainability and no plastic ban among other initiatives helps to ensure good stewardship of Kenya's tourism base resources such as nature and culture.

5. Community Engagement

As part of implementation of its sustainability agenda, KTB has undertaken a number of initiatives that are community engagement related. KTB continues to play its role in mentoring young people interested in Tourism and Hospitality through talks and support with collateral materials (Peer Educators program), Tree planting in various parts of the country, some in collaboration with NEMA, Clean-ups, donations. Last year, the Board donated a water tank to a community in Kwale and more recently members of staff, voluntarily, contributed to the COVID-19 Fund set-up by the Government as a way of supporting Kenyans most affected by the Pandemic. The Board has endeavoured to promote inclusivity ensuring youth, women and people with disability as well as the different tourism regions are involved either as suppliers, partners and beneficiaries of the various initiatives. Board also works closely with the County Governments and through the Ministry of Tourism and Wildlife engages with communities and get input in its strategy.





X. REPORT OF THE DIRECTORS

The Board of the Directors submits their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the KTB's affairs.

i. Principal Activities

The principal activity of the Tourism Board continue to be marketing Kenya as a tourist destination.

Quality Policy

Kenya Tourism Board is committed to supporting and serving the tourist industry through marketing Kenya's unique physical and non-physical attractions with diligence, dedication and professionalism for the benefit of all stakeholders.

In pursuit of this commitment, quality objectives that have been established and communicated to all employees are being implemented and monitored.

KTB Employees

KTB employees exhibit the highest levels of integrity and professionalism. In meeting the service needs of our customers, our employees "get it right the first time, every time".

Customer Focus

We are a customer driven organization that views every customer contact as an opportunity to add value and enhance our relationship. We listen to our customers, learn and understand their needs thereby enabling us to anticipate and pro-actively offer attractive solutions.

We continuously strive to offer the best services for our customers.

Communication

We offer open, honest and constructive communication throughout the organization by supporting healthy debate and personal participation on issues affecting our business. We communicate with our customers in a fresh and informative way.

Service

We optimize the use of relevant technology to deliver attractive customer solutions, increase efficiency and minimize cost base.

We offer reliable service delivery channels that provide a comfortable, secure and user-friendly environment for both customers and employees alike.

We constantly seek ways to improve the delivery of service to our customers.

ii. Results

The results of the Kenya Tourism Board for the year ended June 30, 2021 are set out on page 1-34.

iii. Directors

The members of the Board of Directors who served during the year are shown on page VII. In FY 2019/20, the term of one of the independent directors came to an end as a result of which a vacancy on the board continued to exist as at the close of the financial year.

iv. Auditors

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

By Order of the Board

Allan Njoroge
COMPANY SECRETARY

Signature

Date: 30.9.2021



XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and The Tourism Act No.28 of 2011 Section 32(4) require the Directors to prepare financial statements in respect of KTB, which give a true and fair view of the state of affairs of KTB at the end of the financial year and the operating results of KTB for that year. The Directors are also required to ensure that KTB keeps proper accounting records which disclose with reasonable accuracy the financial position of KTB. The Directors are also responsible for safeguarding the assets of KTB.

The Directors are responsible for the preparation and presentation of KTB's financial statements, which give a true and fair view of the state of affairs of KTB for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KTB'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 KTB's financial statements give a true and fair view of the state of KTB's transactions during the financial year ended June 30, 2021, and of KTB's financial position as at that date.

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

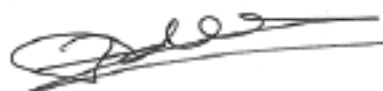
Nothing has come to the attention of the Directors to indicate that KTB will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

KTB's financial statements were approved by the Board on 30th September 2021 and signed on its behalf by:



Jimi Kariuki
CHAIRPERSON OF THE BOARD



Dr. Betty Addero Radier
CHIEF EXECUTIVE OFFICER



XII. REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2021



PREAMBLE

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

- A. Report on the financial statement that considers whether the financial statements are fairly presented in accordance with applicable financial reporting framework, accounting standards and the relevant laws and regulations that have direct effect on the financial statements.
- B. Report on lawfulness and effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manual and whether public resources are applied in prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value of money and that such funds are applied for intended purpose.
- C. Report of effectiveness of internal control, Risk Management and governance which considers how the entity has instituted checks and balance to guide internal operations. This responds to the effectiveness of governance structure, the risk management environment, and the internal control 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's its internal control, risk management and governance system 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 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 Kenya Tourism Board (KTB) set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2021, and statement of cash flows, statement of comparison of budget and actual amounts, and notes to the financial statement for the year ended and other explanatory information in accordance with the provision of article 229 of the constitution of Kenya and section 35 of the public Audit Act, 2015. I have obtained all information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of audit.

In my opinion, except for the effect of the matter described in the basis for qualified opinion section of my report, the financial statement present fairly, in all material respect, the financial position of Kenya Tourism Board as at 30 June, 2021 and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standard (Accrual Basis) and comply with the Tourism Act No. 28 of 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Excess Marketing Related Costs

The statement of financial performance and as disclosed in Note 6 to the financial statement reflects an amount of 678,246,012 for marketing related costs. The following issues were noted:

1.1 Excess Payment on Kenya Coast Advertising Campaign

The balance includes an amount of Kshs. 39,349,440 relating to Kenya which further includes a tender awarded for provision of digital media buying for Kenya Coast Advertising Campaign at a total cost of kshs. 12,000,000 using direct procurement method. The tenderer submitted a schedule of amount to be spent on the campaign amounting to kshs, 12,000,000. However, the following issues were noted:

- (i) The schedule includes an amount of Kshs. 7,259,528 for media spending and Kshs. 2,177,858 for withholding tax calculated at 25% of the media costs. However, the withholding tax was calculated at rate of 25% (kshs. 2,177,858) instead of 20% (kshs. 1,451,905) as provided by section 3(a) of the third schedule head B on the rates of tax of the income tax cap 470 and the Board was charged excess withholding tax of kshs. 752,952 by the vendor.
- (ii) As at 30 June, 2021, the Board had made payments totaling to kshs. 9,167,900 (kshs. 8,960,223 to the vendor and kshs. 207,677 withheld for VAT and Income Tax). However, audit analysis of the payment documentation revealed the vendor was paid excess amount of kshs. 347,687.
- (iii) Review of the invoices from third party providers supporting the payment Vouchers revealed excess payment to the vendor by Kshs. 1,420,338 and underpayment of withholding taxes of kshs. 1,236,819.

In the circumstances, the accuracy and completeness of the expenditure total of kshs. 39,349,440 relating to marketing cost- Kenya could not be confirmed.

1.2 Excess Payments on Taxes

Included in the balance is an amount of kshs. 47,514,348 relating to business development. However, the amount includes

excess payments amounting to approximately kshs. 3,057,716 made to service providers for Magical Kenya e-learning and trade Travel certification programme for reverse VAT and Withholding Income Tax.

In the circumstances, the accuracy, propriety and value for money relating to business development totaling to kshs. 47,514,348 could not be confirmed.

The audit was conducted in accordance with International Standard of Supreme Audit Institution (ISSAIs). I am independent of the Kenya Tourism Board Management in accordance with the 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 the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the previous year, several issues were raised. Management's report on the progress made in resolving the issues indicate that some have since been resolved while effort to resolve others is continuing. However, Management has not given any explanation for failure to adhere to the provision of public sector accounting standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by article 229(6) of the constitution, based on the audit procedures performed, except for the matters described in the Basis for conclusion on lawfulness and effectiveness in use of public resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for conclusion

1. Outstanding Tax liability

The statement of financial position and as disclosed in Note 20(a) the financial statement reflects trade and other payables from exchange transaction balance of kshs. 438,565,907 which includes a balance of kshs. 195,757,167 relating to other payables. Includes in the balance is an amount of kshs. 182,456,743 relating to outstanding tax liability due to Kenya Revenue Authority(KRA) for the financial year 2016/2017. The liability relates to withholding tax assessment not remitted by the Board from payment made to Tourism Marketing Agencies it had contracted to market Kenya as tourist destination in various Markets.

The following matters were noted:

- i. In the month of June, 2020, KRA issued an agency notice to the Board's bankers appointing them as an agent to collecting outstanding amount from the Board's bank accounts. Subsequently, the board applied for stay of execution of agency notice at the high court which was granted.
- ii. On 6 July, 2020, the Board requested the office of Attorney General and Department of Justice to mediate on the dispute. On 20 November, 2020 the office of the Attorney General and Department of Justice advised that the dispute between KRA and the Board be referred to mediation under the auspices of the Nairobi Center for International Arbitration. However, as at the time of audit in April, 2022 there was no evidence of the outcome of the mediation process.

In the circumstances, the delay in resolving the tax dispute may lead to additional costs of interest and penalties on the outstanding tax liability.

2. Irregular payment for provision of Integrated Advertising

The board engaged a local company for provision of integrated advertising and media buying agency services at a cost of kshs. 27,250,730 for various online advertising services. However, the following unsatisfactory matters were noted:

- (i) Invoices from the services providers included withholding tax at 25% incurred by the Board from various online services (Facebook, twitter, Instagram and google) instead of rate of 20% as provided by section 3(a) of the third schedule head B on rates of tax of the income Tax Cap 470. As a result, the board was charged excess withholding tax of kshs. 815,150 by the vendors. In addition, no contract from the third – party service providers were provided to confirm if the service rendered were exclusive of taxes to justify additional expenses incurred on withholding taxes.
- (ii) The company charged monitoring fee of two percent (2%) for every invoices issued out by service providers (Facebook, twitter, Instagram and google). However, it is not clear how the rate was arrived at as the contract did not indicate the rate. In addition, the monitoring fee of two percent (2%) was not subjected to five percent (5%) withholding tax (for resident) as a source of income.

In the circumstances, effective use of public resources could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2339. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and system of internal control, risk management and overall governance were operating effectively, in all material respect. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

Management is also responsible for the submission of financial statement to the Auditor-General in accordance with the provision of section 47 of the Public Audit Act, 2015.

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

The Board of Directors is responsible for overseeing the Boards financial reporting process, reviewing the effectiveness of how the management monitors compliance with relevant legislative and regulatory requirement, ensuring that effective processes and system 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 objective is to obtain reasonable assurance about whether the financial statement 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 ISSAI will always detect a material misstatement and weakness when it exists. Misstatement 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 statement, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transaction 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 provision of article 229(6) of the constitution and submit the audit report in compliance with article 229(7) of the constitution.

