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THE AUDITOR-GENERAL

ON

**EAST AFRICA TOURIST VISA FEE
COLLECTION ACCOUNT**

**FOR THE YEAR ENDED
30 JUNE, 2018**

THE NATIONAL TREASURY



THE NATIONAL TREASURY

Financial Statements for East Africa Tourist Visa Fee collection Account

For the Financial Year ended 30th June 2018

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

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1. National Treasury Information and Management

Background Information

The National Treasury was established via the Executive Order No. 2 of May 2013. The basis for establishment of the National Treasury is found in Article 225 (i) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

At Cabinet level, the National Treasury is represented by the Cabinet Secretary for National Treasury and Planning, who is responsible for the general policy and strategic direction of the Ministry.

Vision

“Excellence in economic and public financial management, and development planning”

Mission

“To provide leadership in economic and public financial management, and development planning for shared growth through formulation, implementation and monitoring of economic, financial and development policies”

Core Values

The National Treasury is committed to providing quality services to all and is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork.

Mandate of the National Treasury

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Orders No.2/2013 and No.1/2018. The National Treasury will be executing its mandate in consistency with any other legislation as may be developed or reviewed by Parliament from time to time.

The core functions of the National Treasury as derived from the above legal provisions include;

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;

- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
-

- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:-

- Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- Issue guidelines on the preparation of county development planning;
- Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- Provide logistical support to intergovernmental institutions overseeing inter-governmental fiscal relations;
- Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- Build capacity of County Governments on public finance management matters for efficient, effective and transparent financial management as well as planning, monitoring and evaluation and;
- Administer the Equalization Fund.

a) Key Management

The National Treasury' day-to-day management is under the following key offices;

Office of the Principal Secretary

This office is responsible for the administration of the National Treasury operations. In addition, the Principal Secretary is charged with the responsibility of providing advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility.

Organizational structure of the National Treasury

The National Treasury is organized into four (4) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following five (5) Technical Departments each headed by a Director:-

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;
- Inter-Governmental Fiscal Relations Department
- Public Procurement Department.

Directorate of Accounting Services and Quality Assurance

The Directorate is headed by a Director General reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:-

- Government Accounting Services;
- Internal Audit Services Department;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.
- Government Digital Payments Unit.

Directorate of Portfolio Management

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following four (4) Technical Departments each headed by a Director:

- Government Investment and Public Enterprises;
- National Assets and Liabilities Management;
- Pensions Department.

- Public Private Partnership Unit.
- Public Investment Management Unit

Directorate of Public Debt Management Office

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

- Resource Mobilization (Front Office);
- Debt Policy, Strategy and Risk Management (Middle Office);
- Debt Recording and Settlement (Back Office).

Directorate of Administrative and Support Services (Common Shared Services)

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:-

- Accounting,
- Finance,
- Human Resource Management and Development,
- Central Planning and Project Monitoring,
- Supply Chain Management,
- Legal,
- Public Communications,
- General Administration,
- Records Management;
- Internal Audit;
- ICT
- Government Clearing Agency

b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

NO.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, CBS
2.	Principal Administrative Secretary	Mr. Francis Musyimi, CBS
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Ag. Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Director, Financial and Sectoral Affairs Department	Mr. Christopher Oisebe
10.	Director, Public Procurement Department	Mr. Eric Korir
11.	Ag Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
12.	Internal Auditor General	Mr. Alfayo Mogaka
13.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
14.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
15.	Ag Director, Financial Management Information System	Mr. Stanley Kamunguya
16.	Ag. Director, Public Private Partnership Unit	Mrs. Judy Nyakawa
17.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Shem Nyakutu
20.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui, OGW
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mrs. Felister Kivisi
23.	Ag. Director of Administration	Ms. Margaret Muiru, OGW
24.	Head, Accounts Division	Mr. George Gichuru
25.	Head, Finance	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Peter Mulavu
27.	Head, Internal Audit Unit	Ms. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mr. George Kariuki
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
31.	Head, Public Communications	Mr. Maina Kigaga
32.	Head, Legal Unit	Mr. James Mwenda
33.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
34.	Deputy Accountant General	Ms Jane W. N. Macharia

c) Fiduciary Oversight Arrangements

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include:

Audit Committee

The purpose of the Audit Committee is to assist the ministry's management in fulfilling their mandates. The committee undertakes the responsibilities of ensuring existence of adequate financial reporting processes, strong systems of internal controls and efficient operational activities carried out under existing laws and regulations for the ministry to achieve its intended objectives.

