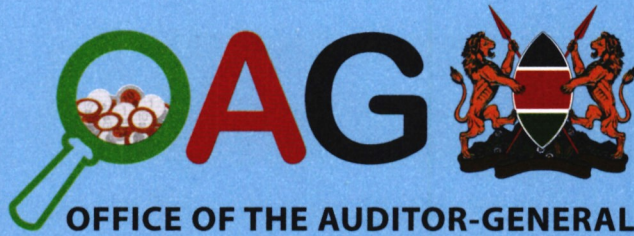
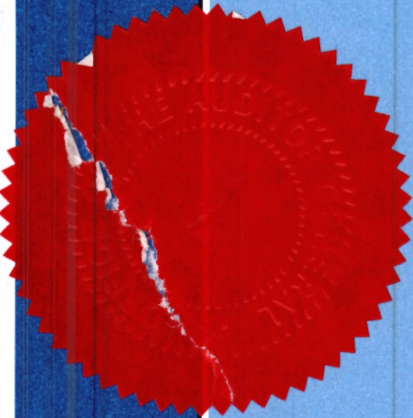


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REPORT

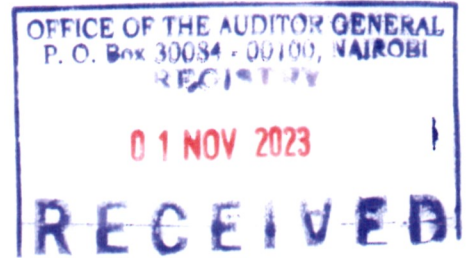
THE AUDITOR-GENERAL

ON

**RECEIVER OF REVENUE
STATEMENTS**

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

MINISTRY OF DEFENCE



MINISTRY OF DEFENCE
NATIONAL GOVERNMENT
RECEIVER OF REVENUE STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30th JUNE 2023

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

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**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

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**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

1. Acronyms and Glossary of Terms

FY – Financial Year

NPSO – National Peace Support Operations

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

2. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Defence Forces is under the Ministry of Defence at cabinet level, the Ministry is represented by the Cabinet Secretary for Defence who is responsible for the general policy and strategic direction of the Ministry. The Ministry of Defence was designated as a receiver on **26th July 2018** by the Cabinet Secretary, National Treasury in accordance with section 75 of the PFM Act.

(b) Principal activities

The receiver of revenue collects revenue from Rent of government buildings and Housing, sale of goods and fees for services, sale of tender documents fines penalties forfeitures and other receipts not classified elsewhere. Revenue collected is remitted to the National Treasury

(c) Key Management

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

- **Cabinet Secretary;** Hon. Aden Bare Duale, EGH. MP
- **Receiver of Revenue;** Hon. Patrick Mariru.
- **Senior Management;**

No.	Designation	Name	Period Served
1	Cabinet Secretary	Hon. Eugene L. Wamalwa, EGH	1 st July 2022-26 th Oct 2022
2.	Cabinet Secretary	Hon. Aden Bare Duale, EGH. MP	27 th Oct 2022-30 th June 2023
3.	Principal Secretary and Accounting Officer	Dr. Ibrahim M. Mohamed, CBS	1 st July 2022-1 st Dec 2022
4.	Principal Secretary and Accounting Officer	Mr. Patrick Mariru	2 nd Dec 2022-30 th June 2023
5.	The Chief of the Defence Forces	Gen.Robert K. Kibochi, MGH, CBS, 'ndc'(K),'PSC'(UK)	1 st July 2022 - 27 th April 2023

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

6.	The Chief of the Defence Forces	Gen Francis O. Ogolla, MGH, EBS, HSC 'ndc'(K) 'PSC' (FRA)	28 th April 2023 – 30 th June 2023
7.	Commander Kenya Army	Lt. Gen. Peter Mbogo Njiru CBS, 'rcds'(UK) 'PSC' (K)	1 st July 2022-30 th June 2023
8.	Commander Kenya Air Force	Maj. Gen. John Mugaravai Omenda EBS SS OGW 'rcds' (UK) 'PSC' (K)	1 st July 2022-30 th June 2023
9.	Commander Kenya Navy	Maj. Gen. Jimson Long'iro Mutai MBS ,ndc' (K) 'PSC' (K)	1 st July 2022-30 th June 2023