Further, in planning and performing the audit of the financial statement and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal control, risk management and governance processes and system in accordance with the provision of section 7(1)(a) of 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 necessary disclose all matter in internal control that might be material weaknesses under ISSAIs .A material weakness is a condition on which the design or operation of one or more of the internal control component does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amount that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risk 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, misrepresentation, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 event or conditions that may cast significant doubt on the board's ability 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 disclosure in the financial statements or, if such disclosure is inadequate to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



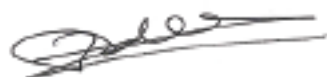
NANCY GATHUNGU, CPA
AUDITOR - GENERAL



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

	Notes	2021 KShs	2020 KShs
Revenue from non-exchange transactions			
Industry contributions, Strategic Partnerships & Donations	3	15,751,492	103,009,309
Transfer from Government Grants & other Agencies	4	974,346,501	712,517,415
		990,097,993	815,526,724
Revenue from exchange transactions			
Other income	5	45,602,196	51,857,334
		45,602,196	51,857,334
Total revenue		1,035,700,190	867,384,058
Expenses			
Marketing Costs	6	678,246,012	343,288,286
Employee costs	7	269,181,195	272,027,091
Remuneration of Board	8	7,226,299	7,701,984
Depreciation and amortization expense	9	16,520,575	18,374,232
Repairs and maintenance	10	1,704,578	2,136,332
General expenses	11	69,003,006	241,262,864
Finance costs	12	474,024	803,854
Total expenses		1,042,355,690	885,594,643
Other gains/(losses)			
Net Gain/ (loss) on sale of assets	13	(180,535)	412,500
Gain/ (Loss) on foreign exchange transactions	14	9,663,767	845,828
(Deficit)/ Surplus for the Year		2,827,731	(16,952,257)

The Financial Statements set out on pages 1 to 34 were signed on behalf of the Board of Directors by:



Accounting Officer
Name: Dr Betty Radier

Date: 30th Sep 2021



Director Finance & Admin
Name: Mary Maina
ICPAK Member Number: 4589

Date: 30th Sep 2021



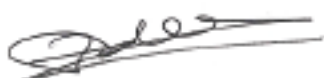
Chairman of the Board
Name: Jimi Kariuki

Date: 30th Sep 2021

XIV. STATEMENT OF FINANCIAL POSITION As at 30 June 2021

	Note	2021 KShs	2020 KShs
Assets			
Current assets			
Cash and Cash equivalents	15	574,230,969	505,818,832
Receivables from exchange transactions	16(a)	83,716,499	101,923,333
Receivables from non-exchange transactions	16(b)	601,196,424	2,166,354
Inventories	17	7,437,402	10,876,783
Total Current Assets		1,266,581,295	620,785,302
Non-current assets			
Property, plant and equipment	18	34,072,359	30,224,931
Intangible assets	19	4,052,390	6,938,558
Total Non- Current Assets		38,124,749	37,163,489
Total Assets		1,304,706,044	657,948,791
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20(a)	438,565,907	226,018,472
Provisions	22	32,049,617	18,858,303
Deferred income	21	628,928,733	227,951,512
Payments received in advance	20(b)	4,002,342	5,724,569
Total Current Liabilities		1,103,546,599	478,552,856
Total liabilities		1,103,546,599	478,552,856
Net Assets			
Accumulated surplus	24	153,718,401	136,370,094
Capital Fund	25	20,441,044	27,025,841
Sinking Fund	26	18,000,000	16,000,000
Revaluation Reserve	25	9,000,000	-
Total Net Assets		201,159,445	179,395,935
Total Net Assets and Liabilities		1,304,706,044	657,948,791

The Financial Statements set out on pages 1 to 34 were signed on behalf of the Board of Directors by:



Accounting Officer
Name: Dr Betty Radier

Date: 30th Sep 2021



Director Finance & Admin
Name: Mary Maina
ICPAK Member Number: 4589

Date: 30th Sep 2021



Chairman of the Board
Name: Jimi Kariuki

Date: 30th Sep 2021

XV. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2021

		Sinking Reserves Kshs	Accumulated Reserves Kshs	Capital Fund KShs	Revaluation Reserves Kshs	Total Kshs
As at 1st July 2019		14,000,000	136,948,119	32,709,265		183,657,384
Surplus/(Deficit) for the period		-	(16,952,257)	-		(16,952,257)
Capital/Development grants received during the year	25	-	-	12,690,808		12,690,808
Transfer of depreciation/amortisation from capital fund to retained earnings	9	-	18,374,232	(18,374,232)		-
Transfers to/from accumulated surplus/(Deficit)	26	2,000,000	(2,000,000)	-	-	-
Balance as at 30 June 2020		16,000,000	136,370,094	27,025,841	-	179,395,935
As at 1st July 2020		16,000,000	136,370,094	27,025,841	-	179,395,935
Surplus/(Deficit) for the period		-	2,827,731	-		2,827,731
Capital/Development grants received during the year	25	-	-	9,935,778		9,935,778
Transfer of depreciation/amortisation from capital fund to retained earnings	9	-	16,520,575	(16,520,575)		-
Revaluation gain	18b				9,000,000	9,000,000
Transfers to/from accumulated surplus/(Deficit)	26	2,000,000	(2,000,000)	-	-	-
Balance as at 30 June 2021		18,000,000	153,718,400	20,441,044	9,000,000	201,159,444

The Financial Statements set out on pages 1 to 34 were signed on behalf of the Board of Directors by:



Accounting Officer
Name: Dr Betty Radier

Date: 30th Sep 2021



Director Finance & Admin
Name: Mary Maina
ICPAK Member Number: 4589

Date: 30th Sep 2021



Chairman of the Board
Name: Jimi Kariuki

Date: 30th Sep 2021

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

	Note	2021 KShs	2020 KShs
Cash flows from operating activities			
Receipts			
Exchequer Releases: Government grants and subsidies	23 a. (i)	774,669,625	388,400,000
Transfer from other government entities - Tourism Fund	4	20,000,000	301,680,000
KTB Own generated receipts-Industry contribution/ Strategic partnerships	23 a. (ii)	901,492	59,132,798
KTB Own generated receipts- other income	23 a (iii)	45,656,933	31,414,258
Total Receipts		841,228,050	780,627,056
Payments			
Compensation of employees (less gratuity provision)	23 (b)	227,288,693	239,614,135
Goods and Services/ Marketing costs	23 (c)	468,200,844	478,883,283
Contributions to Pensions and NSSF	7	17,343,329	17,294,942
Finance cost	11	(9,189,743)	(41,973)
Other payments	23 (d)	60,510,532	64,431,809
Total Payments		764,153,655	800,182,196
Net cash flows from operating activities		77,074,395	(19,555,139)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(9,935,679)	(2,919,292)
Proceeds from sales of property, plant and Equipment	13	1,273,420	412,500
Net cash flows used in investing activities		(8,662,259)	(2,506,792)
Net cash flows financing activities		-	-
Net increase/ (decrease) in cash and cash equivalents		68,412,137	(22,061,931)
Cash and cash equivalents at beginning of year		505,818,832	527,880,765
Cash and cash equivalents at end of year	15	574,230,969	505,818,833

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

	Budget Original Budget 2020.21 KShs	Budget Adjustments 2020.21 KShs	Budget Final Adjusted Budget 2020.21 KShs	Actual Actual on comparable basis KShs	Performance Difference Under/(over) KShs	% of utilization	Explanation of material variances
Revenue							
GOK-Recurrent	250,190,000	116,169,500	366,359,500	366,359,500	0	100%	Additional recurrent grant of KShs 116M was approved. KShs 91.589M was accrued on 30th June 2021 and received on 8th July 2021. An amount of KShs 31M was deferred to FY 2021/22.
GOK-Deferred income 2020.21		229,250,067	229,250,067	229,250,068	(1)	100%	The full amount of deferred income was transferred to income. The amount was adjusted with the capital expenditure.
GOK-Development	125,800,000	(900,000)	124,900,000	124,900,000	0	100%	The grant was reduced by KShs 900,000 during Supplementary 1. KShs 62M was accrued on 30th June 2021 and received on 8th July 2021. An amount of KShs 75M was deferred to FY 2021/22.
GOK Development (Economic Stimulus Programme)	874,000,000	0	874,000,000	874,000,000	0	100%	KShs 437M was accrued on 30th June 2021 and received on 8th July 2021. An amount of KShs 521.8M was deferred to FY 2021/22.
Rendering of services- Industrial Contribution & Strategic partnerships	120,000,000	(90,000,000)	30,000,000	15,751,492	14,248,508	53%	Contributions and sponsorships earned from virtual exhibitions. Industry contribution revised from from KShs 110M to KShs 20M in the Supplementary 1 estimates. KQ/KTB and Jambo Jet value adds (non-cash sponsorships) were recognized at shs 14.85M
Tourism Fund	430,000,000	(389,500,000)	40,500,000	20,000,000	20,500,000	49%	The budget was revised from KShs 430M to Shs 40.5M due to the effects of Covid-19 on the tourism sector and effectively tourism levy. Only KShs 20M was received during the year.
Finance Income & other Miscellaneous income	30,000,000	0	30,000,000	44,761,906	(14,761,906)	149%	Interest earned in the current bank accounts as negotiated with the bank. Positive variance resulting from early receipt of the development and ESP funds.
Other Income	3,000,000	0	3,000,000	659,756	2,340,244	22%	Amount relate to disposal proceeds from the sale of old vehicles.
Total income	1,832,990,000	-134,980,433	1,698,009,567	1,675,682,721	22,326,846	99%	

	Budget Original Budget 2020.21 KShs	Budget Adjustments 2020.21 KShs	Budget Final Adjusted Budget 2020.21 KShs	Actual Actual on comparable basis KShs	Performance Difference Under/(over) KShs	% of utilization	Explanation of material variances
Expenses							
Compensation of employees	250,190,001	9,378,950	259,568,951	248,601,338	10,967,613	96%	Spend is within the estimated costs.
Marketing Expenditure	1,388,777,581	(112,286,860)	1,276,490,721	678,246,011	598,244,710	53%	The budget adjustment was caused by the reduction in the TF grants. Most of the current year activities were planned to take place during the year in line with the Post - Covid-19 marketing strategy. However Marketing activities of Kshs 620M were rolled over to FY 2021/22
Rent paid	34,742,102	-	34,742,102	32,828,026	1,914,076	94%	Spend is within the estimated costs. The savings were realized on cancellation of JKIA offices leases.
Other operational expenses	150,580,318	(22,853,380)	127,726,938	73,016,242	54,710,696	57%	The budget adjustment was caused by the reduction in the TF grants. Only priority operational activities were been undertaken during the year. Activities of KShs 2.2M were deferred to FY 2021/22.
Capital Expenditure	8,699,998	8,486,947	17,186,945	9,935,778	7,251,167	58%	Some of the capital items of KShs 6.6M were undergoing procurement at year end and the funds were therefore rolled over to FY 2021/22.
Total expenditure	1,832,990,000	(117,274,343)	1,715,715,657	1,042,627,395	673,088,262	61%	
Surplus/(Deficit) for the period	-	(17,706,090)	(17,706,090)	633,055,327	(650,761,417)	-	The surplus is because the outstanding grants were accrued at year end but received on 8th July 2021. The funds were committed for the ongoing activities and rolled over to FY 2021/22 with deferred activities of KShs 628M.

XVIII ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Tourism Board is established by and derives its authority and accountability from Tourism Act No.28 of 2011, sections 29-39. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to effectively market Kenya's tourism products.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021- Not applicable
- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021- Not applicable
- iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

KTB receives some of its marketing budget from the development grant. The budget vote "Developing new markets and Sitting Booths" is a strategic intervention that was approved by the National Treasury in 2015 as part of tourism recovery programs. The strategic intervention was approved under the development grant. These specific marketing activities are treated as projects. For financial reporting, the total marketing expenditure including marketing project expenses are reported in the Statement of Financial Performance.

Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Industry Contributions

KTB recognizes revenue from industry contributions by reference to the stage of completion of the exhibition/event. The stage of completion is measured by reference to whether the event had been completed.

Where the event has not been implemented, the industry contribution is reported as liabilities.

Sale of goods

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

a) Interest income

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

b) Budget information

The original budget for FY 2020/21 was approved by the National Assembly and Ministry of Tourism & Wildlife on 3rd August 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations/ revisions are added to the original budget by KTB upon receiving the respective approvals in order to conclude the final budget. Accordingly, KTB recorded additional appropriation of KShs 116.169M on the 2020/21 recurrent budget, a reduction of KShs 0.9M budget cut on the development grant and reduction of KShs 90M on the 2020/21 A-I-A following National Treasury approval. Tourism Fund reduced the approved grant by KShs 389.5M; this resulted from the effects of Covid-19 on the tourism sector and therefore the tourism levy. The net budget decrease was KShs 364.23Million.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

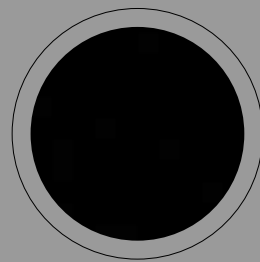
Depreciation is calculated on the straight line basis at annual rates to write off the cost of assets over their estimated useful lives by equal annual instalments at the following rates: -

(I) Motor vehicles	25%
(II) Office equipment	12.5%
(III) Furniture	12.5 %
(IV) Computers	33.3 %

The depreciation charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and depreciation in full in the month of acquisition.
- No depreciation is charged in the month the asset is boarded for disposal.
- No depreciation is charged on work-in-progress.





d) Intangible Assets

KTB's intangible assets comprise of software that are in use including the SAP accounting system.

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

The useful life of the intangible assets is assessed as either finite or indefinite. The SAP/ ERP system shall be classified as indefinite useful life. It shall not be amortized but tested for impairment on an annual basis

Amortization is calculated on the straight line basis at annual rates to write off the cost of assets over their estimated useful lives by equal annual instalments at the rate of 33.3%.

The amortization charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and amortization in full in the month of acquisition.
- No amortization is charged in the month the asset is boarded for disposal.
- No amortization is charged on work-in-progress.

e) Work in Progress on Assets

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

f) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables as appropriate. KTB determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when KTB has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

g) Receivables from non-exchange transactions

Where an item of revenue from non-exchange transactions is not received at year end, the same is recognised as a receivable from non-exchange transactions.

h) Inventories

KTB maintains inventories mainly promotional materials for its marketing activities. Other inventories include printing and stationery materials, office utilities etc.

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

The inventories are recognized as expenses in the period they are issued out from the stores for use in the marketing activities in the case of promotional materials or other operational use in the case of stationeries and office utilities.

i) Trade and Other payables from exchange transactions

In the course of its operations, KTB enters into exchange transactions and events through purchase of goods, works or services. Trade and other payables for KTB arising from exchange transactions include: trade and other payables and customer deposits.

Recognition of expense and/ or payable:

From the purchase of goods: When significant risks and rewards have been transferred to KTB, amount of expense can be reliably measured and it is likely that the economic benefits or service potential associated with the transaction will flow to KTB, and the costs incurred or to be incurred in respect of the transaction can be measured reliably; then an expense is recognized

From the purchase of services: This is recognized in reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably.

The expense is measured at the fair value of the consideration paid or payable. Where the expense from exchange transaction is not paid for at the reporting date, it is recognised as a payable from exchange transaction.

j) Provisions

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

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

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

k) Contingent liabilities

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

l) Nature and Purpose of Reserves

KTB creates and maintains reserves in terms of specific requirements. KTB maintains a sinking reserve, accumulated Reserve and Capital Fund.

The Sinking fund reserve is a fund set aside for future replacement of assets as required in the State Corporations Act; section 16(1) requires that state corporations shall make provision for the renewal of depreciating assets by the establishment of sinking funds and for contributions to such reserve and stabilization funds as may be required. KTB provides for KShs. 2M annually for this fund. The amount is provided from the accumulated surplus reserves. The current balance as at June 2021 is KShs 18Million.

KTB also maintains accumulated reserve where all surpluses net of deficits from previous year are accumulated. The fund is also net of any transfers from/ to the accumulated surplus fund.

KTB maintains capital fund for grants received for the acquirement of assets net transfer of depreciation/ amortization of the assets that have been acquired using such funds.

Revaluation reserve is maintained where all revaluation increases are credited. The revaluation reserve is reduced by subsequent depreciation and impairment losses.

m) Changes in accounting policies and estimates

KTB recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

n) Retirement benefit plans

KTB provides retirement benefits for its pensionable employees at the rate of 15% of basic pay and to the National Social Security Fund (NSSF). Contributions to NSSF are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income and Expenditure in the year in which they become payable.

o) Employee Entitlement

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual/reversal. Employee entitlements to gratuity are recognized when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the Financial Position date.

p) Foreign currency transactions

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

q) Related Parties

KTB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over KTB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Balances and transactions between Kenya Tourism Board and its related parties have been disclosed as per IPSAS 20 in note 28 of the accounts.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents includes interest accrued on bank balances.

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16 and 22.

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

KTB estimated the following provisions as 30th June 2021:

- Provision for bad debts based on the recoverability of the amounts. KTB makes provisions for all receivables outstanding over 365 days where recovery is doubtful.
- Provisions for staff leave balances- estimated based on the basic salaries in line with the approved terms and conditions of services
- Provision for gratuity for staff on contracts- estimated based on the basic salary in line with the approved terms and conditions of service
- Provision for audit fees based on uncharged audit fees



	2021 KShs	2020 KShs
3. Industry Contributions, Strategic Partnerships & Donations		
Industry Contribution	901,492	59,132,798
Partnership and Donations	14,850,000	43,876,511
Total Industry Contributions and Strategic Partnerships	15,751,492	103,009,309

Industry contribution relates to industry partner's contributions for the tourism events. The contribution is both in cash and in kind.

Partnership revenue are sponsorship in kind by strategic partners to participate in joint events for example co-branded activities and joint marketing campaigns.

4 (a). Transfer from Government & other agencies**	2021 KShs	2020 KShs
Unconditional grants		
Recurrent Grant	444,580,136	233,096,126
Tourism Fund	20,000,000	301,680,000
	464,580,136	534,776,126
Conditional grants		
Development Grant	157,629,834	177,741,289
Development Grant-ESP	352,136,531	-
	509,766,365	177,741,289
Total	974,346,501	712,517,415

4 (b): Grants Reconciliations

****Transfers from Government & other Agencies FY 2020/21**

	2021 Recurrent KShs	2020 Recurrent KShs
Government Grant in 2020/21	366,359,500	254,400,000
Deferred revenue from 2019/20	113,029,844	91,725,970
Deferred Revenue to 2021/22	(32,005,015)	(113,029,844)
Transfer to capital Grant	(2,804,193)	-
Recognized Revenue	444,580,136	233,096,126

****Transfers from Government & other Agencies FY 2020/21**

	2021 Development KShs	2020 Development KShs
Government Grant in 2020/21	998,900,000	125,000,000
Deferred revenue from 2019/20	116,220,224	180,353,764
Deferred Revenue to 2021/22-Development grants	(75,060,248)	(114,921,668)
Deferred Revenue to 2021/22-ESP	(521,863,470)	-
Transfer to capital Grant-Deferred	(1,298,556)	-
Transfer to capital Grant- 2020/21	(7,131,585)	(12,690,808)
Recognized Revenue	509,766,365	177,741,288

Name of the Entity Sending the Grant	Amount Recognized in the statement of Financial Performance KShs	Amount Deferred under deferred Income KShs	Amount Recognized in Capital Fund KShs	Total Transfers 2020/21 KShs	Prior Year 2019/20 KShs
Ministry of Tourism & Wildlife	906,071,865	38,338,858	9,935,778	954,346,501	379,400,000
Tourism Fund	20,000,000	-	-	20,000,000	301,680,000
	926,071,865	38,338,858	9,935,778	974,346,501	681,080,000

The details of the reconciliation of the GOK grants is shown in 4(b) above

5. Other income

	2021 KShs	2020 KShs
Website income	-	120,000
Creditors write back	-	-
Miscellaneous Income-interest	44,761,906	28,080,137
Miscellaneous Income-other	840,291	23,657,197
Total other income	45,602,196	51,857,334

6. MARKETING RELATED COSTS

	2021 KShs	2020 KShs
United States & Canada	42,833,146	10,575,006
United Kingdom	55,494,138	15,922,216
China	5,312,365	57,394
India	7,101,996	543,239
Kenya	39,349,440	6,391,997
Business Development	47,514,348	15,780,504
Special Projects	509,414	365,449
Public Relations & Communications	62,214,286	26,127,774
Online Marketing/ Global Online campaigns	118,957,229	43,133,439
Exhibitions & Events	21,831,948	188,380,492
Agency Management	135,804,631	27,314,697
Customer Relationship Managements	125,872,494	280,757
Research & Strategy	14,701,505	2,073,355
Tactical Marketing- General	749,072	6,341,967
Total-Marketing Related Costs	678,246,012	343,288,286

KTb's core activity is to market Kenya as the preferred destination of choice. Various marketing activities are implemented in both local, regional and international markets to market the destination to potential tourists with the objective of increasing tourist arrivals and therefore tourism revenue to the economy.

