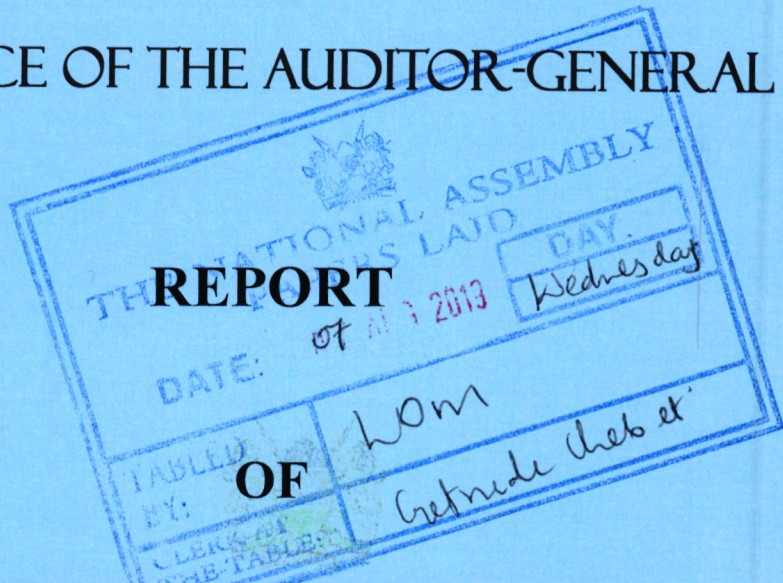


REPUBLIC OF KENYA



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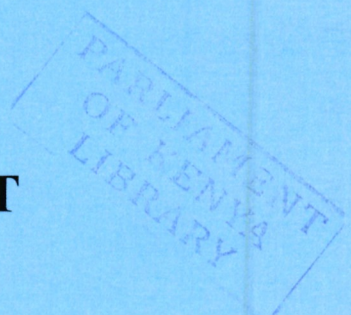
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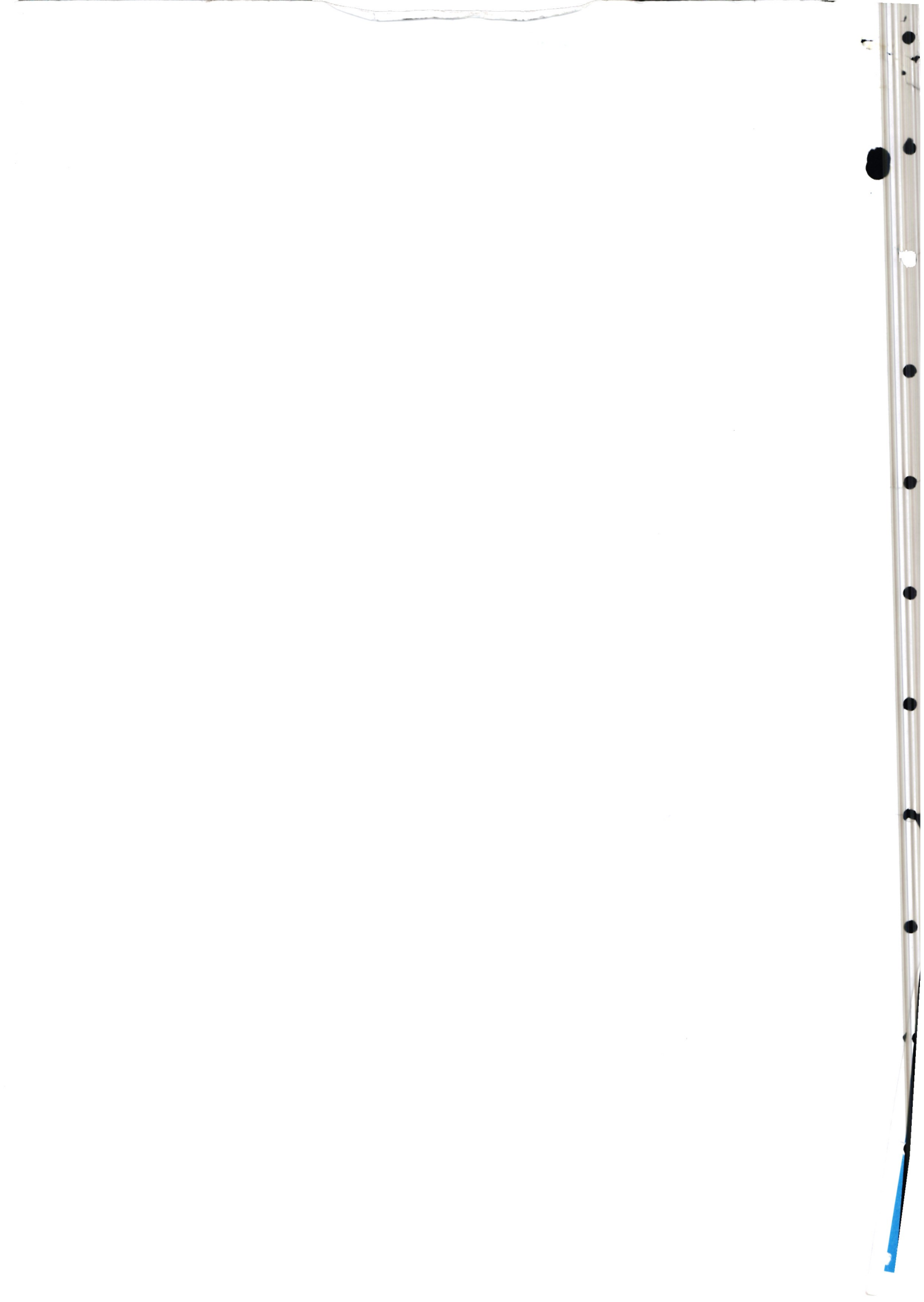
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REVENUE STATEMENT