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

(d) Ministry Headquarters

P.O. Box 40668-00100
Ulinzi House
Lenana Road.
Nairobi, KENYA

(e) Ministry Contacts

Telephone: (254) 020-2721100
E-mail: ps@mod.go.ke
Website: www.mod.go.ke

(f) Independent Auditors

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

(g) Principal Legal Adviser

Attorney General
P. O. Box 40112-00100 Nairobi.
Telephone: (254) 2227461/ 2251355
E-mail: communications@ag.go.ke
Website: www.go.ke

(h) Bankers

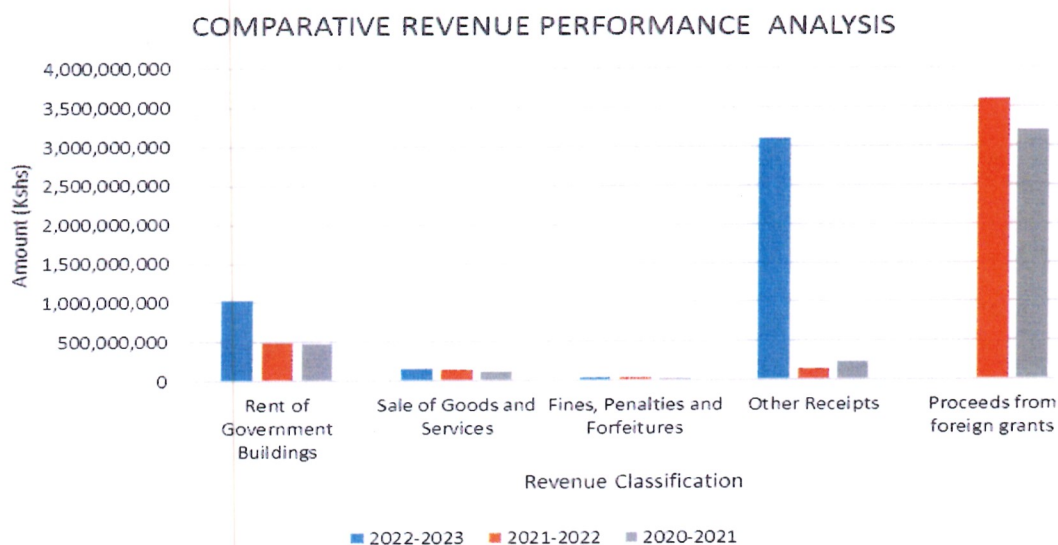
Central Bank Of Kenya
P. O. Box 60000-00200 Nairobi.
Telephone: (254) 202860000
E-mail: comms@centralbank.go.ke

Website: www.centralbank.go.ke

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

3. MANAGEMENT DISCUSSION AND ANALYSIS

	2022-2023	2021-2022	2020-2021
Rent of Government Buildings	1,031,616,346	496,791,300	481,922,272
Sale of Goods and Services	157,980,164	143,287,853	115,643,354
Fines, Penalties and Forfeitures	44,154,781	34,657,019	27,101,734
Other Receipts	3,103,356,484	140,280,844	238,301,910
Proceeds from foreign grants	0	3,602,704,177	3,206,845,620
TOTAL NON -TAX RECEIPTS	4,337,107,775	4,417,721,193	4,069,814,890



1. The Ministry has in the last three financial years collected revenue surpassing the budget estimates. All the revenue categories have generally had an increase in the total collections.

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

2. The amounts of monies collected in the Rent of Government Building and Categories increased significantly in the Financial Year 2022/2023 as a result of surrender of monies previously held in the Escrow account.
3. Proceed from foreign grants reduced significantly in the FY 22/23 due to reclassification of this item. It was dropped from being revenue item and transferred to the National Peace Support Operations Fund.
4. The sharp increase in other receipts in FY 22/23 was as a result of receipt of monies that were previously in Proceed from foreign reimbursement. The funds are no longer a revenue item. However, the National Peace Support Operations fund was not yet operationalised, therefore necessitating the surrender of the funds to the consolidated Fund.

