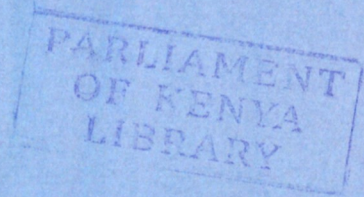


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 31 JUL 2019	DAY: Wednesday
TABLED BY: Hon. Benjamin Wachihi (Majority Whip)	
BY: Hafina Ahmed	



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA CITIZENS AND FOREIGN
NATIONALS MANAGEMENT SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2018**





**KENYA CITIZENS AND FOREIGN NATIONALS MANAGEMENT
SERVICE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018**

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

Kenya Citizens and Foreign Nationals Management Service
Annual Reports and Financial Statements
For the year ended June 30, 2018

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The *Kenya Citizens and Foreign Nationals Management Service* (KCFNMS), here in referred to as the Service is a State Corporation under the ministry of interior and Coordination of National Government. The Service was established by an Act of Parliament; The Kenya Citizens and Foreign Nationals Management Service Act Cap 174 Laws of Kenya on 30th September, 2011. The Service is domiciled in Kenya and has no branches.

(b) Principal Activities

The Service shall, under the general supervision of the Cabinet Secretary be responsible for the implementation of policies, laws and any other matter relating to citizenship and immigration ,births and deaths, marriages ,identification and registration and travel documents, foreign nationals management and the creation and maintenance of a comprehensive national population register.

The Service shall specifically:-

- a) In relation to the national population register and for the purpose of collecting and compiling information concerning the distribution and composition of the population in Kenya, the scope and direction of immigration ,labour resource utilization and other connected purposes have the following functions:
 - (i) Receiving, storing and updating information from primary registration agencies;
 - (ii) Generation of appropriate unique identifier for individuals and groups in accordance with this Act;
 - (iii) Subject to the constitution and in consultation with other relevant institutions, regulating the sharing of information by the various registration agencies and other users;
 - (iv) Implement the relevant policies and guidelines and provide the cabinet secretary with the necessary information to guide the formulation of new policies, review of existing policies and guidelines.
 - (v) In consultation with the cabinet secretary, coordinate and mobilize resources for the implementation of the relevant policies;
 - (vi) Undertake the task of data collection and dissemination in a manner that ensures consistency and accuracy in accordance with set national standards and guidelines and
 - (vii) Facilitate access to information and data to national population registration information in accordance with this Act, any other relevant law or policy and the constitution;
- b) Administer the Acts of parliament set out in the First Schedule and any other written law
- c) Advice the Government on the matters provided for in this section;
- d) Collaborate with other state agencies for effective discharge of its mandate and
- e) Perform such other functions as may be directed by the Cabinet Secretary.

(c) Key Management

The *Kenya Citizen and Foreign Nationals Management Service* day-to-day management is under the following key organs:

- Ag. A.I.E Holder
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. A.I.E Holder	Edwin Ngetich
2.	Deputy Economist	Kennedy Okondo
3.	Finance Officer	Gideon Gichana
4.	Accountant	Loise N. Kibicho
5.	Procurement Officer	Lucy Kimani

(e) Fiduciary Oversight Arrangements

- *Audit and finance committee activities*

- i) Budget approvals.
- ii) Response to internal audit queries

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Kenya Citizens and Foreign Nationals Management Service.

P.O. Box 30191-00100
Nyayo House
Kenyatta Avenue
Nairobi, KENYA

(g) KC&FNMS Contacts

Telephone: (+254) 2222022
E-mail: infocitizenservice@immigration.go.ke
Website: www.mirp.go.ke