7. Employee costs	2021 KShs	2020 KShs
Employee related costs - salaries and wages	166,121,260	166,519,096
Housing benefits and allowances	51,539,927	52,146,091
Employee related costs - contributions to Pensions and NSSF	17,343,329	17,294,942
Gratuity	12,636,822	12,717,319
Staff Group Life Policy	1,861,157	1,786,470
Staff Medical Insurance (In & Out Patient)	19,192,201	20,859,992
Group Personal Accident	486,499	703,180
Employee costs	269,181,195	272,027,091
8. Remuneration of Board Members	2021 KShs	2020 KShs
Chairman Honorarium	960,000	960,000
Sitting Allowances	2,839,000	3,667,000
Induction & Training	1,745,880	1,430,946
Travel and Accommodation	1,163,745	1,266,832
Medical and other Insurances	517,675	377,205
Total	7,226,299	7,701,984
9. Depreciation and amortization expense	2021 KShs	2020 KShs
Property, plant and equipment	13,634,395	16,718,277
Intangible assets	2,886,180	1,655,955
Total Depreciation and Amortization	16,520,575	18,374,232
10. Repairs and maintenance		
Motor Vehicle	551,599	677,933
Office Furniture and Equipment	322,224	771,895
Computers	830,755	686,504
Total repairs and maintenance	1,704,578	2,136,332

11. General expenses

The following are included in general expenses:

	2021 KShs	2020 KShs
Audit fees	700,000	700,000
Staff welfare	1,168,144	484,626
Team Building	-	3,814,380
Hiv aids/Positive living	478,500	-
Subscription and Memberships	1,394,988	459,829
Staff Training	345,621	681,612
Recruitment	386,378	2,997,000
Insurance for Motor Vehicle, Computers & Office Equip.	941,364	1,100,133
Rent	32,828,026	31,806,309
Telephone, Internet, Postal & Directories	5,325,653	6,332,226
Printing & Stationery	1,432,386	2,442,437
Entertainment	1,205,106	998,283
Local Traveling & Accomodotation for Product fam trips	3,955,232	2,828,424
Parking	1,720	234,288
Legal fees & Consultancies	8,649,173	3,616,421
ICT Software licences/ Support fees & ERP Programmes	5,559,705	8,912,434
Procurement Management	577,219	1,520,830
Motor vehicle fuel	760,065	955,346
Tax and Statutory Charges	-	167,143,637
Office general expenses	3,293,727	4,234,653
Total General expenses	69,003,006	241,262,864
12. Finance Cost	2021 KShs	2020 KShs
Bank charges	474,024	803,854
	474,024	803,854
13. Gain/ (Loss) on sale of assets		
Property, plant and equipment	(180,535)	412,500
Total gain/ (Loss) on sale of assets	(180,535)	412,500
14. Loss on foreign exchange transactions	KShs	KShs
Forex (Losses)/ Gain	9,663,767	845,828
	9,663,767	845,828
15. Cash and cash equivalents	2021 KShs	2020 KShs
Bank	572,278,475	503,182,727
Cash-on-hand and in transit	157,440	46,803
Accrued Interest Income on Current Account	1,795,054	2,589,302
Total cash and cash equivalents	574,230,969	505,818,832

15 (a) DETAILED ANALYSIS OF CASH & CASH EQUIVALENTS	2020-2021	2019-2020
Bank and Account Number	KShs	KShs
a) Current Accounts		
KCB Moi Avenue Branch EURO A/C 1101689846	21,387,279	22,488,962
KCB Moi Avenue Branch-USD A/C 1101660066	1,368,407	7,534,666
KCB Moi Avenue Branch GBP A/C 1101636912	39,877,283	17,716,089
KCB Moi Avenue Branch KES A/C 1108980457	484,645,506	430,443,010
Sub - Total	547,278,475	478,182,727
b) Staff Mortgage		
KCB- Haile Selassie Branch- A/C 1267300841	25,000,000	25,000,000
Sub - Total	25,000,000	25,000,000
Grand Total	572,278,475	503,182,727
16 a) Receivables from exchange transactions	2021	2020
	KShs	KShs
Current receivables	3,681,404	4,079,468
Exhibition debtors	-	28,500,498
MKTE organiser Receivable	63,731,228	56,233,489
Prepaid Media Buying	6,146,595	6,276,747
Prepayment	13,588,410	10,264,269
Other deposits/receivables	87,147,637	105,354,471
Less Provisions:		
Bad Debt - Industry	3,431,137	3,431,137
Sub Total - Provisions	3,431,137	3,431,137
Total current receivables	83,716,499	101,923,333
Reconciliation for Impairment Allowance of Receivables from Exchange Transactions	2021	2020
	KShs	KShs
At the beginning of the year	3,431,137	3,431,137
At the end of the year	3,431,137	3,431,137
16 b) Receivables from non exchange transactions	2021	2020
	KShs	KShs
Current receivables		
Tourism Fund	4,000,000	4,000,000
Ministry of Tourism- Grants	590,589,875	-
Ministry of Tourism-Calenders	7,012,903	-
Tourism Research Institute	1,150,638	1,150,638
Staff Advances and Perdiem	4,586,216	2,035,103
Imprest	499,458	1,855,097
	607,839,089	9,040,838
Less Provisions:		
Bad Debt - TRI	1,150,638	1,150,638
Provision TF	4,000,000	4,000,000
Bad Debt - Staff	1,492,028	1,723,846
Sub Total - Provisions	6,642,666	6,874,484
Total current receivables	601,196,424	2,166,354
Reconciliation for Impairment Allowance of Receivables from Non-Exchange Transactions	2021	2020
	KShs	KShs
At the beginning of the year	6,874,484	6,916,534
Additional provisions during the year	-	-
Recovered during the year	(231,818)	-
Written off during the year		(42,050)
At the end of the year	6,642,666	6,874,484
17. Inventories		
Consumable stores	7,437,402	10,876,783
Total Inventories	7,437,402	10,876,783

18 (a). PROPERTY, PLANT & EQUIPMENT

	Office Equipment KShs	Computer Hardware KShs	Furniture & Fittings KShs	Motorvehicle KShs	Capital Workin Progress KShs	Total KShs
Cost						
As 1st July 2018	16,756,491	48,405,051	30,286,195	32,945,177	8,510,261	136,903,175
Additions	3,003,896	3,492,266	24,000	14,791,000	4,384,678	25,695,840
WIP	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As 30th June 2019	19,760,387	51,897,316	30,310,195	47,736,177	12,894,939	162,599,014
Additions	-	7,617,864	579,104	-	-	8,196,968
Disposals	-	(2,476,111)	-	-	-	(2,476,111)
Transfer/adjustments	-	-	-	-	(12,894,939)	(12,894,939)
As 30th June 2020	19,760,387	57,039,070	30,889,299	47,736,177	-	155,424,932
Additions	767,700.00	2,228,919	6,939,160	-	-	9,935,779
Revaluation	-	-	-	9,000,000	-	9,000,000
Disposals	(1,973,196)	(3,306,552)	(7,309,732)	(7,226,789)	-	(19,816,269)
As 30th June 2021	18,554,892	55,961,436	30,518,727	49,509,388	-	154,544,442
Depreciation and impairment						
As at 1st July 2018	11,567,501	37,597,872	22,822,172	21,235,849	-	93,223,393
Depreciation	1,224,902	7,137,929	1,262,656	8,108,956	-	17,734,443
Disposals	-	-	-	-	-	-
At 30 June 2019	12,792,403	44,735,800	24,084,828	29,344,805	-	110,957,836
Depreciation	1,386,468	6,138,138	1,312,984	7,880,687	-	16,718,277
Disposals	-	(2,476,111)	-	-	-	(2,476,111)
As At 30 June 2020	14,178,871	48,397,828	25,397,812	37,225,492	-	125,200,002
Depreciation	1,342,791	5,066,263	1,359,021	5,866,320	-	13,634,395
Disposals	(1,973,196)	(3,306,552)	(5,855,777)	(7,226,789)	-	(18,362,314)
As At 30 June 2021	13,548,466	50,157,538	20,901,056	35,865,023	-	120,472,083
Net book values						
At 30 June 2021	5,006,425	5,803,898	9,617,671	13,644,365	-	34,072,359
At 30 June 2020	5,581,516	8,641,242	5,491,487	10,510,685	-	30,224,931

18 (b). PROPERTY, PLANT & EQUIPMENT

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

	Cost or Valuation	Normal Annual Depreciation Charge
Motor vehicles	9,000,000	-
Total	9,000,000	-

18 (c). PROPERTY, PLANT & EQUIPMENT AT COST

	Cost KShs	Accumulated Depreciation KShs	NBV KShs
Motor vehicles	49,509,388	35,865,023.00	13,644,365
Furniture and Fittings	30,518,727	20,901,055.70	9,617,671
Computer Harware	55,961,436	50,157,538.41	5,803,898
Office Equipment	18,554,892	13,548,466.37	5,006,425
Total	154,544,442	120,472,083.00	34,072,359

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

	Cost or Valuation KShs	Normal Annual Depreciation Charge KShs
Motor vehicles	9,000,000	2,250,000.00
Furniture and Fittings	16,930,331	2,116,291.42
Computer Harware	41,315,278	13,771,759.33
Office Equipment	6,124,514	765,564.21
Total	73,370,123	2,250,000.00

Motor vehicles were valued on 4th May 2021 by the GOK Public works department using cost method for accounting records . Furniture and fittings and Office were not valued during the year; valuation will be done in FY 2021/2022.

19. Intangible assets - software

Cost	KShs
At 30 June 2018	34,086,484
Additions – internal development	4,164,690
At 30 June 2019	38,251,174
Additions – internal development	4,493,840
WIP	-
At 30 June 2020	42,745,014
Additions – internal development	-
WIP	-
At 30 June 2021	42,745,014

Amortization and impairment

At 1st July 2018	33,781,629
Amortization	368,872
At 30 June 2019	34,150,501
Amortization	1,655,955
Impairment loss	-
At 30 June 2020	35,806,456
Amortization	2,886,168
At 30 June 2021	38,692,624
Net book values	
At 30 June 2021	4,052,390
At 30 June 2020	6,938,558



20. Trade and other payables from exchange transactions

20(a) Trade and other payables

	2021 KShs	2020 KShs
Trade payables	242,005,986	42,160,189
Accruals	802,753	213,935
Other payables	195,757,167	183,644,349
Total trade and other payables	438,565,907	226,018,472

20(b) Payments received in advance

	2021 KShs	2020 KShs
Payments received in advance- Exhibitions	4,002,342	5,724,569
	4,002,342	5,724,569

21. I) Deferred Income GOK Grants

	2021 KShs	2020 KShs
	628,928,733	227,951,512

The deferred income movement is as follows:

ii) Deferred Income

	2021 Recurrent KShs	2021 Development KShs	2021 ESP KShs	2021 Total KShs	2020 Recurrent KShs	2020 Total KShs
Balance Brought Forward	113,029,844	114,921,668	-	227,951,512	91,725,970	272,079,735
Additions/ Deferred to 2021/22	32,005,015	75,060,248	521,863,470	628,928,733	113,029,844	229,250,068
Transfer to Income Statement	(110,225,651)	(106,491,527)		(216,717,178)	(91,725,970)	(260,687,483)
Transfer to Capital Grants	(2,804,193)	(8,430,141)		(11,234,334)		(12,690,808)
Balance Carried Forward	32,005,015	75,060,248	521,863,470	628,928,733	113,029,844	227,951,512

The deferred income relates to funds transferred from the income statement under government grants to the deferred income accounts. These grants relate to funds received in the year or accrued at year end but for which the specific marketing projects had not been implemented and/or were ongoing. During the year, implementation of some of the activities were impacted by Covid-19 pandemic and were either cancelled or postponed.