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

4. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

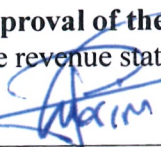
The Principal Secretary in charge of the Ministry of Defence is responsible for the preparation and presentation of the Ministry revenue account, which gives a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year (period) ended on June 30, 2023. This 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 Ministry (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Principal Secretary in charge of the Ministry of Defence accepts responsibility for the Ministry revenue accounts, which have been prepared on the Cash Basis Method of Financial Reporting, 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 Ministry revenue account gives a true and fair view of the state of Ministry of Defence transactions during the financial year ended June 30, 2023, and of the Ministry's financial position as at that date. The Principal Secretary in charge of the Ministry of Defence further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the Ministry of Defence confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the Ministry revenue accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

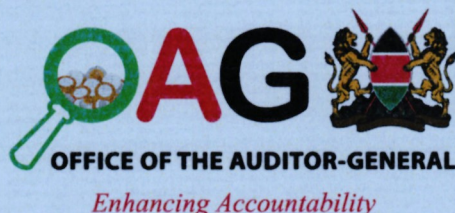
The revenue statements were approved and signed by the Principal Secretary on 30.06.2023


Principal Secretary
Patrick Mariru


Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023 - MINISTRY OF DEFENCE

PREAMBLE

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

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

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

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

REPORT ON THE REVENUE STATEMENTS

Opinion

I have audited the accompanying receiver of revenue statements of the Ministry of Defence set out on pages 10 to 23, which comprise of statement of financial assets and liabilities as at 30 June, 2023 and statement of receipts and disbursements, statement of

comparison of budget and actual amounts, statement of arrears of revenue 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 receiver of revenue statements present fairly, in all material respects, the financial position and arrears of revenue as at 30 June, 2023, and the revenue performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with 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 the Ministry of Defence 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 revenue 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 revenue statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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, revenue transactions and information reflected in the revenue 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the receiver of revenue statements, Management is responsible for assessing the Ministry's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish the Ministry or cease operations.

Management is also responsible for the submission of the revenue 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 receiver of revenue statements described above, Management is also responsible for ensuring that the activities, revenue transactions and information reflected in the receiver of revenue 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 revenue reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 receiver of revenue 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 receiver of revenue statements.

In addition to the audit of the revenue statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, revenue transactions and information reflected in the revenue 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 receiver of revenue statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 revenue statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the revenue 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry'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 revenue 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 to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the receiver of revenue statements, including the disclosures and whether the revenue statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the revenue information and business activities of the to express an opinion on the revenue statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 November, 2023


**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

**6. STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED
30TH JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
NON -TAX RECEIPTS			
Rent of Government Buildings	1	1,031,616,346	496,791,300
Sale of Goods and Services	2	157,980,164	143,287,853
Fines, Penalties and Forfeitures	3	44,154,781	34,657,019
Other Receipts	4	3,103,356,484	140,280,844
Proceeds from foreign grants	5	0	3,602,704,177
TOTAL NON -TAX RECEIPTS		4,337,107,775	4,417,721,193
TOTAL RECEIPTS		4,337,107,775	4,417,721,193
TRANSFER TO MOD ESCROW ACCOUNT		0	(496,791,300)
DISBURSEMENTS TO EXCHEQUER ACCOUNT		(4,337,107,775)	(3,920,929,893)
BALANCE DUE FOR DISBURSEMENT		NIL	NIL

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 30.08.2023 and signed by:


Principal Secretary
Patrick Mariru

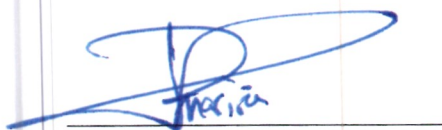

Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2023

	Note	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
Financial Assets			
Cash and Cash Equivalents		0	0
Bank Balances	6	0	0
Total Financial Assets		0	0
Total Financial Assets		0	0
Financial Liabilities			
Payables-Due to Exchequer	7	0	0
Total Financial Liabilities		0	0