The National Treasury and Planning Audit Committee was launched on 22nd March 2019 and has met three times by end of June 2019. It has five members with the Internal Audit Unit as the Secretariat.

Internal Audit Unit

The National Treasury has an Internal Audit Unit charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officer on a regular basis.

Audit Query Committee

The National Treasury established an audit committee comprising officers from all departments of the Ministry, under the chairmanship of the Senior Chief Finance Officer. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee prepares responses to all audit queries for presentation to the relevant committees of parliament.

Project Implementation Committee

To monitor the implementation of the Government's Infrastructure Projects, the National Treasury has established a Project Steering Committee comprising Principal Secretaries from implementing Ministries and appointed a technical committee comprising officers from the technical departments of the Ministry. The Committees review and analyse the progress made by ministries in the implementation of domestically and externally funded projects and advises accordingly.

Parliamentary Activities

In order to effectively manage the parliamentary activities relating to the Ministry, the National Treasury has designated a liaison officer to coordinate the activities under the Office of the Cabinet Secretary in consultation with the Office of the Chief Administrative Secretary.

Development Partner Oversight

To effectively manage Official Development Assistance to the Government, the National Treasury has under the Public Debt Management Office; a Department responsible for all matters relating to Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

Other fiduciary oversight arrangements include the following committees with specific objectives;

Senior Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed a Senior Management Committee comprising of Directors General and Heads of Departments. The Committee receives reports from departments, builds consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions of top management are implemented in a timely manner.

Public Financial Management Sector Working Group

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

Budget Implementation Committee

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising of officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of the budget and the planned programmes and activities and advises the management accordingly.

Monitoring and Evaluation

The Ministry undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

(e) The National Treasury Headquarters

P.O. Box 30007- 00100,
Treasury Building,
Harambee, Avenue
Nairobi Kenya

The National Treasury Contacts

Telephone: (254)020-2252299

Email: info@treasury.go.ke

Website: www.treasury.go.ke

(f) The National Treasury Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000-00200

Nairobi, Kenya

(g) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O Box 30084

GPO 00100

Nairobi, Kenya

(h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. Forward by the Cabinet Secretary

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy remained resilient in 2017 despite uncertainty associated with the prolonged political elections period coupled with the effects of adverse weather conditions. The Economy grew by 4.9 percent compared to a revised growth of 5.9 percent in 2016. In the first quarter of 2017, the economy recovered and grew by 5.7 percent compared to a growth of 4.8 percent in the same quarter last year. This growth was mainly attributed to improved weather conditions and rebound in business and consumer confidence following political stability in the country. The 4.9 percent economic growth in 2017 generated 898,000 new jobs up from 833,000 new jobs in 2016 and is above 2.8 percent average growth for the sub-Saharan Africa.

GDP Annual Growth Rates (2016 and 2017)

Despite the difficult circumstances faced last year, the Country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable throughout 2017. This serves as a clear demonstration to domestic as well as foreign investors of our commitment to maintain macro-economic stability, which is key in enhancing investor confidence. The Country made notable progress in 2017 in improving the ease of doing business, thereby providing a conducive business environment for both domestic and foreign investors. These reforms have seen Kenya being ranked favourably in the ease of doing business and as a top investment destination. For two consecutive years (2016 and 2017 World Bank's Doing Business Reports), Kenya emerged as the third most reformed country in the world, and in the 2017 Report, as the third best in sub-Saharan Africa and position 80 overall.

The 2017 Ernst & Young (EY) Africa Attractiveness Index ranked Kenya second top investment hub in Africa, after Morocco. The Report also classifies Kenya as the top most preferred investment destination in East Africa, with the majority of investors being attracted by the good infrastructure, ease of doing business, and strong economic growth and prospects.

Other key achievements during the period under review are: -

The National Treasury continued to implement its mandate of supporting the devolved system of Government. In terms of payments, the County Governments received a total of Kshs. 302.2 billion in 2016/2017. Since their establishment in March 2013, County Governments have received more than Kshs.1.3 trillion from the National Government.

In line with its commitment to enhance the County Governments capacity, the National Treasury developed the County Governments (Revenue Raising Regulation Process) Bill. The Bill is geared towards addressing the challenges County Governments are encountering in revenue collection, mitigating their negative effects and assisting the Counties to optimize own-sources revenue.

Some of the challenges the National Treasury faced while implementing the 2016/17 budget include: -

Lack of adequate funds/exchequer to finance all the budget requests by Ministries, Departments and Agencies.