(h) KC&FNMS Bankers

Kenya Commercial Bank
Kipande House Branch
P.O.Box 69696-00400
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
<p>1. Amb. Kalimi Mugambi Mworira</p>	<p>Date of Birth, 1 Feb. 1946</p> <p>Qualifications (i) Masters of Arts in Educational Psychology, Columbia University, New York, USA. (ii) Bachelor of Education in Sciences – Upper 2nd (Honours) Degree, Makerere University Kampala, Uganda.</p> <p>Experience (i) Chairperson to the Kenya Citizens and Foreign Nationals Management Service, Directorate of Immigration and Registration of Persons, Ministry of Interior & Coordination of National Government (ii) Ambassador of Kenya to The Netherlands and The Czech Republic. (iii) Trainer, Lecturer, Head, Deputy in various institutions: Lecturer – Kenyatta University/USIU/London Institute of Education - UK Acting Deputy Principal KTTC, Deputy Principal Kenya Polytechnic (iv) Executive Director , Family Planning Association of Kenya (v) Director of Family Planning Private Sector (FPPS) USAID (v) International Training Coordinator AMREF Africa (vi) Director of International Cooperation and Assistance. UN Organization for the Prohibition of Chemical Weapons (Chemical Weapons Convention) (vii) Member of National Committee for Safety and Security of Chemicals in Kenya (viii) Member of the National Committee of Chemical, Biological and Nuclear (CBRN) Centre of Excellence (ix) UNFPA Associate Technical Advisor - Eastern and Southern Africa in</p>

	<p>population and development (South to South) initiative (x) Associate Regional Director: International Planned Parenthood Federation (IPPF) Africa</p>
<p>2. Dr. Charles Kiptemas Sigei.</p>	<p>Date of Birth, 5th Nov.1957</p> <p>Qualifications (i) Masters in Public health; Hadassah's Hebrew University School of Public Health. (ii) Bachelor of medicine and Bachelor of surgery; university of Nairobi.</p> <p>Experience. (i) Board member of Kenya Citizens and Foreign Nationals Management Service. (ii) Wachira Irungu Associates; consultancy with world bank funded ministry of health and sanitation projects as an independent integrated fiduciary agent. (iii) SIVAC-Kenya National Immunization Advisory Group-empowering the ministry of health and advising on all technical and scientific topics related to vaccines and immunization. (iv) UNICEF- Consultancy on technical assistant to MOH. (v) PATH; National consultant on the rotavirus vaccine cost effective analysis (vi) WHO Kenya; Local consultant to the ministry of public health and sanitation. (vii) UNICEF, Consultancy to provide technical assistance to the division of family health. (viii) MSH Consultancy assignment of department of family health (ix) Chief of party-USAID</p>

	<p>(x) Director Emergency plan for AIDS Relief in the South Rift Valley. (xi) WHO- National Disease and Surveillance Officer. (xii) Project Manager of early childhood development. (xiv) Head of health information systems, ministry of health. (xv) District Medical officer of health.</p>
<p>3. Paul Muange Mbatha</p>	<p>Date of Birth, 13th April, 1956 Qualifications (i) B.A(Hons) Economics and French ; University of Nairobi. (ii) Diploma de franciasis; Umiversi'e Montemuzard (Dijon France). (iii) Certificate in integrated regional development planning; university of Nottingham(England UK) (iv) Advanced courses in simultaneous interpretation and translation from French to English.</p> <p>Experience (i) Member of Kenya Citizens and Foreign Nationals Management Service. (ii) Director self-employed; incorporated Mount Commodities Ltd. (iii) Planning Assistant-GOK(The Treasury) (iv) Total oil products (E.A) Ltd. (v) Board member National Water Conservation and Pipeline Corporation. (vi) Board member of Tana and Athi River Development Authority. (vi) Director of Kenya Commercial Bank Ltd.</p>

<p>4. John Maina</p>	<p>Date of Birth, 4th Sept. 1959 Qualifications (i) Post graduate studies- Kennedy school of government- Harvard University, Cambridge, MA. (ii) Masters degree, special education; Coppin state University, Baltimore, MD. (iii) Bachelor of Arts degree, political science and international studies; Morgan state university. Experience (i) Board member of Kenya Citizens and Foreign Nationals Management Service. (ii) Diaspora advisor to the coalition Government (iii) President- Kenya community abroad (iv) Research assistant(Harvard University, Cambridge M.A) (v) Lecturer; social justice Academy, Boston MA. (vi) Consultant KTIG Consulting Silver Spring MD. (vii) Lecturer- Johns Hopkins University, Baltimore MD. (viii) Lecturer- Morgan State University, Baltimore MD. (ix) Special educator/Resource personnel; Baltimore public school systems Baltimore MD. (x) Legislative Aide; United States Congress, Washington, DC. (xi) Legislative Aide; Maryland General Assembly, Annapolis, MD.</p>
<p>5. Judith Atieno Ogolla</p>	<p>Date of Birth, 1970 Qualifications (i) On going Doctor of Philosophy in Business Administration Strategic Management(Kenya Methodist University-Nairobi)</p>