22. Current provisions

	Leave Liability KShs	Gratuity KShs	Audit Fees KShs	Total KShs
Balance as at 30 June 2020	5,776,926	11,681,378	1,400,000	18,858,304
Additional provisions raised	578,961	930	700,000	1,279,891
Provision utilized		(725,500)		(725,500)
Balance as at 30 June 2021	6,355,887	10,956,808	2,100,000	19,412,695

23 a. Revenue Inflows		
Description	2020/2021 KShs	2019/2020 KShs
23 a(i) Exchequer Releases:		
Total Receipts	1,365,259,500	379,400,000
Deferred Income from 2019/20		
Add: Prior Revenue received	-	9,000,000
Less: Accrued Revenue receivable	(590,589,875)	-
Total Cash Inflows	774,669,625	388,400,000
23 a. (ii) Entity Own Generated Receipts(A-I-A)- Industry Contribution & Strategic Partnerships & Sponsorships		
Total Receipts	15,751,492	103,009,309
Less: Non Cash sponsorships	(14,850,000)	(43,876,511)
GOK		
Total Cash Inflows	901,492	59,132,798
23 a. (iii) Entity Own Generated Receipts(A-I-A)- Other Income		
	2020/2021 KSh	2019/2020 KSh
Website Income	-	120,000
Miscellaneous Income-interest	44,761,906	28,080,137
Miscellaneous Income-others	840,291	23,657,197
Total other income	45,602,196	51,857,334
Add: Prior Revenue received	2,589,302	2,733,560
Less: Accrued Revenue receivable	(1,795,054)	(2,589,302)
Less: Creditors Writeback	(739,511)	(20,587,334)
Total Cash Inflows	45,656,933	31,414,258
23 (b) Compensation of employee		
Description	2020/2021 KSh	2019/2020 KSh
Compensation of Employees		
Add: Any gratuity Commuted in the Year	256,544,373	259,309,772
Less: Accrued cost & gratuity provision	725,500	7,199,130
Less: Final Dues & Leave Commutation accrued in the year	(12,637,852)	(9,377,129)
Total Cash Compensation of Employees Costs	-	(222,695)
	244,632,021	256,909,078
23 (c) Use of goods and services		
Description	2020/2021 KSh	2019/2020 KSh
Use of goods and services	678,246,012	343,288,286
Add: Creditors settled from prior year	11,157,807	154,989,435
Add: Payments received in advance- Exhibitions	-	5,724,569
Less: Utilization of MKTE deposits to cover marketing expenses	(3,777,223)	(7,864,421)
Less: Accrued Costs during the year	(766,753)	(186,935)
Less: Creditors balance at year end	(216,658,998)	(17,067,651)
Total Cash Expense on Use of Goods & Services	468,200,844	478,883,283



23 (d) Use of goods and services- Others	2020/2021	2019/2020
Description	KSh	KSh
Use of goods and services	77,933,883	83,870,957
Add: Creditors settled from prior year	8,228,057	7,038,708
Add: Prepayments at end year	6,146,595	6,276,747
Less: Prepayments at Beginning of year	(6,276,747)	(7,635,989)
Less: Accrued Costs during the year	(36,000)	(27,000)
Less: Creditors balance at year end	(25,485,257)	(25,091,614)
Total Cash Expense on Use of Goods & Services	60,510,532	64,431,809
23 (d) Other Payments		
General Expenses	69,003,006	241,176,278
Repairs and maintainance	1,704,578	2,136,332
Directors remuneration	7,226,299	7,701,984
Less: Tax General Provisions	-	(167,143,637)
Total Other Payments	77,933,883	83,870,957
24. Accumulated Surplus	2021	2020
	KShs	KShs
Balance B/F	136,370,094	136,948,119
Surplus/ (Deficit)	2,827,731	(16,952,257)
Transfer of depreciation/amortisation from capital fund	16,520,575	18,374,232
Transfers to Sinking Fund	(2,000,000)	(2,000,000)
Total Accumulated Surplus	153,718,401	136,370,094
25. Capital Fund	2021	2020
	KShs	KShs
Balance B/F	27,025,841	32,709,265
Capital/Development grants	9,935,778	12,690,808
Transfer of depreciation/amortisation from capital fund to retained earnings	(16,520,575)	(18,374,232)
Total Capital Fund	20,441,044	27,025,841
26. Sinking Fund	2021	2020
	KShs	KShs
Opening Balance	16,000,000	14,000,000
Sinking Fund Provision	2,000,000	2,000,000
Balance as at 30 June	18,000,000	16,000,000

27. FINANCIAL RISK MANAGEMENT

KTB's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. KTB's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. KTB does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

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

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

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

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

	Credit Risk Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	87,147,637	19,985,272	63,731,228	3,431,137
Receivables from non exchange transactions	607,839,089	601,196,424	-	6,642,666
Bank balances	572,278,475	572,278,475	-	-
Total	1,267,265,201	1,193,460,170	63,731,228	10,073,803
At 30 June 2020				
Receivables from exchange transactions	105,354,471	45,689,845	56,233,489	3,431,137
Receivables from non exchange transactions	9,040,838	2,166,354	5,150,638	6,874,484
Bank balances	503,182,727	503,182,727	-	-
Total	617,578,036	551,038,926	61,384,127	10,305,621

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets KTB's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

KTB requires that customers pay for their participation costs before the events thereby minimizing any risk of non-payment of industry contributions. KTB also makes provisions for all receivables outstanding over 365 days where recovery is doubtful. To avoid further loss, KTB does not allow subsequent engagement with a debtor until the previous outstanding amount is fully received



ii) Liquidity risk management

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

The table below represents cash flows payable by KTB under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Liquidity risk management				
	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2021				
Trade payables	155,294,279	1,039,644	85,609,645	241,943,567
Provisions	700,000	3,177,943	28,091,276	31,969,220
Deferred income	57,754,592	267,258,932	303,915,209	628,928,733
Total	213,748,870	271,476,519	417,616,130	902,841,519
At 30 June 2020				
Trade payables	10,103,602	12,703,701	19,352,885	42,160,188
Provisions	700,000	2,888,463	15,269,840	18,858,303
Deferred income	7,278,862	106,498,549	114,174,101	227,951,512
Total	18,082,464	122,090,713	148,796,826	288,970,003

(iii) Market risk

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

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

KTB's Strategy Department is responsible for the development of detailed risk management policies (subject to review and approval by Board Audit and Risk Management Committee) and for the day to day implementation of those policies.

Risk management analysis is done for all major projects (above KShs 10M) at the onset of the projects. There has been no change to KTB's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

KTB has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of KTB's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows

	Total Kshs	Total Kshs
At 30 June 2021		
Financial assets		
Investments	-	-
Cash	509,645,506	572,278,475
Debtors	631,255,499	694,986,726
Total financial assets	1,140,901,005	1,267,265,201
Financial Liabilities		
Trade and other payables	345,262,994	438,646,191
Borrowings	-	-
Total financial liabilities	345,262,994	438,646,191
Net foreign currency asset/(liability)	795,638,011	828,619,010
At 30 June 2020	Ksh	Total
Financial assets	Kshs	Kshs
Investments	-	-
Cash	455,443,010	503,182,727
Debtors	29,661,323	114,395,309
Total financial assets	485,104,333	617,578,036
Financial Liabilities		
Trade and other payables	226,018,472	226,296,655
Borrowings	-	-
Total financial liabilities	226,018,472	226,296,655
Net foreign currency asset/(liability)	259,085,861	391,281,381

b) Interest rate risk

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

Management of interest rate risk

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

iv) Capital Risk Management

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

Capital Risk Management	2020-2021 Kshs	2019-2020 Kshs
Revaluation reserve	9,000,000	-
Sinking Fund	18,000,000	16,000,000
Retained earnings	153,718,401	136,370,094
Capital Fund	20,441,044	27,025,841
Total Funds	201,159,444	179,395,935
Total borrowings		-
Less: cash and bank balances	574,230,969	505,818,832
Net debt/(excess cash and cash equivalents)	(574,230,969)	(505,818,832)
Gearing	-285%	-282%

28. Related parties

KTB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over KTB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Government of Kenya

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

- i. The National Government
- ii. Ministry of Tourism & Wildlife
- iii. Tourism Fund
- iv. County Governments
- v. Board of Directors
- vi. Senior Management

Government grants of KShs 590.589Million was received on 8th July 2021. The amount were accrued in KTB books and reported as due from GOK as at 30th June.

29. Contingent Liabilities

In 2016/17, KRA undertook an assessment of KTB operations covering the period July 2012 to October 2016 and thereafter raised a tax assessment of KSh. 182,568,010 relating to withholding tax on fees paid to the Market Development Representatives (MDRs).

KTB raised an objection to the assessment on the grounds that KRA's assessment was based on a misapprehension of the nature of KTB's activities and a misinterpretation of the Income Tax Act. Accordingly, KTB filed an appeal at the Tax Appeals Tribunal (TAT) with a view to obtaining a legal interpretation of the applicable statute and quashing of the tax assessment.

In its ruling, the Tribunal on 18th December 2019 disagreed with KRA's argument that the income from the marketing activity of KTB could be attributed to KTB even though received by the Government. Despite this, the TAT ruled in favour of KRA in the appeal filed by KTB.

KTB, being dissatisfied with the decision of the Tax Appeals Tribunal filed an appeal to the High Court of Kenya after due consultation with the Attorney General's office. The purpose of the appeal is to seek the Court's interpretation of the applicable law. At the same time, KTB commenced alternative dispute resolution (ADR) proceedings with KRA in line with recent circulars that directed Government agencies to withdraw court cases and use mediation frameworks facilitated by the AG's office.

KTB received a copy of an agency notice issued by KRA to KTB's bankers, Kenya Commercial Bank, on 30th June 2020 declaring KCB as the payer of KShs 182,456,743. KTB applied to the High Court and was granted a stay of the enforcement of the Agency Notice were issued on several dates: 24th July, 2020, then extended until 21st August 2020 and then to 28th December 2020 and then to 15th October 2020 and then to 21st January 2021 to allow mediation between KRA and KTB. The National Treasury was also appraised of the discussion and is participating in the mediation process.

Kenya Commercial Bank lifted the agency notice in November 2020 (letter received in March 2021) while KTB withdrew the appeal case at the High Court in February 2021 in favor of out of court settlement. The mediation process continues and is being facilitated by the Office of Attorney General through Solicitor General's office.

Management provided for the full amount FY 2019/20



29. CONTINGENT LIABILITIES

	2020-21 KShs	2019-20 KShs
Statutory Obligations- Withholding tax assessment	182,456,743	182,456,743
Total	182,456,743	182,456,743
The withholding tax assessment liability was provided for in 2019/20		

30. CAPITAL COMMITMENTS

Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. They include capital expenditure that had been authorized by the Board but at the end of the year had not been contracted and/or those already contracted for and ongoing.