Low absorption of Official Development Assistance (ODA).

Uncertainty associated with the political elections that slowed down economic activity thus affecting revenue performance.

Slow enactment of relevant regulations and related legal instruments to facilitate financial sector deepening.

To surmount the above challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry will: -

Maintain macroeconomic stability by ensuring that inflation, interest rates and exchange rates remain largely stable.

Continue to improve the environment for businesses to thrive, deal decisively with corruption and address the governance and performance challenges at our parastatals and State-linked companies, as well as improve efficiency in our financial sector in order to boost investments and create jobs.

Manage the level and composition of national public debt, national guarantees and other financial obligations of national government effectively;

Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.

Strengthen capacity in public financial management to MDAs and County Governments to improve oversight of Public resources and Strengthen financial and fiscal relations between the national government and county governments

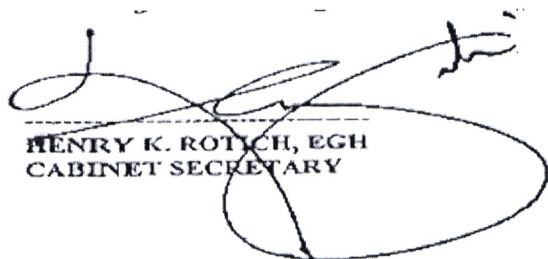
Enhance the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.

Promote the Public Private Partnership initiatives to finance government capital projects.

Engage other development partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.

Ensure constant collaboration between the National Treasury and all the Stakeholders.

Strengthen monitoring and evaluation framework.



HENRY K. ROTICH, EGH
CABINET SECRETARY

3. East Africa Tourist Visa Fee collection Account information and management

3.1 Establishment of East Africa Tourist Visa Fee

Following the directives from the first and second infrastructure summits of Heads of state of the Republic of Kenya, the Republic of Rwanda and the Republic of Uganda held respectively in Entebbe Uganda on 24th-25th June 2013 and in Mombasa on 28th August 2013, having sought to enhance cooperation and promotion of tourism of the three partner states as a single tourist destination through issuance of East Africa Tourist Visa, a Memorandum of Understanding which was signed and sealed on 27th October, 2013 in Kigali Rwanda was entered into between the parties in order to establish an East Africa Tourist Visa and modalities of sharing revenues. An EATV visa is to be issued upon payment of USD 100 or the equivalent foreign currency.

The modalities of sharing revenues from East Africa tourist visa is as follows; 10% to be retained by the issuing party to support its administration cost including the bank charges accrued therein while the remaining 90% shall be shared equally among the parties each receiving 30%.

3.2 Administration of East Africa Tourist Visa Fee

The authorities responsible for the implementation of the Memorandum of Understanding shall be Immigration departments, Embassies/High Commissions and The National Treasury.

All the revenues collected by the Embassies/High Commissions and Immigration offices will be transferred to the National Treasury which shall share and transfer to the treasuries of the Partner states.

The fees collected on each East Africa Tourist Visa issued shall be distributed as follows; Ten US Dollars (10 USD) shall be retained by the issuing party to support its administration cost, while the remaining ninety US Dollars (90 USD) shall be shared equitably among the parties each retaining Thirty US Dollars (30 USD).

The collection Ministries are Ministry of Interior, State Department of Immigration and The Ministry of Foreign Affairs. The National Treasury's responsibility is to share what has been transferred to the deposit account by the two departments from their various collection accounts.

According to the MOU Each Partner State was to open a special account for the collection of the revenues; Kenya maintains four Accounts; two are maintained by State Departments of Immigration and registration of persons as collection accounts for revenues received from Boarder points and airports, one is maintained by The Ministry of Foreign Affairs as a collection account for revenues from Missions abroad and the last one Maintained by The National Treasury for sharing revenues with Partner States.

This report therefore covers the operations of the East Africa Tourist Visa for the financial year ended 30th June 2018.

The National Treasury
Financial Statements for East Africa Tourist Visa Fee collection Account
For the Financial Year ended 30th June 2018

3.3 Commentary on the financial statements of East Africa Tourist Visa Fee collection Account

In the FY 2017/2018, The National Treasury operated account No. 1000239026 (USD) and closed the account No 1000227257 (Kshs) as stipulated in the MOU.

The USD transactions were translated to Kshs at the days Exchange mean rate as provided by CBK. The Closing balance in USD account was translated to Kshs using the 30th June mean rate. And the Exchange loss has been recorded accordingly.