FOR THE YEAR ENDED
30 JUNE 2018

THE JUDICIARY







THE JUDICIARY



27th September, 2018

**REVENUE STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2018**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
- 6 JUN 2019
RECEIVED

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



**THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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**THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

LEGAL BACKDROP

As set out in Section 82 of the Public Finance Management Act, 2012, a receiver of revenue for the national government is required to prepare Annual reports as follows;

1. At the end of each financial year, a receiver of revenue for the national government shall prepare an account in respect of the revenue received and collected by the receiver during that financial year.
2. An account prepared under subsection (1) shall include –
 - a) a statement of receipts and disbursements in such form as the National Treasury may direct; and
 - b) a statement of arrears of revenue.
3. Not later than three months after the end of the financial year, the receiver of revenue for the national government shall –
 - a) submit the accounts to the Auditor-General and a copy to the National Treasury, Controller of Budget and the Commission on Revenue Allocation; and
 - b) publish and publicise the financial statements.
4. Not later than three months after the end of each financial year, a receiver of revenue for the national government shall submit to the Auditor-General a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver or collector during that year.
5. The receiver shall include in the report under subsection (4) the following details in respect of each waiver or variation –
 - a) the full name of each person benefitting from the waiver or variation;
 - b) the amount of tax, fee or charge affected by the waiver or variation;
 - c) the year to which the waiver or variation relates;
 - d) the reasons for waiver or variation; and
 - e) the law in terms of which the waiver was granted.



**THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

I. KEY ENTITY INFORMATION AND MANAGEMENT

The Judiciary is one of the three arms of Government. Its chief mission is to resolve disputes in a just manner with a view to protecting the rights and liberties of all. The principal activity/mission of the Judiciary is to deliver justice fairly, impartially and expeditiously, promotes equal access to justice, and advance local jurisprudence by upholding the rule of law.

(a) Background information

The Judiciary is an Arm of The Government. At cabinet level, Judiciary is represented by The Chief Registrar of the Judiciary who is responsible for the general policy and strategic direction of The Judiciary. The Chief Registrar of The Judiciary was appointed as a receiver on January 2014.

(b) Principal activities

The receiver of revenue collects revenue from Fees and Fines. Revenue collected is remitted to the National Treasury and used for Exchequer.

(c) Key Management.