	2020-21 KShs	2019-20 KShs
Authorized for	6,653,814	14,579,705
Authorized & Contracted for	-	-
Total	6,653,814	14,579,705

31. EVENTS AFTER THE REPORTING PERIOD

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

32. ULTIMATE AND HOLDING ENTITY

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

33. CURRENCY

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







APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS/OTHER MATTER

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion	<p>Long Outstanding Receivables</p> <p>As previously reported, the receivables from exchange transaction balance of Kshs 104,089,687 as at 30 June 2020 includes an amount of Kshs 4,581,775 in relation to bad debts- industry and KShs 1,723,846 for former staff. In addition, a review of evidence of follow up on the debts and the effort taken to recover them were noted not to be fruitful since only one debtor has paid despite the entity engaging the services of a debt collector</p>	<p>KTB engaged Aegis in to collect the amounts and the company is paid on commission based on collections. In 2018/19, collections were made from KLM Royal Dutch Airlines of Euro 1,500. In 2019/20, there were no successful recoveries.</p> <p>As a means of recovering the amounts owed by the Kenya Wildlife Service of KShs 788,937.36 negotiations were held with KWS where it was agreed that the amounts be recovered through park fees waivers provided to KTB by KWS for various marketing activities. However, the marketing activities in 2019/20 were affected by the Covid-19 pandemic which led to postponement of some of the activities. This was negotiated again in 2020/21 and the utilization on the balance is currently ongoing with the trade and media famtrips taking place upto 30th June 2021</p> <p>KTB is in discussion with National Treasury on the request for approval to write off some of the old debtors amounting to KShs 5,833,392. This includes amounts owing from TRI, TF, Kenya Wildlife Trails and Monaco Tours & Safaris</p> <p>Ex-Staff Balances</p> <p>The amount due from ex-staff of KShs 1,723,846 relates to imprest and advances amounts that were not paid by former staff members. These cases were forwarded to DCIO and EACC and have been on their follow up since 2007 but have not been successful.</p> <p>They were also forwarded to the debt collector for recovery but was unsuccessful. Management has not managed to trace these debtors to ascertain their ability to pay which would inform any legal action to be commenced. Further efforts in regards to debtor tracing are ongoing.</p> <p>Management will make fresh follow up with EACC and DCIO and if not successful, the same will be recommended for write off.</p>	DFA/CEO/BOD	Not Resolved	December 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of Matter	<p>Contingent Liability I draw attention to Note 29 to the financial statements which discloses a tax assessment from the Kenya Revenue Authority (KRA) relating to the financial year 2016/2017. In August 2017 KRA gave a demand notice of Kshs.187,014,569.</p> <p>Of this amount, Kshs. 182,568,010 related to withholding tax on the marketing development agencies appointed to represent Kenya Tourism Board in various markets.</p> <p>Although the Board made an appeal on the tax assessment, the same was not provided for in the financial years 2016/2017, 2017/2018, 2018/2019, however, the amount has been provided for during the year 2019/2020.</p> <p>KTB received a copy of an agency notice by KRA to KTB's bankers, Kenya Commercial Bank (KCB) on 30 June, 2020 declaring KCB as the payer of Kshs.182,456,743. KTB applied to the High court and was granted a stay of the enforcement of the Agency notice.</p> <p>My opinion is not modified in respect of this matter</p>	<p>In 2016/17, KRA undertook an assessment of KTB operations covering the period July 2012 to October 2016 and thereafter raised a tax assessment of KSh. 182,568,010 relating to withholding tax on fees paid to the Market Development Representatives (MDRs).</p> <p>KTB raised an objection to the assessment on the grounds that KRA's assessment was based on a misapprehension of the nature of KTB's activities and a misinterpretation of the Income Tax Act. Accordingly, KTB filed an appeal at the Tax Appeals Tribunal (TAT) with a view to obtaining a legal interpretation of the applicable statute and quashing of the tax assessment.</p> <p>In its ruling, the Tribunal on 18th December 2019 disagreed with KRA's argument that the income from the marketing activity of KTB could be attributed to KTB even though received by the Government. Despite this, the TAT ruled in favour of KRA in the appeal filed by KTB.</p> <p>KTB, being dissatisfied with the decision of the Tax Appeals Tribunal filed an appeal to the High Court of Kenya after due consultation with the Attorney General's office. The purpose of the appeal was to seek the Court's interpretation of the applicable law. At the same time, KTB commenced alternative dispute resolution (ADR) proceedings with KRA in line with recent circulars that directed Government agencies to withdraw court cases and use mediation frameworks facilitated by the AG's office.</p> <p>KTB received a copy of an agency notice issued by KRA to KTB's bankers, Kenya Commercial Bank, on 30th June 2020 declaring KCB as the payer of KShs 182,456,743. KTB applied to the High Court and was granted a stay of the enforcement of the Agency Notice.</p> <ul style="list-style-type: none"> In October 2020, KTB through the PS, State Department of Tourism wrote to AG to seek intervention in the matter by way of seeking a legal interpretation of the law as well as seeking suspension of the Agency Notice for a period of three (3) months to allow the parties to find an amicable solution to the dispute 	PS/CEO/CS(Legal)	Not Resolved	June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<ul style="list-style-type: none"> • SG through a letter to KRA and copied KTB gave guidance that the two institutions pursue an out of court settlement. • KTB wrote to KRA requesting their confirmation that KRA will stay any adverse action against KTB as guided By S • KRA wrote and confirmed that they will not take any adverse action • KTB engaged KRA with a view to commencing mediation proceedings under the auspices of the Nairobi Centre for International Arbitration as guided by the Office of the Solicitor General. • In the meantime, the of the Parties appeared in Court and recorded a consent withdrawing the appeal • KRA wrote to KTB and undertook to withhold any enforcement measures and also wrote to KCB withdrawing the agency notice • KRA lifted the agency notice • KRA and KTB are currently awaiting facilitation of the mediation through the Office of the Attorney General <p>Recognition Of Contingent Liability in The Financial Statements Based on the above facts, the contingent liability was disclosed by way of a note in the FY statements of 2017/18 and 2018/19.</p> <p>A full provision was made in 2019/20 following the judgement of the Tax Tribunal on 18th December 2019. The parties are pursuing mediation and KTB will implement the decision of the mediation proceedings</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Trade and Other Payables from Exchange Transactions</p> <p>Kenya Tourism Board had an outstanding Trade and other payables totalling Kshs. 226,018,472 as at 30 June 2020. List of the certified payables by the audit committee and /or the internal audit department was not provided thus it is not possible to confirm whether the said amount is genuine. In the absence of the list/schedule of the payables, it is not possible to confirm the propriety of the payables as presented in the financial statements.</p>	<p>KTB internal audit reviews the draft accounts and supporting schedules before these are presented to the Board Finance Committee. In 2020, Internal Audit and Finance Department did a joint review of the draft accounts and financial schedules. We however note that this is not a requirement that Internal Audit and/or Audit Committee carries out this review.</p> <p>As is the practice, the KTB draft accounts and the supporting schedules were tabled to the Board Finance Committee in September 2020. The Committee then recommended these to Full Board for approval. The draft accounts and the supporting schedules were approved by the Full Board on 29th September 2020.</p> <p>We would appreciate to be guided by the Office of the Auditor General as to the guiding documents and/or provisions / regulations that require payables to be certified by the Internal Audit Department and/or Audit Committee. To our understanding, certification is required for pending bills as defined in the Performance Contract obligations. In KTB's case, these were normal trade and other payables and funds had already been set aside to make the payments. Most of these payments have since been paid in the new FY. In respect of the KRA liability, the parties continue to pursue mediation as explained above. KTB did not have any pending bills as at 30th June 2020 to require certification by Internal Audit Department and/or Audit Committee.</p>	DFA Resolved	Resolved	N/A





Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Use of wrong procurement method Kenya Tourism Board used request for quotation method to source for Media Buying Global online campaign that is way above the threshold matrix set (for goods/services Kshs.1,000,000) as per the first schedule on the Public Procurement and Disposal Regulations, 2006. Kenya Tourism Board (KTB) engaged Scanad Kenya Limited through request for quotation for Media buying online campaign at a total cost of Kshs.34, 900,000 thus violating the threshold for the set matrix as set out in the first schedule of the Public procurement and Assets Disposal Regulations, 2006.	As explained in the management letter, KTB has a contract with the mentioned supplier M/s Scanad Kenya. Included in the scope of the advertising services is media buying and placement on behalf of KTB as per clause 4.3 of the contract. The contract requires that Scanad gets approval of management prior to media placement and buying. Management therefore undertakes comparison of costed media schedules as an internal control measure to ensure that we get value for money. We wish to confirm that the agency services were competitively procured through an open tender process. The current process of comparing the media schedules through the RFQ is an internal management control to review and ensure value for money before funds for media buying can be committed. The contract document is provided for your reference- Integrated Agency Services KTB-Scanad Contract	CEO/PM	Resolved	
3	Annual Procurement Plan Kenya Tourism Board had an approved annual Procurement Plan for the financial year 2019/2020, However, the procurement plan has no itemized items and lacked the column for the items required. Failure to capture the items required under procurement plan, Kenya Tourism Board may procure Goods/services beyond a reasonable consumption of the Board. For instance, it is not clear how a supplier supplied 1000 pcs of branded Golf T-shirt and 40 pcs of banners yet the number of T-shirt and banners were not specified in the procurement plan.	<p>KTB itemizes procurement items where possible; however, in some cases this is not possible. This is because in most instances the specifics of the procurable items can only be known at a later stage of activity planning and quantifying the various items for each activity in the annual work plan is not possible because this information is not known at procurement planning stage. The information on the exact number of items is only known at a later date during the event planning stage of the project implementation.</p> <p>The management has put in a control measure for this by ensuring that all purchase requisitions have the itemized goods/services for procurement and are accompanied by a signed itemized budget drawn from the annual procurement plan. The itemized budget includes required quantities based on the confirmed event and participation. This therefore helps management to procure only what is necessary for the specific and confirmed events, thereby preventing procurement of items above the consumption requirements. Indeed, an audit of KTB operations will reveal that there have been no such instances of procurement of items beyond KTB's ability to consume.</p> <p>We have however noted the observation and will continue improving the plan by indicating the specific number of items that are known at the procurement planning stage</p>	CEO/PM	Resolved	Continuous