**Kenya Citizens and Foreign Nationals Management Service
Annual Reports and Financial Statements
For the year ended June 30, 2018**

	<p>(ii) Masters in Business Administration Strategic Management and Marketing (Kenya Methodist University-Nairobi). (iii) Bachelor of Commerce; Business Administration and Marketing (Daystar University-Nairobi).</p> <p>Experience (i) Board member of Kenya Citizens and Foreign Nationals Management Service. (ii) Founder and Managing Director of Enterprise Development Consulting(EDC) (iii) Director of Inter Africa Development Foundations.</p>
<p>6. Sophia Adhiambo Agoye</p>	<p>Date of Birth, 2nd June, 1953 Qualifications (i) B.A (Hons.) University of Nairobi (ii) Diploma in Finance Management, KCA University.</p> <p>Experience (i) Board member of Kenya Citizens and Foreign Nationals Management Service. (ii) District Officer-Provincial Administration. (iii) Assistant Secretary I (Ministry of Public Works and Housing) (iv) Under Secretary; Ministry of Information, Broadcasting and Local Authority. (v) Chief finance officer in the Ministry of State for Immigration and Registration of Persons.</p>
<p>7. Eddyson H. Nyale</p>	<p>Date of Birth, 1967 Qualification (i) Masters of Arts in sustainable International Development (Brandeis University; Waltham, Massachusetts -USA.</p>

	<p>(ii) Bachelor (Hons.) of science animal production (Egerton University; Njoro Kenya)</p> <p>Experience</p> <p>(i) Alternate Board member (Ministry of Interior) Kenya Citizens and Foreign Nationals Management Service.</p> <p>(ii) Under Secretary, Security Nairobi.</p> <p>(iii) Volunteer with KRSC as PhD Student Masinde Muliro NRB Campus.</p> <p>(iv) District Commissioner; Matete District.</p> <p>(v) District Officer</p> <p>(vi) Project and Operational Management Coordinator; Ministry of Internal Security.</p> <p>(vii) Development practitioner; Community development and Human Rights Advocacy; CPD 11 funded by Netherlands red cross.</p> <p>(viii) Kenya Wild Life Board- Alternate Board member PS- Interior.</p> <p>(ix) National Non-Governmental Organization Council (NGO Council) Election task force.</p> <p>(x) Member of Maendeleo Ya Wanawake Organization Elections Board.</p> <p>(xi) Member of the task force on the proposed amendments to the Public Benefit Organization. (PBO).</p>
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The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *KC&FNMS* affairs.

Principal activities

The Service shall, under the general supervision of the Cabinet Secretary be responsible for the implementation of policies, laws and any other matter relating to citizenship and immigration ,births and deaths, marriages ,identification and registration and travel documents, foreign nationals management and the creation and maintenance of a comprehensive national population register.

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 - (iv) Implement the relevant policies and guidelines and provide the cabinet secretary with the necessary information to guide the formulation of new policies, review of existing policies and guidelines.
 - (v) In consultation with the cabinet secretary, coordinate and mobilize resources for the implementation of the relevant policies;
 - (vi) Undertake the task of data collection and dissemination in a manner that ensures consistency and accuracy in accordance with set national standards and guidelines and
 - (vii) Facilitate access to information and data to national population registration information in accordance with this Act, any other relevant law or policy and the constitution;
- b) Administer the Acts of parliament set out in the First Schedule and any other written law
- c) Advise the Government on the matters provided for in this section;
- d) Collaborate with other state agencies for effective discharge of its mandate and
- e) Perform such other functions as may be directed by the Cabinet Secretary.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1-5

Kenya Citizens and Foreign Nationals Management Service
Annual Reports and Financial Statements
For the year ended June 30, 2018

Directors

The term of the board members came to an end in 2017, and new board members have since not been appointed to replace them.

Dividends/Surplus remission

There was no dividend issued.