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

- Judicial Service Commission;
- Office of Chief Justice and President of Supreme Court and
- Office of Chief Registrar of Judiciary

The Judiciary management who served during the year and up to the date of this report are:

No	Designation	Name
1.	Hon. Chief Justice and President of the Supreme Court, the Head of Judiciary and chair of: <ul style="list-style-type: none"> • Judicial Service Commission, • National Council of Law Reporting • Auctioneer Licensing Board • National Council on Administration of Justice 	Hon. Justice David Kenani Maraga
2.	The Chief Registrar of the Judiciary	Mrs Anne Amadi
3.	Ag. Director, Finance	Mrs. Susan Oyatsi
4.	Ag. Deputy Director Accounts	Mr. Dominic Ogeto
5.	Ag. Deputy Director Accounts	Mr. Philip Kakai
6.	Director Public Communication	Ms. Catherine Wambui
7.	Ag. Director Performance Management	Dr. Paul Kimalu
8.	Ag. Director ICT	Mr. Stephen Ikileng
9.	Director Supply chain	Mr. Jeremiah Nthusi
10.	Ag. Director Human Resource & Administration	Ms. Lorna Onyango



**THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

I. KEY ENTITY INFORMATION AND MANAGEMENT (Ctd...)

11.	Registrar Supreme Court	Mrs Esther Nyaiyaki
12.	Registrar Court of appeal	Mr. Moses Serem
13.	Registrar High Court	Mrs Judith Omange
14.	Registrar Employment & Labour Relations Court	Mr. Kennedy Kandet
15.	Ag. Registrar Environment and Land Court	Mrs Rose Makungu
16.	Registrar Magistrate Court	Mr Peter Mulwa
17.	Ag. Registrar Tribunals	Mrs Anne Asugah

(d) Judiciary Headquarters

P.O. Box 30041-00100
Supreme Court Building
City Hall Way
Nairobi, KENYA

(e) The Judiciary of Kenya Contacts

Telephone: (254) 20-2221221
E-mail: info@judiciary.go.ke
Website: www.judiciary.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

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

(h) Bankers

- i. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
- ii. Kenya Commercial Bank Ltd
Kencom House
Nairobi, Kenya 00200



**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. 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 Chief Registrar in charge of the Judiciary is responsible for the preparation and presentation and presentation of the Judiciary revenue account, which gives a true and fair view of the state of affairs of the receiver of the Judiciary for and as at the end of the financial year ended on 30 June 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 Judiciary;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

The Chief Registrar of the Judiciary accepts responsibility for the Judiciary's receiver of 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 Chief Registrar of the Judiciary is of the opinion that the Judiciary's receiver of revenue account gives a true and fair view of the state of Judiciary's receiver of revenue transactions during the financial year ended 30 June 2018, and of the Judiciary's financial position as at that date. The Chief Registrar of the Judiciary further confirms the completeness of the accounting records maintained for the receiver of revenue, which have been relied upon in the preparation of the receiver of revenue account as well as the adequacy of the systems of internal financial control.

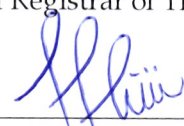
The Chief Registrar of the Judiciary confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Chief Registrar confirms that the receiver of revenue's 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 Chief Registrar of The Judiciary on the 28th September 2018.



Chief Registrar of the Judiciary
Anne A Amadi



Ag. Deputy Director Accounts
Philip Kakai - ICPAK Member
Number: 3767



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 STATEMENT OF REVENUE OF THE JUDICIARY OF KENYA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying revenue statements of the Judiciary set out on pages 6 to 13, which comprise the Statement of Receipts and Transfers as at 30 June 2018, and the Statement of Arrears in Revenue 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the revenue statements presents fairly, in all material respects, the revenue performance of the Judiciary as at 30 June 2018, for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act 2012, Public Finance Management Act (National Government), 2015 Regulations and Judiciary Finance and Procedures Manual.

Basis for Qualified Opinion

1.0 Accuracy, Completeness and Presentation of the Revenue Statement

1.1. Inaccuracies in the Revenue Statements

Incorrect Opening and Closing balances

The opening balances of Fees on Use of Goods or Services and, Fines, Penalties and Forfeitures in the Statement of Receipts and Transfers for the year under review, was Kshs.470,931,785. However, audit review and summation of all opening balances reflected on all active courts stations' revenue accounts indicate that the opening balances ought to be Kshs.703,507,022 resulting to a difference of Kshs.232,575,237 which has not been explained and reconciled.