In the Financial Year 2017/2018 a total of Kshs 143.1 Million was received from EATV stickers issued out of which Ksh 74.3Million was shared to partner states. Kshs 45.9 Million was received from the Partner States.

4. Statement of Responsibility

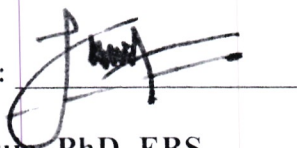
Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the East Africa Tourist Visa Fee Account, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2018. 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 status of the Fund by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the East Africa Tourist Visa Fee collection Account statement, which has been prepared on the Cash Basis Method using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the financial statements of the East Africa Tourist Visa Fee collection Account give a true and fair view of the performance of the Fund during the financial year ended June 30, 2018. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

The Accounting Officer confirms that the Fund has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Signature: _____



Julius Muta, PhD, EBS
Principal Secretary,

The National Treasury

Signature: _____

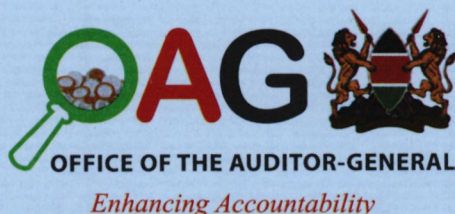


CPA Bernard Ndungu, MBS
Director General, Accounting
Services & Quality Assurance
The National Treasury

The National Treasury
Financial Statements for East Africa Tourist Visa Fee collection Account
For the Financial Year ended 30th June 2018

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REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA TOURIST VISA FEE COLLECTION ACCOUNT FOR THE YEAR ENDED 30 JUNE, 2018 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the East African Tourist Visa Fee Collection Account set out on pages 1 to 8, which comprise the statement of assets and liabilities as at 30 June, 2018, and the statement of receipts and payments, statement of cash flows and the summary of budget versus actual performance for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Inappropriate Financial Reporting Framework

Section 81(3) of the Public Finance Management Act, 2012 requires an Accounting Officer to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board (PSASB). The Board has prescribed the Accrual Basis of accounting method for accounts that carry forward and do not surrender balances at the end of financial year with the following elements; the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and comparative statement of budget and actual expenditure.

However, the financial statements presented for audit have been prepared in accordance with the Cash Basis of accounting method under the International Public Sector Accounting Standards (IPSAS) which comprise of; the statement of assets and liabilities, statement of receipts and payments, statement of cash flows and comparative statement of budget and actual amounts.

In the circumstances, the financial statements as prepared and presented do not comply with the provisions of Section 81(3) of the Public Finance Management Act, 2012.

2. Completeness of Statement of Budget Versus Actual Performance

The statement of budget versus actual performance reflects receipts as a consolidated amount from East Africa Tourist Fee whereas the statement of receipts and payments disaggregates receipts into; receipts from sale of EATV stickers by Kenya, share of EATV revenue from partner states and foreign exchange gain. The statement does not also disclose the budgeted transfers. Consequently, the statement of budget versus actual performance as prepared and presented is not IPSAS cash basis compliant.

3. Poor Maintenance of Accounting Records and Supporting Documents

The financial statements prepared and presented for audit were not adequately supported with the underlying source documents namely the Trial Balance, Ledgers and Visa Registers. Furthermore, the cashbook presented had no evidence of having been reviewed. No monthly bank reconciliation statements were prepared and board of survey reports were not carried out as part of the end of year procedures. The joint verification report balances are at variance with those reported in the financial statements.

In absence of proper accounting records and support documents, no reliance can be placed on the financial statements as prepared and presented.

4. Late Submission of Financial Statements

Contrary to the provisions of Section 68(2)(k) and 81(4) of the Public Finance Management (PFM) Act, 2012, the financial statements for the year were submitted for audit on 6 March, 2019. This was five (5) months after the prescribed deadline of 30 September, 2018. To the extent, Management is in breach of the law.

5. Non-Compliance with the EATV MOU

Article 7 of the MOU outlines the modalities for sharing out revenues raised on EATV fees amongst the partner states with ten percent (10%) being retained by member country issuing the sticker for its administration costs including accrued bank charges, and the remaining 90% to be shared equally among the three partner countries each receiving 30%. The MOU also indicates the departments with the responsibilities to implement the MOU, the timeframe for effecting the transfers to the member states and further defines the amounts for administration costs or bank charges. However, Management has not provided documents to support compliance with the MOU provisions.