Auditors

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

By Order of the Board



Date: 30TH JUNE, 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)*) require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* 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 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 the *entity'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) – *entities should quote applicable legislation as indicated under*). The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2018, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity'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 the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *KC&FNMS* financial statements were approved by the Board on 30th June, 2018 and signed on its behalf by:



AG. A.I.E HOLDER



ACCOUNTANT

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CITIZENS AND FOREIGN NATIONALS MANAGEMENT SERVICE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Citizens And Foreign Nationals Management Service set out on pages 1 to 10, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Citizens and Foreign Nationals Management Service as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Citizens and Foreign Nationals Management Service Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Citizens and Foreign Nationals Management Service in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for conclusion on lawfulness and effectiveness in the use of public resources and

Report of the Auditor-General on the Financial Statements of Kenya Citizens and Foreign Nationals Management Service for the year ended 30 June 2018

effectiveness of internal controls, risk management and governance sections of my report, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 the use of public resources and in the effectiveness of internal controls, risk management and governance sections 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

Irregular Payment Per-diem and Allowances to Board Members

Examination of payment voucher number 154 dated 08 June 2016 revealed that an amount of USD 59,000 equivalent to Kshs.6,015,050 was paid to Galilee International Management Institute (GIMI) for full board accommodation, airport transfers, study materials, study tours, weekend excursions and medical insurance for six board members and four senior staff of Kenya Citizens and Foreign Nationals Management Service (KCFNMS).

During the same training trip, the board members were also paid quarter per diem for thirteen days through payment voucher number 156 dated 13 June 2016 amounting to USD3,263 equivalent to Kshs.332,662.85 per board member totalling Kshs.1,995,977.10.

In addition, examination of payment voucher number 180 dated 30 June 2018 revealed that the six board members were each paid Kshs.300,000 being sitting allowance for fifteen days totalling Kshs.1,800,000 during the same training in Israel at GIMI.

Further, examination of payment voucher number 203 dated 30 June 2018 revealed that five board members were each paid Kshs.340,483.55 being payment of extra per diem for thirteen days totalling Kshs.1,702,417.75 during the same trip to Israel.

The original arrangement approved by a full board meeting held on Tuesday, 31 May 2016 authorized payment of USD 59,000 to GIMI for full accommodation and the Accounting Officer approved payment of $\frac{1}{4}$ per diem. However, an afterthought comparison of full per diem in Israel of USD 1004 with $\frac{1}{4}$ per diem of USD 251 resulted in irregular payment of extra per diem of Kshs.1,702,417.75 contrary to Salaries and Remuneration Commission (SRC) advice as communicated in a letter Ref. No.SRC/TS/DRRPS/3/26Vol.V(127) dated 06 July 2016 on payment of allowances to board members of KCFNMB, which provided for payment of quarter per diem for international travels for a limited number of days.

In addition, payment of full per diem of Kshs.1,330,651.40 per board member based on State Corporations Advisory Committee Circular No. OP/SCAC.1/1/5 (45) dated 29 August 2016 was made contrary to Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13 Vol.III (126) dated 10 December 2014 under scope of application which instructed all other existing Circulars on Daily Subsistence (Local and Foreign travel) to cease to apply.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for conclusion on lawfulness and effectiveness in the use of public resources and effectiveness of internal controls, risk management and governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Operating Without a Board of Directors

During the year under review the Service operated without a board of directors to guide its policies and operations contrary to Section 5(1) of the Kenya Citizens and Foreign Nationals Management Service Act, 2011 which require the Service to have a board of directors as its governing body. The term of the five board members expired on 26 June 2017 having been appointed to office for a period of five years on 25 June 2012. The Chairman's term also expired on 17 April 2017 having been appointed on 16 April 2012 for a period of six years.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were maintained in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 governance.

In preparing the financial statements, management is responsible for assessing the Service's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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 manner.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance

with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

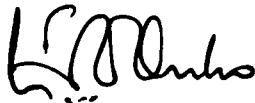
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service'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 disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Service 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 requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 March 2019

Kenya Citizens and Foreign Nationals Management Service
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE, 2018