Report of the Auditor-General on the Statement of Revenue of the Judiciary of Kenya for the year ended 30 June 2018

Further, note 1(a) and (b) reflect closing balance of Fees on Use of Goods or Services and, Fines, Penalties and Forfeitures, as Kshs.582,062,448. However, KCB collection account number 1117161749 for the same revenue reflected a closing balance of Kshs.769,984,838 resulting to misstatement of fees by Kshs.187,922,390.

1.2. Unsupported Revenue Statement - Fees and Fines

Note 1(a) and (b) reflect Fees on Use of Goods or Services and Fines, Penalties and Forfeitures amounting to Kshs.954,904,031 and Kshs.1,123,835,935 respectively. However, it was not possible to confirm the accuracy and correctness of the figures due to the following observations;

1.2.1. Unexplained Revenue Variances

1.2.1.1. Variances between Judiciary Revenue Schedule and Collection Control Sheets

Audit review of the Judiciary revenue schedule supporting the Statement of Receipts and Transfers figure for courts visited reflected revenue collected of Kshs.1,172,172,681. However, amounts collected as per the Collection Control Sheets was Kshs.1,146,393,353 resulting in a difference of Kshs.25,779,327 that has not been reconciled as detailed in table 1 below.

Table 1: Analysis of Variances between Judiciary Revenue Schedule and CCSs.

Revenue Component	Judiciary Revenue Schedule (Kshs)	Collection Control Sheets (Kshs)	Variance (Kshs)
Fees	602,946,014.05	598,276,396.70	4,669,617.35
Fines	569,226,666.53	548,116,956.73	21,109,709.80
TOTALS	1,172,172,680.58	1,146,393,353.43	25,779,327.15

1.2 Variance between Judiciary Revenue Schedule and Statement of Receipts and Transfers Figure – Fines

The Judiciary revenue schedule supporting the Statement of Receipts and Transfer for 2017/2018 indicates fines, penalties and forfeitures as Kshs.1,129,476,603. This differed from the amount reflected in Statement of Receipts and Transfer of Kshs.1,123,835,935 by Kshs.5,640,668 that resulted from refund of fines to deposit account upon successful appeal of cases. However, Judiciary did not provide for audit review list of cases which were successfully appealed and the bank statement reflecting the refunds for review. In the absence of the list of cases and bank statement reflecting refunds, the difference of Kshs.5,640,668 could not be verified.

1.3. Revenue Not Supported by Daily Cash Collection Schedule - Milimani Law Courts

The Milimani Law Courts did not provide daily cash analysis sub schedules to support fees and fines for the months of July to March 2018 totaling Kshs.83,924,475 and Kshs.99,349,749 respectively. In the absence of daily cash analysis sub schedules, fees and fines totaling Kshs.83,924,475 and Kshs.99,349,749 respectively all totaling to Kshs.183,274,224 could not be verified.

1.4. Fraud at Milimani Law Courts

Audit review revealed that Milimani Law Courts lost Kshs. 9,341,228 through receipting of fees using parallel and fake receipts in Environment and Land Registries. The receipts were neither reflected in the bank statements, recorded in the cashbook nor the Counter Receipt Book registers maintained at both Head Office and Milimani Law Courts.

1.5. Un-receipted Tribunal Courts Fees

Audit review revealed that over 8,000 pieces of tribunal fees banking slips from Tribunal Courts spread across the Country and whose revenue were deposited in Milimani Law Courts revenue account were not presented for receipting. On inquiry, only 1,300 pieces of tribunal fees banking slips representing fee collected of Kshs.596,575 were presented for audit review. The rest of 6,700 pieces of tribunal banking slips were not availed for review. Therefore, it was not possible to establish the total amounts of fees collected by the Tribunal Courts in 2017/2018.

1.6. Misstatement of Fees and Fines – Milimani Law Courts

Milimani Law Courts collected Kshs.246,526,472 in 2017/2018 as per the availed Judiciary revenue schedules. However, the amounts banked as per the bank statement was Kshs.324,129,910 resulting in a difference of Kshs.77,603,438. The difference was caused by deposits of tribunal fees collected from courts across the country into the Judiciary revenue account without presenting the deposit slips for receipting as per the revenue collection report for Milimani Law Courts. Similarly, the tribunal court fees bank slips were not recorded in cashbook nor disclosed in the Judiciary Statement of Receipts and Transfers for 2017/2018. This is against the Judiciary Finance Policy and Procedures Manual Section 9.2.2. In addition, the fees were neither included in the Judiciary fees balance nor disclosed in the Judiciary Statement of Receipts and Transfers for 2017/2018.