In the circumstances, it has not been possible to confirm if the signed MOU is being complied to.

6. Limited Segregation of Duties

The financial transactions for the Account were prepared and recorded by one officer. The officer solely undertook recordings in the cashbook and other books of original entry. Further, the officer was responsible for the preparation of financial statements and provision of supporting records and documents. Consequently, there is limited segregation of duties which makes the process susceptible to errors and manipulations

7. Unresolved Prior Year Audit Matters

The following prior year audit matters remained unresolved as at 30 June, 2018: -

7.1 Receipts from Issue of Stickers in Kenya

As disclosed under Note 10.1 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2017 reflected receipts from issue of stickers by Kenya of Kshs.72,459,424. However, Management has not availed the Trial Balance, Ledgers, and the Register for Visa Stickers in support of the reported revenue. Further, there is no reconciliation between receipts issued out by the agencies and the reported revenue receipts.

A review of stickers under the custody of two revenue collecting agencies; Ministry of Foreign Affairs and the Directorate of Immigration and Registration of persons revealed that five thousand seven hundred and fifty (5,750) and five thousand and thirty-six (5,036) stickers were issued respectively. With each sticker selling at USD 100, the total receipts amounted to USD 1,078,600 or approximately Kshs.107,860,000.

From the foregoing, the accuracy and completeness of the reported receipts from issue of stickers by Kenya of Kshs.72,459,424 for the year ended 30 June, 2017 could not be confirmed.

7.2 Non-Submission of Financial Statements

As previously reported, the financial statements prepared and presented for audit for the year ended 30 June, 2016 had comparative balances for the year ended 30 June, 2015. However, the financial statements for the year ended 30 June, 2015 were not prepared and presented for audit. Consequently, the comparative balances were for an unaudited financial statement. A review of the East African Tourist Visa (EATV) Memorandum of Understanding (MOU) indicates that it was signed on 27 October, 2013 with the collection of fees commencing in the financial year ended 30 June, 2014. The first set of financial statements should have covered the year ended 30 June, 2014 and subsequently to 30 June, 2015.

Consequently, the accuracy of the unaudited comparative figures could not be established.

7.3 Non-Adherence to MOU Provisions on Sharing of Receipts

As previously reported and as disclosed under Note 10.1 to the financial statements, the statements of receipts and payments for the year ended 30 June, 2016 reflected

receipts from issue of stickers in Kenya of Kshs.70,883,521. However, the sharing out was not equitable as per the MOU which entitles the issuing party to retain 10% of the amount or Kshs.7,088,352 and the balance to be shared equally by the parties each receiving 30%, or Kshs.21,265,056. Instead, each partner state received Kshs.15,934,153 which was an understatement by Kshs.5,330,903 as per the signed MOU. No satisfactory explanation has been provided for the breach of the agreement. Management has also not provided proof of remittance of its share of receipts of Kshs.28,353,408 to the Exchequer.

7.4 Discrepancies Between Financial Statements and Supporting Records

As previously reported, a review of records in support of the financial statements revealed that The National Treasury maintains two EATV fee operating bank accounts, account number 1000227257 denominated in Kenya Shillings and account number 1000239026 denominated in US dollars. Review of the Kenya Shillings account revealed that Kshs.51,182,218 EATV fees collected and recorded in the cashbook during the year was omitted from the 2015/2016 financial statements.

Further, receipts from share of revenue from partner states, Uganda and Rwanda amounting to Kshs.16,236,859 and Kshs.16,818,866 respectively deposited in the Kenya Shillings bank account was not reported in the financial statements for the year.

In addition, the Kenya Shillings cashbook reflected a closing balance of Kshs.39,898,521 as at 30 June, 2016 which was not incorporated in the financial statements. Further, the transfers made to the partner states from the Kenya Shillings bank account were omitted from the reported share of EATV revenue to partner states in the statement of receipts and payment.

Consequently, it has not been possible to confirm the accuracy and completeness of the financial statements as prepared and presented.