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Outstanding Imprest/ Advances It was observed that some former staff members who left the organization without being cleared by the Board still has an outstanding debt inform imprest and salary advance amounting to Kshs.1,723,845.97	<p>The amount due form ex-staff relates to imprest and advances amounts that were not paid by former staff members. These cases were forwarded to DCI and EACC and have been on their follow up since 2007 but have not been successful.</p> <p>These cases were also forwarded to the debt collector for recovery but was unsuccessful as well. Management has so far not managed to trace these debtors to ascertain their ability to pay after which legal action would be commenced.</p> <p>Management will make fresh follow up with EACC and DCIO and other private investigators and if not successful, the same will be recommended for write off as per the PFM Act/ Regulations.</p> <p>We also wish to confirm that management has strengthened controls relating to staff exits and all staff fill clearance forms before their terminal dues are processed.</p>	DFA/CEO	Not Resolved	June 2022
5	Fuel and Oil Expenses The Board incurred a total expenditure of Kshs.955,346 for fuel and oil under Motor Vehicle Expenses. The management violated Government Directive Circular No. OP/CAB/10BA dated 30/4/2015 and irregularly withdraw their fuel from Total Kenya instead of National Oil Corporation.	<p>Management will seek exemption to allow KTB to fuel its vehicles at both at National Oil and at Total (K) Ltd since the latter has a higher regional distribution. This is because KTB carries out its activities in different localities and in some locations NOCK does not have fueling stations and /or do not use the fuel cards. Examples of such locations where KTB undertakes its activities and which do not have NOCK fueling stations or do not accept fuel cards include Meru town, Maralal, Isinya, Kisumu, Athi River, Makueni, Meru, Naivasha, Mai Mahiu and Nanyuki.</p> <p>Management has since written to our parent Ministry seeking the exemption so that KTB is allowed to fuel at other petrol stations</p>	CEO	Resolved	
6	Failure to Implement IFMIS in Procurement The Board management failed to implement IFMIS System and/or to link its Enterprise Resource Planning (ERP) with the IFMIS system and is therefore, not conforming to the Presidential Directive dated August 2014 and a repeated call in 2015,	<p>As explained in the management letter, Kenya Tourism Board currently operates an SAP ERP system which has integrated Procurement, Budgeting and Finance modules. LPOs are linked to the defined budget lines in the ERP system.</p> <p>KTB develops an annual procurement plan at the beginning of the Financial Year. The approved budget amounts are entered in the system at the beginning of the year and updated with revisions and reallocation as may be approved from time to time during the financial year. All procurements and commitments are linked to the budget module and the system does not allow procurement/- commitments where the budgets are inadequate.</p>	CEO	Resolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6	<p>which required that all State Corporations like any other entities to employ full use of e-procurement by 1 January, 2019. This is in addition to the National Treasury Circular No.19/15, dated 18, August, 2015, Ref.DGIPE/A/1/10 Category 4 - Other Projects which states that "State Corporations are required to ensure that capital projects are captured in the Plan-to-Budget in IFMIS and e-ProMIS as appropriate as to improve on the project database (record keeping) and enhance monitoring and evaluation.</p>	<p>In the Executive Order of June 2018, the National Treasury was to secure a seamless integration of all procurement entities to the e-procurement under the IFMIS. KTB participated in a survey carried out by the National Treasury for purposes of integrating the existing systems in all State parastatals with IFMIS but the National Treasury is yet to provide feedback on the same.</p> <p>As per the same Executive Order No. 2 of 2018 of June 2018, 'Procurement of Public goods, works and services by Public entities Presidential directive of 2018, KTB fully utilizes the Public Procurement Information Portal (PPIP) for tender advertisements and procurement reporting. We wish to confirm that KTB is in full compliance with the Executive Order No. 2 of 2018 and indeed was among the entities under State Department of Tourism that was published by PPRA as being compliant in the contract reporting- which recognized KTB as having complied to reporting requirements and Executive Order No. 2 of 2018.</p> <p>Management also wish to confirm that all capital projects are maintained in the e-ProMIS at the parent Ministry. New projects are recommended by the ministerial project committee to the National Treasury and once approved by the National Treasury, they are entered in the e-ProMIS by the Ministry of Tourism & Wildlife. KTB and other State corporations send quarterly reports to our parent Ministry to update the e-ProMIS (for record keeping) as well enhancing monitoring and evaluation of the projects that are under implementation.</p>	CEO	Resolved	
7	<p>Sponsorship Policy During the audit, it was noted that the Kenya Tourism Board (KTB) sponsored various activities to the tune of Kshs.2,543,721 while relying on unsigned and un approved sponsorship policy. Further, such organization sponsored did not demonstrate the return on investment and other sources of income for their budget so as to cushion Kenya Tourism Board (KTB) on using significant resources on such activities as budgeted</p>	<p>KTB receives a lot of sponsorship requests from various stakeholders both private and public institutions. It is for this reason that KTB developed a sponsorship policy to guide on the management and application of sponsorship criteria in line with the suitability of business to KTB.</p> <p>Management confirms that the policy was signed in September 2018.</p> <p>Management also confirms that the sponsorship policy was approved by the Board of directors on 21st September 2018.</p> <p>Sponsorship Objectives & Criteria Whereas other institutions sponsor activities and events for specific objectives including instant client/business conversions, KTB</p>	CEO	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7 Cont.	<p>for by the beneficiaries/organizations thus going against the requirement of their own unsigned sponsorship policy.</p> <p>Kenya Tourism Board (KTB) has not demonstrated how each sponsorship has delivered a strong return on investment (ROI) for Kenya as a Tourism Destination and its products as a key principle of the sponsorship policy.</p> <p>The Board lacks framework and internal mechanism on monitoring on how the sponsorship money granted to various organizations are being utilized, only in respect of such activities so as to ensure value for money and prudent use of public resources.</p>	<p>considers three main objectives while evaluating sponsorship requests. These are:</p> <ul style="list-style-type: none"> · Destination brand visibility enhancement; · Stakeholder relation building; and · Top of mind destination awareness among travelers and visitors alike <p>In some instances, KTB gives financial support to stakeholders undertaking activities that are directly beneficial to the promotion of tourism into and within Kenya. These events are sponsored under Corporate sponsorship budget line in the PR AWP. KTB evaluates such requests as guided by the sponsorship policy. Each of the sponsorship request that is approved comes with specific benefits to KTB and the destination brand.</p> <p>The activities that were sponsored were analysed in terms of during the year and highlights the following:</p> <ul style="list-style-type: none"> · sponsorship criteria; · requested amount; · approved amount; · responsibilities of the sponsored organization; · targets for the sponsorship (return on investment); and · Achieved Targets (return on investment): 	CEO	Resolved	
8	<p>Marketing expenses</p> <p>An examination of payment Voucher No. 27693 of 17/01/2020 paid to Scenic Air Safaris Limited for a one night Amboseli Air Safari Excursion for ladies LET Golf Group 11 pax at a total cost of USD 7,160 approximately Kshs.716,000 reveals the following anomalies;</p> <ul style="list-style-type: none"> · It is not clear which procurement method was applied in identifying the Scenic Air Safaris Ltd limited to offer such services. No quotation, tender document nor framework contracting was availed for audit verification. · Further, a memo dated 3/12/2020 from Public Relations Manager and addressed to the Chief 	<p>Magical Kenya Ladies Open (MKLO) has become a major event in the calendar of golf sporting in Kenya, being a spin-off of the Magical Kenya Open (MKO) tournament sponsored by the Kenya government through the Ministry of Sports since 2018.</p> <p>KTB through the Magical Kenya brand has supported the event in activation through various publicity opportunities to raise the awareness of the destination and thereby increase brand's visibility both locally and internationally. The event held in 2019 was executed in liaison with the Kenya Ladies Golf Union (KLGU) who were key in advising on participants for the pro – arm where the professionals get to interact with local players.</p> <p>On 2nd December 2019, the organizers of MKLO wrote to KTB requesting for sponsorship of KShs 1Million for the end of year party for the golfers and stakeholders (400 pax @KShs 2,500). In addition to this, there was also a 2nd request for safari for the players. This request for the sponsorship is as per attached email communication.</p>	DMD/DFA/ PRM/PM	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8 Cont.	<p>Executive Officer states and reads in part "As part of our sponsorship support to the event, we are seeking your proposal of a familiarization trip by 11 golfers to Amboseli National Park on Saturday 7th September, 2019. No letter and budget proposal from the said organizers was availed for audit verification. The identity of the 11 golfers who participated in the event have not been disclosed.</p> <ul style="list-style-type: none"> The purported budget from the organizers for a budget of USD 7,700 (approximately Kshs.785,400) with some itemized budget activities as revealed in the memo has also not been provided for audit verification. A further review of correspondence from the procurement officer and addressed to one Ann Kanini and Kimutai Ngeno, Kenya Tourism Board (KTB) staff reads as follows; "This is not practical through a procurement process at this point. I suggest that you look for alternative methods to support the event this being a partnership instead of exposing the organization via an impossible procurement process". In disregard to the advice by their own procurement expert, the organization went ahead by engaging a service provider through an undisclosed process. 	<p>Looking at benefits that would accrued from the KShs 1M dinner sponsorship, KTB did not pick on it since the benefits did not offer as much value to the destination as the safari for the participants.</p> <p>KTB instead picked on the 2nd request of the safari/ familiarization trip for the golfers where they would get an opportunity to sample safari experience after their golf tournament.</p> <p>MKLO communicated back on the availability of 11 golfers for the one-day trip to Amboseli National Park. KTB assigned a videographer to accompany the team for the purposes of content generation which were activated on our magical Kenya social handles. The 11 golfers that participated were as per annex provided.</p> <p>Scenic Air was the only event partner on local air transfers as communicated by the organizers in their request for sponsorship. The organizers U.COM shared with KTB the brochure from Scenic Safaris for the excursions with a total cost of USD 700 per person on single booking to cover the following items: Accommodation, ground transfers, park fees, sundowner cocktail bush walks and game drives. This formed basis for the budget of USD 7,700 for the 11 golfers (Details captured in the attached Scenic Safari Excursion Package brochure)</p> <p>Management therefore wishes to clarify that this was not a procurement but a sponsorship of the safari/ famtrip through the official partner.</p> <p>The media value for local coverage of the safari/ famtrip on both print and electronic was Kshs 49,350,609.00. The media and branding reports were provided. Going forward, management will ensure that all relevant documents are attached to the payment vouchers for ease of reference</p>	DMD/DFA/ PRM/PM	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Prior year issues	1. Incomplete Contracts				
	<p>1.1 Kenya Airways</p> <p>The Board contravened the requirements of Public Procurement and Assets Disposal Act, 2015 section 135(3) which provides contracts being entered into within the period specified in the notification but not before 14 days have elapsed. This requirement was contravened in the contract between the Board and Kenya Airways PLC at a contract price of Kshs.29,278,400 for advertisement and media opportunities on Kenya Airways (KQ) platforms (Phase II). The contract was not dated by both parties but the commencement as per the agreement was indicated as 1 September, 2017. Out of a total amount paid of Kshs.27,764,000, Kshs.17, 678,400 was invoiced on 21 June, 2017, three months before the contract commencement date.</p>	<p>As explained during the 2017/18 audit and 2019 audit report, KTB entered into a contract with Kenya Airways in respect of advertising and media opportunities on KQ-owned platforms for Ksh. 14M. Phase I of the same ran from 1st January 2017 for periods varying from 4 months to 12 months depending on the platforms. Payment was to be made to KQ within 30 days from 1st January 2017 (50%) and within 30 days from 1st June 2017 (50%).</p> <p>Upon expiry of the period and successful return on investment by KTB on the same, a Phase II campaign was negotiated with KQ. After a series of meeting and arriving at an agreement on the advertisement campaigns to be implemented, a contract was entered into for Ksh. 25.24M that ran from 1st September 2017 for periods varying from 4 months to 12 months depending on the platforms. The contract amount was accrued in 2016/17; the accrual was based on the fact that the partnership discussion had been done and an MOU was already in place.</p> <p>Payment was to be made to KQ at the end of January 2018 (50%) and end of February 2018 (50%).</p> <p>Payment to KQ was made as follows: Phase 1 · Ksh. 7,000,000 (50%) +VAT – March 2017 · Ksh. 7,000,000 (50%) +VAT– July 2017</p> <p>Phase 2 payments were to be made as follows · Ksh. 12,620,000 (50%) +VAT – 30th Jan 2018 · Ksh. 12,620,000 (50%) +VAT – 30th Feb 2018</p> <p>The payment for phase II was however made in May 2018 after receipt of the branding report in April 2018.</p> <p>We also confirm all payments were made to KQ based on deliverables that were supported by approvals from KTB after successful implementation of the advertising campaign.</p>	CEO/CS/ DFA	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Prior year issues	1. Incomplete Contracts				
	1.2. Human Capital Synergies (HCS) Africa Limited An agreement was signed between the Board and Human Capital Synergies (HCS) Africa Ltd to provide management services for KTB Tourist Information Centers vide award letter Ref: KTB/9/1Vol1 (195). Award notification was on 3 April, 2018 whereas contract commencement date was 1 April, 2018 to run for a year. This implies that the services were provided before the Company was notified of the award.	<p>As explained during the 2017/18 audit and in the 2019 audit report, the supplier, Human Capital Synergies Ltd was awarded the tender for the provision of human resource outsourcing services. The professional opinion was submitted to the CEO and approved on 28th March 2018. The tender award thereafter issued on 3rd April 2018. In discussions with KTB, it was agreed that the supplier would take over the contracts of employment of existing KTB staff working as TIC Assistants and would meet their payroll costs w.e.f from the month of April 2018. The commencement date was thus captured as 1st April 2018 and the staff were taken off the KTB payroll and transferred to the outsourced service provider.</p> <p>Management have subsequently ensured that contracts are only entered into after 14 days following notification of awards.</p>	CEO/CS	Resolved	
	1.3. Advance Payment to Exhibition Wise Ltd An agreement was signed between the Board and Uganda Tourism Board, Rwanda Development Board and C. Liasides Exhibition Wise Limited Pissouri Cyprus for design, construction, storage and disposal of an exhibition stand. This was in regard to the International Tourism Bourse (ITB) 2018 and the World Travel Market (WTM), London at a cost of Euros. 73,000 (Kshs.9,282,599.70) and Euros.89,000 (Kshs.11,317,142.10) respectively. The contract term stipulated payment to the contractor shall be made on receipt of an invoice by the project manager and to be made upon the complete removal of the stand at the end of the ITB and WTM and no later than 10 days after ITB and WTM. The Board went ahead and paid the amounts in full vide an invoice dated 15 February, 2018 before the event dates between 7 and 11 March, 2018 thus contravening Section 146 of the Public Procurement and Assets Disposals Act, 2015, as well as the contract agreement.	<p>As explained during the 2017/18 audit and in the 2019 audit report, the supplier, Exhibition Wise Ltd was awarded the tender for the Design, Construction, Storage and Disposal of an Exhibition Stand for WTM 2016 and ITB 2017 with an option to renew for two more editions of WTM and ITB respectively. Payment was to be made to the supplier within 10 days of the end of each exhibition.</p> <p>In respect of the shows held in the 2017/18 FY, payment to the supplier was made as follows: Phase 1 · WTM 2017 – 2/11/2017 · ITB 2018 – 21/2/2018</p> <p>As explained in the management letter response, the payments were made earlier than stated in the contract following supplier's demand that an advance payment be made in view of the fact that the stand was already completed and in storage at the time. The supplier's demand was evaluated and it was found that indeed it was customary to make advance payment for such services and the Exhibition Constructor do not hand over the stand to the customer unless the amounts are fully paid. Management have subsequently ensured that contract terms are adhered to and/or amended via a formal addendum where/ when necessary.</p> <p>The supplier demand letters were provided for reference.</p>	CEO/DFA/CS	Resolved	





Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Prior year issues	1. Incomplete Contracts				
	<p>1.4 cont... Provision of Digital Strategy Execution Services by Seven Brands</p> <p>Tourism Board entered into a contract with Seven Brands on 4 May, 2018 for the provision of digital strategy execution services. The agreed amount for Media Buying was Kshs. 120,215,852 and was paid for in full vide cheque No.23462 dated 18 June, 2018 contrary to the provisions Section 147(1) of the Public Procurement and Asset Disposal Act, 2015.</p> <ul style="list-style-type: none"> The trade and other receivables of Kshs.112,101,249 includes a balance of Kshs. 56,233,489 which relates to services still outstanding as at 30 June, 2020 in relation to the Seven Brand contract. As at the time of audit in April 2020, the completion of the Website Redesign and the Media Buying Projects could not be ascertained. The contract between the Board and Seven Brands was terminated as per the correspondence dated 14 December, 2018. It was noted that the management had invoked Section 11.3 of the contract terms. The explanation given for the termination was that there were several agencies that deliver communication services to the organization hence the Board wished to combine all these communication agencies so as to increase efficiency in messaging output and value. 	<p>As explained during the 2018/19 audit and in the management letter, we respond to the matter as follows:</p> <p>a) Payment of Ksh. 120,215,852</p> <p>The contract provided that, as part of the supplier obligations, Seven Brands would undertake media buying on behalf of KTB from time to time during the term of contract. The sums involved in the media buying would vary depending on KTB annual budgets as well as work plans and thus were not determinable in advance. For providing this service, Seven Brands were entitled to earn a 20% agency commission</p> <p>Once a need to undertake a media buying campaign arose at any time during the contract, the media buying funds were to be remitted to Seven Brands in advance as per industry practice, to enable them pay the 3rd party service providers such as Facebook & Youtube. The supplier had clearly indicated this expectation in their financial proposal as well.</p> <p>In FY 2017/18, KTB determined the need to undertake a media buying campaign on various digital platforms. A detailed plan as well as media buying schedule was developed and approved. Accordingly, to enable the agency book and purchase media on these platforms on KTB's behalf, a payment was made on 18th June 2018 in respect of media buying in the sum of GBP 892,139.91 (KShs 120,215,852)</p> <p>These funds were NOT A PAYMENT TO SEVEN BRANDS in the sense envisaged by S.147(1) of the Act but were KTB funds to be used for making media space purchases on digital platforms such as Face book and Youtube which require upfront payment. These payments were transferred to Seven Brands solely for this purpose.</p> <p>If KTB has media buying funds for which it intends to run a campaign on Facebook, there are two options to proceed. Either by KTB buying the media directly from Facebook or contract an agency to do the same on KTB's behalf. The agency method affords KTB the benefit of the agency's expertise which KTB may not have internal capacity.</p>	CEO/CS/ DMD /DFA	Unresolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Prior year issues	1. Incomplete Contracts				
	<p>1.4 cont...</p> <p>The Board went on further to issue correspondence to Seven Brands on 27 March, 2019 informing them that the termination letter dated 14 December, 2018 only related to the provision of digital, maintenance and hosting thus Seven Brands was still expected to carry out the contracted services in relation to Website Development and hosting up to project completion as provided for in the contract.</p> <p>As a result of the termination of the contract prematurely, the recoverability of Kshs. 56,233,489 paid to Seven Brands is doubtful.</p>	<p>This second method is more advantageous to KTB as the digital agency is able to provide much needed strategy, research, planning, execution, analysis and reporting capabilities which KTB does not possess. Both methods however entail payment in advance to Facebook as this is the established media buying policy by these online platforms.</p> <p>Digital media buying on online platforms such as Facebook require upfront payment. In the case of large campaigns such as those by tourism destinations, the agency contracting with Facebook will be required to connect their bank account or debit/credit card to the media buying campaign. Thereafter, Facebook will automatically debit the campaign costs from the designated bank account or bank card.</p> <p>b) The termination of the contract</p> <p>As at the time of KTB reaching the decision to terminate the contract with Seven Brands, the supplier was providing three distinct services to KTB, that is:</p> <p>Digital strategy execution services including design and development services for online creatives, social media management as well as channel and partner campaigns. For this service, the supplier was earning a monthly retainer</p> <p>Website development services. This was a one-off project for which the supplier was to earn Ksh. 21M</p> <p>Media Buying services – As at the time of the decision to terminate the contract, the agency was implementing one project which was ongoing. For this, they were to earn a 20% commission.</p> <p>The decision to terminate therefore was intended to bring to a close the digital strategy execution services which would be amalgamated with offline advertising services and offered by an integrated advertising agency.</p> <p>However, it was not the intention to transfer midway the development of the website which was already briefed to Seven Brands. In addition, the media buying project that was already ongoing was to be completed by Seven Brands.</p> <p>The termination of the contract was aimed at stopping recurring expenditure (payment of monthly retainer) whilst at the same time requiring the agency to complete one-off projects that were already under implementation.</p>	CEO/CS/ DMD /DFA	Unresolved	

CHIEF EXECUTIVE OFFICER
9th SEPTEMBER 2021

APPENDIX II- PROJECTS IMPLEMENTED BY KTB

Status of The Project Completion						
Project	Total project cost	Total Expended to date	Completion% age to date	Budget 2020-21	Actual	Source of funds: Gok,A.I.A, dev. Partners, Borrowings
i . Ongoing Projects						
Developing new and sustaining markets and sitting booths in						
1. Tourism Target Markets	6,424,090,000	1,845,883,889	29%	125,800,000	125,800,000	GOK
Tourism Marketing- Economic						
2. Stimulus Programme (ESP)	874,000,000	874,000,000	100%	874,000,000	874,000,000	GOK
Other Capital Items						
Purchase of Furniture, Refurbishment of offices						
1. Equipment & Motor vehicles	144,020,000	131,011,987	91%	-	-	GOK
2. Computer Hardware & Softwares	100,890,000	81,304,124	81%	-	-	GOK
Total Capital Cost/ BudgetSource of funds for the capital project						
	244,910,000	212,316,111	87%	999,800,000	999,800,000	
Government Grants-Development						
	7,543,000,000	2,932,200,000	39%	999,800,000	999,800,000	GOK

KShs 499M (made of ESP KShs 437M and Developing new and sustaining markets KShs 62M) was received on 8th July 2021

APPENDIX III: INTER-ENTITY TRANSFERS- MINISTRY OF TOURISM & WILDLIFE/ STATE DEPARTMENT OF TOURISM

ENTITY NAME: KENYA TOURISM BOARD				
Break down of Transfers from the State Department of Tourism				
FY 2020/2021				
a. Recurrent Grants				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		07.08.20	62,547,500	FY 2020/2021
		17.11.20	62,547,500	FY 2020/2021
		16.02.21	58,084,750	FY 2020/2021
		27.04.21	91,589,875	FY 2020/2021
		Total	274,769,625	
b. Development Grants-ESP				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		01.09.20	437,000,000	FY 2020/2021
		Total	437,000,000	
c. Development Grants				
		14.09.20	62,900,000	FY 2020/2021
		Total	62,900,000	

Notes:

An amount of KShs 590,589,875 was accrued on 30th June 2021 and was received on 8th July 2021.

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

Director Finance & Admin
Kenya Tourism Board

Sign. 

Head of Accounting Unit
Ministry of Tourism & Wildlife (State Department of Tourism)

Sign. 

APPENDIX IV- RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

ENTITY NAME: KENYA TOURISM BOARD

Where Recorded/recognized									
Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Tourism Fund	21.06.21	Recurrent	10,000,000	10,000,000	-	-	-	-	10,000,000
Tourism Fund	26.06.21	Recurrent	10,000,000	10,000,000	-	-	-	-	10,000,000
Total			20,000,000	20,000,000	-	-	-	-	20,000,000

The above amounts have been communicated to and reconciled with Tourism Fund.

Director Finance & Admin

Kenya Tourism Board

Sign 

Head of Finance

Tourism Fund

Sign 