1.7. Recurring Items in the Bank Reconciliation Statement for More Than Three Months

Examination of Bank Reconciliation Statement as at 30th June 2018 for various court stations revealed transactions that had recurred in the reconciliation for more than three months as detailed in table 2 below. This is against the dictates of Judiciary Finance and Procedures Manual section 11.5 (d) requiring variances and outstanding items to be followed up within

30 days and not recur on the bank reconciliation for a period longer than 3 months. No explanation has been provided for this anomaly.

Table 2: Analysis of Recurring items in the Bank Reconciliation Statement

Court Stations	Receipts in the cash book not recorded in the bank statement	Payments in the Bank Statement not yet recorded in the cash book	Receipts in the Bank Statement not in the cash book	Payments in the Cashbook not in the bank statement
Milimani Commercial Courts	27,725.00	-	1,461,459.80	-
Meru Law Courts	70,230.00	27,382,180.00	74,940.00	26,626,609.00
Machakos Law Courts	1,347,234.00	20,590.00	-	-
Nyeri Law Courts	-	-	-	90,185.00
Totals	1,445,189.00	27,402,770.00	1,536,399.80	26,716,794.00

1.8. Unsupported Clearance of Receipt in Bank Not in Cash Book - Milimani Law Courts

A review of July 2017 and August 2017 bank reconciliation statements revealed reconciliation differences amounting to Ksh.1,204,443 being historical receipts in the bank not in the cash book cleared in September 2017. However, the supporting receipts or documents used to clear the reconciliation difference were not availed for audit review and therefore it is not clear how those historical receipts were cleared.

1.9. Long Outstanding Miscellaneous Receipts for Fees and Fines - Milimani Law Courts

A review of Counter Receipt Book register and cashbook revealed that there were thirty (30) long outstanding un-surrendered Miscellaneous Receipt books used for receipting Forfeitures, Utilization of fines and Fees at the time of the audit. In addition, some of the cashiers were holding more than one receipt book. The receipted amounts using receipt books not surrendered though banked were neither recorded in the cash book nor reflected in the 2017/2018 Statement of Receipts and Transfers. It was not clear why it had taken long to surrender the miscellaneous receipt books.

Further, it was noted that only fourteen (14) receipt books with a total collection of Kshs.17,856,765, being Kshs.492,265 in fees and Kshs.17,364,500 in fines were availed for audit review. Sixteen (16) receipt books were not availed and it was not possible to establish the amounts collected using the missing receipt books. Therefore, the reported revenue was understated with fees and fines amounting to Kshs.17,856,765 and the unknown amounts collected using the missing receipt books. This has resulted in misstatement of Judiciary Statement of Receipts and Transfer for 2017/2018.

Further, from the Courts visited it was observed that, in some instances, the miscellaneous receipt total amounts differed with the Collection Control Sheets, Surrenders and Receipt Vouchers(FO17) amounts.

1.10. Reporting of Revenue in Incorrect Accounting Period

Examination of accountable documents revealed that revenue collected in 2016/2017 totaling Kshs. 13,459,312 was accounted and reported in 2017/2018 revenue statements. This resulted in misstatement of statement of Receipts and Transfers for 2017/18 as detailed in table 3 below.

Table 3: Analysis of Revenue reported in Incorrect Accounting Period.

Station	Fees (Kshs.)	Fines & Forfeitures (Kshs.)	Total (Kshs.)
Shanzu Law Courts	-	2,575,500.00	2,575,500.00
JKIA Law Courts	-	115,000.00	115,000.00
Meru Law Courts	5,811,062.00	4,957,750.00	10,768,812.00
Total			13,459,312.00

1.11. Un-receipted Transactions – Eldoret Law Courts

Analysis of daily collections revealed that there were no fines collected, recorded and receipted on; 14th August 2017 and 12th September 2017 to 14th September 2017. However, during the same dates, a total of Kshs.144,000 was recorded as collections in the traffic case register. This mix-up may have resulted into possible processing of fraudulent revenue transactions.