7.5 Accountability for EATV Stickers

As previously reported, Article 6 of the MOU sets the modalities for issuance of the EATV stickers with the sticker issued to a tourist upon payment of USD100 or its equivalent in the local currency. The stickers issued to tourists are accountable documents and hence records on how they are procured, distributed and issued are critical for accountability. However, Management does not have in place registers of all stickers received from the partner states and issued out for the year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how The National Treasury monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and overall governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and overall governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of East African Tourist Visa Fee Collection Account Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

14 December, 2020

6. Receipts and Payment Statements for the year ended 30th June 2018

	Notes	Period to 30 th June 2018 Kshs	Period to 30 th June 2017 Kshs
Receipts			
B:Receipts during the year			
Receipt from sale of EATV stickers by Kenya	10.1	143,064,721.40	72,459,423.88
Share of EATV revenue from Partner States	10.2	45,981,549.21	54,490,593.90
Total Receipts during the year		189,046,270.61	126,950,017.78
C:Transfers from the EATV Account			
Share of EATV revenue to Partner States	10.3	74,279,393.20	49,266,000.14
Transfer of EATV revenue to Exchequer	10.4	88,315,189.00	117,654,103.66
Other Expenses	10.5	7,012,708.96	450.00
Foreign Exchange loss/gain	10.6	461,095.27	(364,206.73)
Total transfers		170,068,386.43	166,556,347.07
Surplus/Deficit	10.7	18,977,884.18	(39,606,329.29)

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 30th Sept 2018 by:

Signature: _____

Julius Muia, PhD, EBS
 Principal Secretary,

The National Treasury

Signature: _____

CPA Bernard Ndungu, MBS
 Director General, Accounting
 Services & Quality Assurance
 The National Treasury

7. Statement of Assets and Liabilities as at 30th June 2018

	Note	Period to 30 th June 2018 Kshs	Period to 30 th June 2017 Kshs
Financial Assets			
Cash And Cash Equivalents			
Bank Balances	10.7	27,652,299.15	8,674,414.97
Total Cash and Cash Equivalents		27,652,299.15	8,674,414.97
Accounts Receivables			
Outstanding Imprests		-	-
Total Financial Assets		27,652,299.15	8,674,414.97
Financial Liabilities			
Accounts Payables – Deposits And Retentions		-	-
Net Financial Assets		27,652,299.15	8,674,414.97
Represented By			
Fund Balance B/Fwd		8,674,414.97	48,280,744.26
Deficit/Surplus for the Year		18,977,884.18	((39,606,329.29))
Net Financial Position	10.7	27,652,299.15	8,674,414.97

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 30th SEPT 2018 by:

Signature: _____

Julius Muia, PhD, EBS
 Principal Secretary,

The National Treasury

Signature: _____

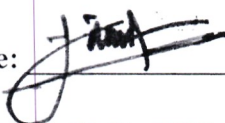
CPA Bernard Ndungu, MBS
 Director General, Accounting
 Services & Quality Assurance
 The National Treasury

8. Statement of Cash Flow for the year ended 30th June 2018

		Period to 30 th June 2018	Period to 30 th June 2018
		Kshs	Kshs
Cash from Operating Activities			
Receipt from sale of EATV stickers by Kenya	10.1	143,064,721.40	72,459,423.88
Share of EATV revenue from Partner States	10.2	45,981,549.21	54,490,593.90
Total		189,046,270.61	126,950,017.78
Transfer from East Africa Tourist Visa Fee			
Share of EATV revenue to Partner States	10.3	74,279,393.20	49,266,000.14
Transfer of EATV revenue to Exchequer	10.4	88,315,189.00	117,654,103.66
Other Expenses	10.5	7,012,708.96	450
Foreign Exchange loss			
Net Cash Flow from Operating Activities		19,438,979.45	(39,970,536.02)
Cash flow from Investing Activities			
		-	-
Cash flow from Financing Activities			
		-	-
Net increase in Cash and Cash Equivalents		19,438,979.45	(39,970,536.02)
Foreign Exchange gain/ (loss)	10.6	-461,095.27	364,206.73
Cash and cash equivalents at the beginning of the year		8,674,414.97	48,280,744.26
Cash and Cash Equivalents at the end of the Year	10.7	27,652,299.15	8,674,414.97

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 30th SEPT 2018 by:

Signature: _____



Julius Muia, PhD, EBS
 Principal Secretary,

The National Treasury

Signature: _____



CPA Bernard Ndungu, MBS
 Director General, Accounting
 Services & Quality Assurance
 The National Treasury

9. Summary of Budget versus Actual Performance for the year ended 30th June 2018

The following statement summarizes the outturn against budget:

	Original Estimates Kshs	Adjustments Kshs	Revised Estimates Kshs	Total Actual 30 th June 2018 Kshs	Difference Kshs	Dev. %
Receipts						
East Africa Tourist Visa Fee	113,938,323.00	(49,999,477.00)	63,938,846.00	88,315,189.00	(24,376,343.00)	(38.1)%

Note: The actual EATV receipts from Kenya, Uganda and Rwanda amounted to Kshs.88.3 Million. This was 138.1% of the revenue estimates. The high East Africa Tourist Visa numbers can be attributed to awareness campaigns conducted by the Partner states to the tourists.