	Notes	2017-2018	2016-2017
		Kshs(000)	Kshs(000)
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	3	5,372	37,467
Revenue from exchange transactions		-	-
Total revenue		5,372	37,467
Expenses			
Employee costs	4	12,848	10,755
Remuneration of directors	5	2,502	11,764
Depreciation and amortization expense	6	2,800	3,942
Repairs and maintenance	7	1,008	1,182
General expenses	8	7,116	21,181
Total expenses		26,274	48,824
Other gains/(losses)		-	-
Surplus before tax		-	-
Taxation		-	-
Surplus/(deficit) for the period/year		(20,902)	(11,357)
Remission to National Treasury		-	-
Net Surplus for the year		(20,902)	(11,357)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		(20,902)	(11,357)

The notes set out on pages 6 to 10 form an integral part of these Financial Statements

Kenya Citizens and Foreign Nationals Management Service
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For the year ended June 30, 2018

STATEMENT OF FINANCIAL POSITION
AS AT 30th JUNE, 2018

	Notes	2017-2018 Kshs(000)	2016-2017 Kshs(000)
Assets			
Current assets			
Cash and cash equivalents	9	21,730	45,769
		21,730	45,769
Non-current assets			
Property, plant and equipment	10	9,020	11,820
Receivables from exchange transactions		-	821
Total assets		30,750	58,410
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	1,153	9,959
		1,153	9,959
Non-current liabilities			
		-	-
Total liabilities		1,153	9,959
Net assets		27,549	48,451
Accumulated surplus		28,626	49,528
Total net assets and liabilities		30,750	58,410

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

AG. A.I.E HOLDER

Name: Edwin K. Ng'etich

Sign.....

Date: 30th June, 2018

HEAD OF ACCOUNTS

Name: Loise N. Kibicho

ICPAK Member Number:

Sign.....

Date: 30th June, 2018

Kenya Citizens and Foreign Nationals Management Service
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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30th JUNE, 2018

	Attributable to the owners of the controlling entity					Total
	Self insurance reserve	Reserves Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Minority interest	
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Balance as at 1 July 2016	-	-	-	60,885	-	60,885
Surplus/(deficit) for the period	-	-	-	(11,357)	-	(11,357)
Transfers to/from accumulated surplus	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-
Grants received during the year	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-
Balance as at 30 JUNE 2017	-	-	-	49,528	-	49,528
Balance as at 1 July 2017	-	-	-	49,528	-	49,528
Surplus for the period	-	-	-	(20,902)	-	(20,902)
Transfers to/from accumulated surplus	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-
Grants received during the year	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-
Balance as at 30 JUNE 2018	-	-	-	28,626	-	49,528

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30th JUNE, 2018

		2017-2018	2016-2017
		Kshs(000)	Kshs(000)
Cash flows from operating activities			
Receipts			
Property taxes		-	-
Public contributions and donations		-	-
Fines, penalties and levies		-	-
Licenses and permits		-	-
Government grants and subsidies	3	5,372	37,467
Rendering of services		-	-
Sale of goods		-	-
Finance income		-	-
Other income, rentals and agency fees		-	-
Total Receipts		5,372	37,467
Payments			
Compensation of employees	4	12,848	10,755
Other payments(Honoraria)	5	800	11,764
Repairs and Maintenance	7	1,008	-
Goods and services	8	7,116	13,369
Unpresented cheques 30 th june,2017		8,792	-
Unpresented cheques 30 th june,2018		(1,153)	-
Taxation paid		-	-
Grants and subsidies paid		-	-
Total Payments		29,411	35,888
Net cash flows from operating activities		(24,039)	1,579
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	(9,814)
Proceeds from sale of property, plant and Equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		-	-
Net cash flows used in investing activities		(-)	(9,814)
Cash flows from financing activities			
Repayment of borrowings		(-)	(-)
Increase in deposits		-	-
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents			
		(24,039)	(8,235)
Cash and cash equivalents at 1 JULY, 2017	9	45,769	54,004
Cash and cash equivalents at 30 JUNE, 2018	9	21,730	45,769

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30th JUNE, 2018

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Balance B/F	45,769	-	45,769	45,769	-
Property taxes	-	-	-	-	-
Public contributions and donations	-	-	-	-	-
Fines, penalties and levies	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Government grants and subsidies	21,488	-	21,488	5,372	16,116
Rendering of services	-	-	-	-	-
Sale of goods	-	-	-	-	-
Finance Income	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-
Total income	67,257	-	67,257	51,141	16,116
Expenses					
Compensation of employees	15,590	-	15,590	12,867	2,723
Goods and services	52,584	-	52,584	7,095	45,489
Finance cost	-	-	-	-	-
Rent paid	-	-	-	-	-
Taxation paid	-	-	-	-	-
Other payments(Honoraria)	960	-	960	800	160
Grants and subsidies paid	-	-	-	-	-
Total expenditure	69,134	-	69,134	20,762	47,362
Surplus for the period	(1,877)	-	(1,877)	30,379	31,246