1.12. Overstated Revenue – Thika Law Courts

The collection control sheets prepared by Thika Law Court indicated that an amount of Kshs.25,789,612 fees was collected during the year. However, the fees surrendered and reflected in the miscellaneous receipt totaled Kshs.23,436,534. The whereabouts of the balance of Kshs.2,362,078 has not been explained. Similarly, none surrender and none reflection of Kshs.2,362,078 in miscellaneous receipt may have resulted into misstatement of Judiciary Statement of Receipts and Transfers for the year 2017/2018.

1.13. Unexplained Variances between Collection Control Sheet and Bank Statements

All fees and fines collected by the courts are daily recorded in the collection control sheets and subsequently banked. However, comparative analysis of revenue collection control sheets versus revenue banked and reflected in bank statements revealed variances of both over and under banking nature that has not been explained and reconciled as detailed in table 4 below. Therefore, the accuracy and completeness of revenues, fees and fines, reflected in revenue statement could not be confirmed.

Table 4: Analysis of unexplained variances between Collection Control Sheets and Bank Statements.

Court Station	Collection Control Sheets (Kshs.)	Bank Statement (Kshs.)	Variance (Kshs.)
Thika	55,336,887.00	56,258,294.00	-921,407.00
Kitale	5,968,690.00	5,921,025.00	47,665.00
Shanzu	29,580,613.00	28,494,473.00	-1,086,140.00
Naivasha	48,558,572.00	49,568,304.00	-1,009,732.00

1.14. Revenue Not Banked – Machakos Law Courts

Audit review of bank reconciliation statement revealed that an amount of Kshs.1,176,713 that had appeared in the previous bank reconciliation statement as receipt in cash book not recorded in bank statement had been cleared in the bank reconciliation statement for June 2018. However, we could not trace the transaction in the bank statement to ascertain its correctness. Therefore, the clearance of Kshs.1,176,713 from bank reconciliation statement is incorrect, misleading, fraudulent and un-procedural.

Table 5: Analysis of amounts in Reconciliation Not Traced in the Bank Statement.

Month	Receipts in Cashbook Not in Bank Statement (Kshs)	Adjusted Amounts in Successive Month (Kshs)	Remarks
Aug-17	2,735,361.50	105,707.00	Not traced in Bank Statement
Sep-17	2,629,654.50		
Nov-17	2,629,654.50	1,347,234.00	Not traced in Bank Statement
Jan-18	1,347,234.00		
Total		1,176,713.00	

1.15. Unaccounted for Collections of Court Revenue

Analysis of revenue collection account revealed that Mombasa Law Courts failed to account for revenue totaling Kshs.757,185 collected during the year as tabulated below. As a result, fees and fines reflected in statement of receipts and transfers is misstated. No explanations have been provided for the omission.

Table 6: Analysis of Revenue Collections-Mombasa Law Courts

Revenue Reconciliation		Amounts
	Kshs.	Kshs.
Bank Balance as at 1/7/2017		37,255,099.00
Add:		
Fees	61,749,361.90	
	33,923,325.73	95,672,687.63
Total		132,927,786.63
Less:		
Surrender to Judiciary Revenue Collection A/C		131,038,662.00
Bank Charges		3,116.50
Unsupported Bank Withdrawals		370,319.00
Deposit Surrendered via Control Sheet No. 900954		757,000.00
Bank Balance as at 30/6/2018		1,504.00
Unaccounted Revenue Collection		757,185.13

1.16. Falsification of Accounting Records

The Machakos Law Courts in carrying out bank reconciliation statement for 30 November 2017 used a bank balance of 544,130 as opposed to Kshs.70,694 reflected in the bank statement and certificate of balance thereby resulting to a variance of Kshs.473,436 that has not been explained. The use of wrong bank balance in November 2017 reconciliation is erroneous and falsification of records.

Similarly, the closing cash book balance of Kshs.15,304,129 reflected as at 30 June 2017 was carried forward and misrepresented as opening balance on 1 July 2017 in the cash book as Kshs.16,206,105 resulting to a variance of Kshs.901,976. No explanation has been provided for this anomaly.

1.17. Unsupported Fines-Mavoko Law Courts

Audit review of schedule supporting Statement of Receipts and Transfers in the FY 2017/2018 for Mavoko Law Courts reflect fines collected as Kshs.42,192,369. However, the Collection Control Sheets reflect total fines collection of Kshs.29,145,323 resulting in an unexplained difference of Kshs.13,047,046. No explanations have been received for the differences shown in Table 7 below.