Signature: _____



Julius Muia, PhD, EBS
 Principal Secretary,

The National Treasury

Signature: _____



CPA Bernard Ndungu, MBS
 Director General, Accounting
 Services & Quality Assurance
 The National Treasury

10. Notes to the Financial Statements

Significant Accounting Policies.

a) Basis of preparation

The financial statements of East Africa Tourist Visa Fee collection Account have been prepared in accordance with the International Public Sector Accounting Standard (IPSAS) cash based standard as prescribed by the Public Sector Accounting Standard Board (PSASB).

b) Reporting entity

This report relates to financial operations of the East Africa Tourist Visa Fee collection Account maintained at Central Bank of Kenya. The reporting entity is The National Treasury.

c) Revenues

The Fund shall consist of the proceeds of the East Africa Tourist Visa Fee collections.

d) Expenditure and transfers

The expenditure of the account shall be the commissions and bank charges incurred on the account.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances, and short term deposits in money market instruments.

f) Presentation currency

The financial statements are reported in Kshs being the reporting currency but the USD currency is the operative currency of East Africa Tourist Visa.

Notes to accounts

10.1: Receipt from sticker issues by Kenya

Description		Period to	Period to
		30 th June 2018	30 th June 2017
		Kshs	Kshs
Receipt by Ministry of Foreign Affairs	Annex 1	57,814,007.50	11,980,742.80
Receipt by State Department of Immigration and Registration of Persons	Annex 11	85,250,713.90	60,478,681.08
Total Receipts		143,064,721.40	72,459,423.88

10.2: Receipt from Share of Revenue from Partner States (annex 111)

	Period to	Period to
	30 th June 2018	30 th June 2017
	Kshs	Kshs
Country	Amount	Amount
Rwanda	29,881,838.85	20,264,797.42
Uganda	16,099,710.36	34,225,796.49
Total	45,981,549.21	54,490,593.91

10.3 Share of EATV revenue to Partner States (See Annex IV)

Description	Period to	Period to
	30 th June 2018	30 th June 2017
	Kshs	Kshs
Country	Amount	Amount
Kenya to Rwanda	37,139,696.60	24,633,000.07
Kenya to Uganda	37,139,696.60	24,633,000.07
Total	74,279,393.20	49,266,000.14

10.4 Transfer of EATV revenue to Exchequer (See annex V)

	Period to	Period to
	30-Jun-18	30-Jun-17
	Kshs	Kshs
Country	Amount	Amount
Revenue received from Rwanda	29,881,838.85	32,577,824.77
Revenue received from Uganda	16,099,710.36	48,533,653.54
Revenue received from Kenya	16,099,710.36	36,542,625.35
Total	88,315,189.00	117,654,103.66

10.5 Other Expenses

The National Treasury
 Financial Statements for East Africa Tourist Visa Fee collection Account
 For the Financial Year ended 30th June 2018

Description		Period to 30-Jun-18 Kshs	Period to 30-Jun-17 Kshs
Date	Country		
30-June-18	Bank Charges	7,012,708.96	450.00

10.6 Foreign Exchange loss

	Amount(USD)	Rate	Amount(Kshs)
Closing Balance USD	273,649.67	101.05	27,652,299.15
Closing Balance Kshs			28,113,394.45
Foreign Exchange loss/Gain			(461,095.27)

10.7 Closing Balance

The closing balance as at 30th June 2018 of EATV Deposit Account was as shown below:

Description	As at 30-Jun-18 Kshs	As at 30-Jun-17 Kshs
East Africa Tourist Visa Deposit Account No 1000239026/1000227257	27,652,299.15	8,674,414.97

11. Progress on follow up of auditor's recommendations

There were no noted and outstanding audit matters issues since this is the first Audit

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)
N/A	N/A	N/A	N/A	N/A	N/A

Signature: _____



Julius Muia, PhD, EBS
 Principal Secretary,

The National Treasury

Signature: _____



CPA Bernard Ndungu, MBS
 Director General, Accounting
 Services & Quality Assurance
 The National Treasury