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 30.06. 2023, and signed by:



Principal Secretary
Patrick Mariru



Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

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

	Original Targets	Adjustments	Final Targets	Actual	% Realized
	Kshs	Kshs	Kshs	Kshs	
NON -TAX RECEIPTS					
Rent of Government Buildings	636,159,201	0	636,159,201	1,031,616,346	162.16
Sale of Goods and Services	68,461,486	0	68,461,486	156,986,164	229.31
Sale of Tender Documents	6,071,667	0	6,071,667	994,000	16.37
Fines, Penalties and Forfeitures	33,608,333	0	33,608,333	44,154,781	131.38
Other Receipts	716,864,209	0	716,864,209	3,103,356,484	432.91
TOTAL NON -TAX RECEIPTS	1,461,164,896	0	1,461,164,896	4,337,107,775	
TOTAL RECEIPTS	1,461,164,896	0	1,461,164,896	4,337,107,775	

The entity financial statements were approved on 30.06.2023 and signed by:



Principal Secretary
Patrick Mariru



Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

BUDGET NOTES:

Variance analysis:

- **Rent of Government Buildings**

The Ministry remitted Kshs 1,031,616,346 as at 30.06.2023. The funds can be divided into two
July 2021- June 2022 = Kshs. 496,791,300.40
July 2022- June 2023 = Kshs. 534,825,045.60
Total = Kshs. 1,031,616,346.00

The Ministry had been earlier advised and authorized to open the Escrow account for purposes of ring-fencing a minimum **Kshs 500 million** in annual revenues collected from the ministry of Defence GoK Housing units. However, it was noted by the office of the Auditor General that the said revenue was still captured in the Ministry's revenue estimates for the financial years 2021/2022 and 2022/2023. The Ministry sought guidance from the National treasury and was subsequently advised that in order to de-conflict the status of funds being held in the ESCROW account for the same appropriately, we surrender the funds as revenue.

- **Sale of Goods And Services**

The Ministry Remitted 156,986,164.00 as at 30.06.2023. The over collection as at this date is for collection of fees by the National Defence College. The fee is paid in foreign currency and there has been again due to the fluctuations in exchange rate.

- **Sale of Tender Documents**

Revenue realized from sale of tender documents was only 10% of total estimates. The under collection was caused by the fact that MOD Procures through classified (Direct and Restricted) tendering. The number of tender documents is therefore very minimal.

- **Fines Penalties and Forfeitures**

Revenue realized from Fines, Penalties, Forfeitures and other charges was 130% of the estimates. The over collection can be explained by the increase in number of KDF personnel, therefore an increase in the incidents for which they are fined.

- **Other Receipts**

Revenue realized from sundry revenue was 430% of the estimates.

This amount is high due to the fact that Reimbursement from the UN is not budgeted for as revenue item in this Financial Year but the National Peace Support Operations (NPSO) fund has not yet been operationalized. The receipts are therefore surrendered under sundry revenue.

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

9. STATEMENT OF ARREARS OF REVENUE AS AT 30TH JUNE 2023

Classification of Receipts	Balance as at 1st July 2022	Arrears received during the year	Additions in arrears for the current year to 30th June 2023	Total arrears as at 30th June 2023	Measures taken to recover the arrears	Assessment to the recoverability of arrears
	K.shs	K.shs	K.shs	K.shs		
Non- Tax Receipts						
Rent of Government Buildings	0	0	0	0		
Sale of Goods and Service	0	0	0	0		
Fines, Penalties and Forfeitures	0	0	0	0		
Other Receipts	0	0	0	0		
Receipts from sale of non -financial assets	0	0	0	0		
Total arrears	0	0	0	0		

The Revenue statements were approved on 30.06.2023 and signed by:



Principal Secretary
Patrick Mariru



Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

10. SIGNIFICANT ACCOUNTING POLICIES

The key accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry of Defence and all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the Cash Basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the entity.