Table 7: Comparative Analysis of Collection Control Sheets and Judiciary Revenue Schedule

	Fines		
Month	Collection Control Sheet (Kshs.)	Judiciary Schedule (Kshs.)	Variance (Kshs.)
17-Jul	2,465,030.00	7,141,202.00	-4,676,172.00
17-Aug	1,524,080.00	3,989,110.00	-2,465,030.00
17-Sep	3,053,003.00	0	3,053,003.00
	Fines		
Month	Collection Control Sheet (Kshs.)	Judiciary Schedule (Kshs.)	Variance (Kshs.)
17-Oct	2,088,630.00	3,053,003.00	-964,373.00
17-Nov	2,163,114.00	2,088,630.00	74,484.00
17-Dec	1,847,542.00	0	1,847,542.00
17-Dec	141,000.00	0	141,000.00
18-Jan	2,624,187.00	4,471,729.00	-1,847,542.00
18-Feb	2,657,491.00	0	2,657,491.00
18-Mar	2,059,533.00	2,657,491.00	-597,958.00
18-Apr	2,508,266.00	0	2,508,266.00
18-May	3,063,900.00	5,572,166.00	-2,508,266.00
18-Jun	2,949,547.00	9,944,896.00	-6,995,349.00
18-Jun	0	3,274,142.00	-3,274,142.00
Total	29,145,323.00	42,192,369.00	-13,047,046.00

1.18. Misstatement of Transfers to Exchequer

Audit review of CBK Judiciary revenue collection account number 1000352043 revealed that the total revenue collected in 2017/2018 and transferred to Exchequer was Kshs.1,606,395,575. However, Statement of Receipts and Transfers reflect Kshs.1,967,607,303 resulting in an excess disclosure of Kshs.361,211,728 that has not been explained. The source of the excess revenue has also not been disclosed.

1.19. Unaccounted Revenue Transfers

Audit verification revealed that revenue totaling Kshs.84,033,694 transferred from respective Court Station bank accounts to Head Office revenue collections accounts, could not be traced either in KCB Judiciary revenue collection account number 1117161749, Moi avenue or Judiciary Revenue Collection Account number 1000352043, CBK. The whereabouts of Kshs.84,033,694 cannot be confirmed.

1.20. Unexplained Transfers - Machakos Law Courts

Analysis of Machakos Law Courts revenue bank statement for 2017/2018 revealed unexplained outward transfers amounting to Kshs.93,489 from the account as detailed in table 8 below. The transfers are suspicious and may have resulted in loss of revenue.

Table 8: Unexplained Transfers - Machakos Law Courts

Date	Description	Money Out (Kshs)
15.8.17	Cash Deposit-Serial 1/2017~1 6-Aug-2017~16-Aug-20	2,829.00
21.8.17	Transfer -Deposited Priscilla Nzisa Mutua	8,000.00
26.8.17	Transfer -SZA5XGX2VRLA DD 22. 08.17	300.00
26.8.17	Transfer -SZA5XG21VDHA DD 22. 08.17	360.00
22.5.18	Transfer -ENTRY DD 22.5.18	10,000.00
5.6.18	Transfer -Entry DD 5.6.18 Reversed	50,000.00
8.6.18	Transfer -Entry DD 30.5.18	8,000.00
8.6.18	Transfer -Entry DD 30.5.18	8,000.00
8.6.18	Transfer -Entry Dated 30.5.18	3,000.00
8.6.18	Transfer -Entry DD 30.5.18	3,000.00
	Total	93,489.00

Key Audit Matters

2.0 Inadequate Utilization of the Judiciary Financial Management Information System(JFMIS)

Judiciary Financial Management Information System (JFMIS) was procured and implemented to enable Court Stations manage their financial processes efficiently. However, some shortcomings in relation to use were identified as discussed below;

a. Inadequate Utilization of JFMIS system

Our visit to the Court Stations revealed that Judiciary is abandoning and/or underutilizing JFMIS by reverting to manual processing when collecting and accounting for revenue in 2017/2018 thereby not getting value for money on investment.

b. Lack of Integration of the System

Each court runs a separate instance of JFMIS that are manually interfaced. This may result in lack of integration of the System thus hindering prompt decision making brought about by readily available information.