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Citizens and Foreign Nationals Management Service is established by and derives its authority and accountability from Act Cap 174 Laws of Kenya on 30th September. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *KC&FNMS* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *KC&FNMS*.

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

3. TRANSFERS FROM OTHER GOVERNMENTS

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Unconditional grants		
Operational grant	5,372	37,467
Other	-	-
	5,372	37,467
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	5,372	37,467

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4. EMPLOYEE COSTS

	2017-2018	2016-2017
	KShs(000)	KShs(000)
Salaries and wages(Top-up)	5,945	5,287
Employee related costs - contributions to pensions and medical aids	-	-
Travel, motor car, accommodation, subsistence and other allowances	6,903	5,468
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Expenditure recharged to capital projects	-	-
Employee costs	12,848	10,755

5. REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Chairman's Honoraria	800	960
Directors emoluments	-	-
Other allowances(Sitting)	1,702	10,804
Total director emoluments	2,502	11,764

6. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Property, plant and equipment	2,800	3,942
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	2,800	3,942

7. REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Property	-	500
Investment property – earning rentals	-	-
Equipment and machinery	-	-
Vehicles	1,008	682
Furniture and fittings	-	-
Computers and accessories	-	-
Total repairs and maintenance	1,008	1,182

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8. GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Newspapers	11	26
Stationery and other consumables	189	1,313
Hospitality	1,043	1,149
Domestic transport costs	-	2,667
Foreign transport costs	-	319
Consulting fees	-	332
Bank charges	28	59
Fuel and oil	870	681
Insurance	502	1,075
Printing and publicity	-	458
Telecommunication	172	245
Training	2,941	12,857
Boards and Conferences	1,360	-
Total general expenses	7,116	21,181

9. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Current account	21,730	45,769
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	21,730	45,769

9 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2017-2018	2016-2017
		KShs(000)	KShs(000)
a) Current account			
Kenya Commercial bank	1135135037	21,730	45,769
Grand total		21,730	45,769

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Total
Cost	Shs(000)	Shs(000)	Shs(000)	Shs(000)	Shs(000)	Shs(000)
At 1 July 2016	-	3,759	-	2,120	69	5,948
Additions	-	7,082	1,395	242	1,095	9,814
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	(-)	(-)	(-)	(-)	-	(-)
At 30th June 2017	-	10,841	1,395	2,362	1,164	15,762
Additions	-	-	-	-	-	-
Disposals	(-)	-	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	-	(-)
At 30th June 2018	-	10,841	1,395	2,362	1,164	15,762
Depreciation and impairment						
At 1 July 2016	(-)					
Depreciation	(-)	(1,253)	-	(909)	(30)	(2,192)
Impairment	(-)	-	-	-	-	(-)
At 30th June 2017	-					
Depreciation	(-)	2,710	174	709	349	3,942
Disposals	-	-	-	-	-	-
Impairment	(-)	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
At 30th June 2018	-	(2,032)	(28)	(496)	(244)	(2,800)
Net book values						
At 30th June 2018	-	6,099	1,193	1,157	571	9,020
At 30th June 2017	-	8,131	1,221	1,653	815	11,820

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs(000)	KShs(000)
Trade payables	1,123	6,069
Payments received in advance	-	-
Employee advances	30	2,614
Third-party payments	-	1,276
Other payables	-	-
Total trade and other payables	1,153	9,959

12. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

All property, plant and equipment are stated at Net Book Value, and depreciated using the reducing balance method. The depreciation rates applied are as follows:

- Motor vehicle 25%
- Computers and printers 30%
- Office equipment 30%
- Furniture and fittings 12.5%

c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

d) Comparative figures

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

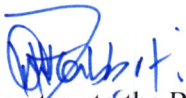
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Ag. Secretary to the Board

Date.. 30/6/18