2. Recognition of Receipts

The Ministry of Defence recognises all receipts from the various sources when the related cash has been received by the Ministry.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as these revenue statements. The revenue budget was approved as required by law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in these revenue statements.

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

4. Cash and cash equivalents

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

5. Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012 which is a memorandum statement.

6. Disbursements to the Exchequer

The Receiver of Revenue has a (daily, weekly, monthly) arrangement for sweeping of funds from its bank account to the Exchequer account. Total disbursements to the exchequer are as a result of the sweeping arrangement during the year.

7. Comparative Figures

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

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2023

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11. NOTES TO THE FINANCIAL STATEMENTS

1. RENT OF GOVERNMENT BUILDINGS AND HOUSING

Description	2022-2023	2021-2022
	Kshs	Kshs
Rent of Government Buildings and Housing	1,031,616,346	496,791,300
Total Revenue	1,031,616,346	496,791,300
Balance brought forward	0	0
Transfers to the Exchequer account	(1,031,616,346)	0
Transfers to the Escrow Account-mod housing project	0	(496,791,300)
Balance carried forward	0	0

The Ministry remitted KShs 1,031,616,636 as at 30.06.2023. The funds can be divided into two
 July 2021 - June 2022 = Kshs 496,791,300.40
 July 2022 –June 2023 = Kshs 534,825,045.60
Total = Kshs. 1,031,616,346.00

The Ministry had been earlier advised and authorized to open the Escrow account for purposes of ring-fencing a minimum **Kshs 500 million** in annual revenues collected from the ministry of Defence GoK Housing units. However, it was noted by the office of the Auditor General that the said revenue was still captured in the Ministry's revenue estimates for the financial years 2021/2022 and 2022/2023. The Ministry sought guidance from the national treasury and was subsequently advised that in order de-conflict the status of funds being held in the Escrow account for the same appropriately we surrender the funds as revenue.

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2. SALE OF GOODS AND SERVICES

Description	2022-2023	2021-2022
	Kshs	Kshs
Sale goods and fees for services	156,986,164	143,237,853
Sale of Tender Documents	994,000	50,000
Total Revenue	157,980,164	143,287,853
Balance brought forward	0	0
Transfers to the Exchequer account	(157,980,164)	(143,287,853)
Balance carried forward	0	0

The Ministry Remitted 156,986,164.00 as at 30.06.2023 in respect of sale goods and services The over collection as at this date is for collection fees by the National Defence College. The fee is paid in foreign currency and there has been again due to the fluctuations in exchange rate.

Revenue realized from sale of tender documents was only 10% of the total estimates. The under collection was caused by the fact that mod procures through classified (Direct and Restricted) tendering. The number of tender documents is therefore very minimal

3. FINES PENALTIES AND FORFEITURES

Description	2022-2023	2021-2022
	Kshs	Kshs
Other Fines, Penalties, Forfeitures and other Charges	44,154,781	34,657,019
Total Revenue	44,154,781	34,657,019
Balance brought forward	0	0
Transfers to the Exchequer account	(44,154,781)	(34,657,019)
Balance carried forward	0	0

**MINISTRY OF DEFENCE
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4. OTHER RECEIPTS

Description	2022-2023	2021-2022
	Kshs	Kshs
Sundry Revenue	3,103,356,484	140,280,844
Total Revenue	3,103,356,484	140,280,844
Balance brought forward	0	0
Transfers to the Exchequer account	(3,103,356,484)	(140,280,844)
Balance carried forward	0	0

Revenue realized from sundry revenue was 430% of the estimates.

This amount is high due to the fact that Reimbursement from the UN is not budgeted for as revenue item in this Financial Year but the National Peace Support Operations(NPSO) fund has not yet been operationalized. The receipts are therefore surrendered under sundry.