The National Treasury
 Financial Statements for East Africa Tourist Visa Fee collection Account
 For the Financial Year ended 30th June 2018

Annex I: Receipt by Ministry of Foreign Affairs- Missions abroad

Date	USD	Rate	Amount(Kshs)
21-May-18	505,258.27	100.55	50,801,748.54
21-May-18	69,741.73	100.55	7,012,258.96
total			57,814,007.50

Annex II: Receipt by State Department of Immigration and Registration of Persons

Date	USD	Rate	Amount (Kshs)
2-Aug-17	43,494.68	103.87	4,517,962.04
9-Nov-17	43,500.00	103.60	4,506,600.00
9-Nov-17	92,094.70	103.60	9,541,010.92
9-Nov-17	38,794.67	103.60	4,019,127.81
16-Jan-18	35,600.00	103.06	3,668,875.48
16-Jan-18	36,300.00	103.06	3,741,016.29
5-Mar-18	32,500.00	101.32	3,292,971.50
5-Mar-18	35,600.00	101.32	3,607,070.32
6-Apr-18	26,577.16	101.03	2,685,032.01
8-May-18	23,294.54	100.29	2,336,249.02
7-Jun-18	35,000.00	100.83	3,528,875.00
30-Jun-18	118,801.59	101.05	12,004,900.67
30-Jun-18	170,900.00	101.05	17,269,445.00
30-Jun-18	1,917.00	101.05	193,712.85
30-Jun-18	102,300.00	101.05	10,337,415.00
30-Jun-18			450.00
Total	836,674.34		85,250,713.90

Annex III: Receipt from Share of Revenue from Partner States

Date	Country	USD	Rate	Amount(Kshs)
17.07.17	Rwanda	47,943.00	103.91	4,981,704.39
27.10.17	Rwanda	76,534.00	103.81	7,945,293.02
17.01.18	Rwanda	86,178.00	103.04	8,879,445.03
17.04.18	Rwanda	80,491.00	100.33	8,075,396.41
	Total			29,881,838.85
18.07.17	Uganda	57,150.00	103.91	5,938,296.48
27.10.17	Uganda	43,950.00	103.81	4,562,620.91
16.01.18	Uganda	26,970.00	103.06	2,779,482.35
19.04.18	Uganda	28,080.00	100.40	2,819,310.62
	Total	156,150.00		16,099,710.36
Grand total		574,579.00		45,981,549.21

The National Treasury
 Financial Statements for East Africa Tourist Visa Fee collection Account
 For the Financial Year ended 30th June 2018

Annex IV: Share of EATV revenue to Partner States

Date	Country	USD	Rate	Amount(Kshs)
4-Jun-18	Rwanda	207,390.00	101.39	21,026,235.15
8-Jun-18	Rwanda	68,670.00	100.84	6,924,984.95
30-Jun-18	Rwanda	48,300.00	101.05	4,880,715.00
30-Jun-18	Rwanda	42,630.00	101.05	4,307,761.50
	Total	366,990.00		37,139,696.60
4-Jun-18	Uganda	207,390.00	101.39	21,026,235.15
8-Jun-18	Uganda	68,670.00	100.84	6,924,984.95
30-Jun-18	Uganda	48,300.00	101.05	4,880,715.00
30-Jun-18	Uganda	42,630.00	101.05	4,307,761.50
	Total	366,990.00		37,139,696.60
	Grand total	1,152,409.00		74,279,393.20

Annex V: Transfer of EATV revenue to Exchequer

Date	Country	USD	Rate	Amount(Kshs)
4-Jun-18	Kenya	206,803.00	101.39	20,966,722.16
8-Jun-18	Kenya	87,012.00	100.84	8,774,672.93
30-Jun-18	Kenya	64,882.00	101.05	6,556,326.10
30-Jun-18	Kenya	59,732.00	101.05	6,035,918.60
18.07.17	Uganda	57,150.00	103.91	5,938,296.48
27.10.17	Uganda	43,950.00	103.81	4,562,620.91
16.01.18	Uganda	26,970.00	103.06	2,779,482.35
19.04.18	Uganda	28,080.00	100.40	2,819,310.62
17.07.17	Rwanda	47,943.00	103.91	4,981,704.39
27.10.17	Rwanda	76,534.00	103.81	7,945,293.02
17.01.18	Rwanda	86,178.00	103.04	8,879,445.03
17.04.18	Rwanda	80,491.00	100.33	8,075,396.41
	TOTAL			88,315,189.00