UN Funds	3,028,379,200.35
SALARY COMMISSIONS	69,767,256.75
OTHERS	5,210,026.65
TOTAL	<u>3,103,356,483.75</u>

5. PROCEEDS FROM FOREIGN GRANTS

Description	2022-2023	2021-2022
	Kshs	Kshs
Program Grants AMISOM	0	3,602,704,177
Total Revenue	0	3,602,704,177
Balance brought forward	0	0
Transfers to the Exchequer account	0	(3,602,704,177)
Balance carried forward	0	0

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6. BANK BALANCES

Name of Bank, Account No. & currency	Amount in bank account currency	Exc. rate (if in foreign currency)	2022-2023	2021-2023
			Kshs	Kshs
Ministry of Defence Revenue Account	0	0	0	0
Total			0	0

6 (a) Balance carried forward as at 30th June 2023 and subsequently transferred

Ref	Amount (Kshs)	Date subsequently transferred
1	0	N/A
2	0	N/A
Total	0	

7. PAYABLES- DUE TO EXCHEQUER

Payables	2022-2023	2021-2022
	Kshs	Kshs
Balance b/f at the beginning of the year	0	0
Amounts disbursed to Exchequer during the year	0	0
Balance c/d at the end of the year	0	0
Total	0	0

**MINISTRY OF DEFENCE
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

12. APPENDICES

APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.

Name of person / organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver (tax, fee, or charge)	Reasons for waiver/ variation	The law in terms of which the variation/waiver was granted
NIL	NIL	NIL	NIL	NIL

(PFM ACT Section 82 sub section 4, 5)



Principal Secretary
Patrick Mariru



Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

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APPENDIX 2: PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR-GENERAL RECOMMENDATIONS

The following is the summary of issues raised by the Auditor –General and management comments that were provided. 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.

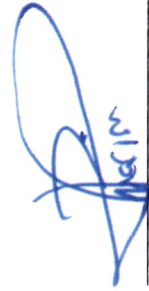
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
253	<p>The statement of receipts and disbursements reflects total tax receipts of Kshs. 4,417,951,213 for the year ended 30 June,2022. The statement also reflects disbursements of Kshs 496,791,300 and Kshs 3,921,159,913 to MOD Escrow Account and Exchequer Account, respectively. However, the disbursement of Kshs. 496,791,300 to the Escrow Account was contrary to the provisions of Article 206(1) of the constitution of KENYA 2010 which established a consolidated Fund, “into which shall be paid all money raised or received by or on behalf of the National Government except when reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose; or under an Act of Parliament, retained by the State organ that received it for the purpose of defraying the expenses of the State Organ. Although Management provided authorization from the National Treasury for opening and operating the escrow account at the</p>	<p>The Ministry had been earlier advised and authorised to open the Escrow Account for purposes of ring fencing a minimum Kshs500 million in annual revenues collected from the ministry of Defence Housing Units. However, after the observation from the Auditor General the Ministry sought guidance from the National Treasury and was subsequently advised that in order to deconflict the status of funds being held in the Escrow account for the same appropriately. The Ministry surrendered the funds a revenue. This has been done.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Central Bank there was no enabling legislation to support the transfer of revenue into an account other than the consolidated Fund Account. In the Circumstances Management was in breach of the law.			

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.



Principal Secretary
Patrick Mariru



Snr. Deputy Accountant General
Electina W. Wanyonyi
ICPAK NO: 3674

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Appendix 3 - Reports Generated from IFMIS

IFMIS financial reports to be presented upon request.

MINISTRY OF DEFENCE

TRIAL BALANCE

Printed Date: 26-Oct-2023

#	Head	Subhead	Account No	Description	Estimated Expenditure	Realized Expenditure	Balance
1	212	0395	1421003	RENT OF GOVERNMENT BUILDINGS AND HOUSING	0.00	0.00	0.00
2	212	0395	1422039	SALE OF GOODS AND FEES FOR SERVICES	0.00	0.00	0.00
3	212	0395	1430099	OTHER FINES PENALTIES AND FORFEITURES	0.00	0.00	0.00
4	212	0395	1441201	SUNDRY REVENUE	0.00	0.00	0.00