c. Inadequate Audit Trail

From the sample of courts visited, audit trail module has not been activated as witnessed in Mombasa, Shanzu and Nyeri Law Courts. This may result in lack of accountability of the JFMIS system making the system vulnerable to fraudulent activities and data manipulations.

d. Inadequate segregation of duties

A review of access rights as mapped in the JFMIS systems revealed inadequate segregation of duties in some of the Courts. For instance, in Mombasa Law Courts, the Accountant had been allocated following system roles; Data entry, Data modification, Data verification, Posting and approval of transactions. This makes the system vulnerable to manipulations by the user whose system roles are not restricted. This may result in commissioning of errors and fraud.

e. Inadequate data validation

The system does not enforce data validation and therefore, duplicate entries were noted in courts like Mombasa. Further, incomplete entries for Miscellaneous Receipts was observed in Eldoret Law Courts raising concerns of data integrity that may impact negatively on the reliability of the information generated by the system. This may have resulted in misstatement of revenue.

3.0 Prior Year Issues

2015/2016 Issues

3.1.0 Financial Anomalies at Kericho Courts

Examination of financial records maintained at the Kericho Law Courts disclosed the following unsatisfactory matters;

3.1.1 Unaccounted for Court Deposits

Examination of the deposit ledger and other Court records indicated that deposits and bonds paid to the Court by convicts totalling Kshs.13,579,539 had not been refunded as at 30 June 2015. However, an examination of bank statement for deposit account revealed a balance of Kshs.5,478,737 as at the same date. The resulting difference of Kshs.8,100,802 represents unaccounted for convict's deposits and bonds.

3.1.2 Bank Reconciliations

The Kericho Law Courts did not prepare Bank Reconciliation Statements for the deposit and Revenue Cashbooks as at 30 June 2015 contrary to section 5.9.2 of the Government Financial Regulations and Procedures. Although it was indicated that monthly Bank Reconciliation Statements had been prepared, none was provided for audit verifications. In

the circumstances, it was not possible to confirm the completeness of cash balances for the deposits and revenue cash books

3.2 Fraud at Baricho Law Courts

An audit inspection done during the year under review revealed that the Judiciary had lost a total of Kshs.984,080 due to falsification of documents and fraud by the staff based at Baricho Law Courts and no recoveries had been made at the time of audit. Further, a review of the accountable documents maintained at the Baricho Law Courts confirmed that 12(twelve) months receipts were missing at the District Treasury at Baricho and addition 30(thirty) traffic case files were missing without trace in addition to the personal file of the accountant involved.

Baricho Law Courts did not maintain a deposit cashbook and further no monthly reconciliation statements were prepared. No explanation was provided as to why Judiciary did not adhere to the PFM Act,2015 particularly section 64 on revenue collection, management and accountability and further, it is not clear why no recoveries had been initiated by Judiciary contrary to section(d) of Judiciary's Human Resource Policies and Procedures annual September 2014.

3.3 Discrepancies in Revenue Records

3.3.1 Naivasha Law Courts

Records maintained at the Station reflects the amounts of surrender to the Headquarters for Court Fines and Court Fees as Kshs.100,923,964 and Kshs.11,612,408 respectively. However, records maintained at the Headquarters had surrenders amounting to Kshs.110,192,341 and Kshs.10,583,445 for court fines and fees respectively and hence a difference of Kshs.9,268,377 for court fines and Kshs.1,028,963 for court fees. The difference between the two sets of records has not been explained or reconciled. In the circumstances, the accuracy and completeness of the revenue collected and surrendered from Naivasha Law Courts would not be confirmed.

3.3.2 Eldoret Law Courts

i. Fines

An audit inspection at Eldoret Law Courts indicated that fines collected in the financial year 2016/2017 were Kshs.51,984,727. However, the amount of fines surrendered at Headquarters totalled Kshs.38,070,330 resulting to an unexplained difference of Kshs.13,914,397. Further, the revenue Collection Control Sheet number 0192365 collected two different amounts of Kshs.522,360 and Kshs.1,537,475. In addition, the amount of fees collected could not be confirmed as revenue Collection Control Sheets and Surrenders were not made available for audit. Consequently, the amount of fines and fees collected and surrendered from Eldoret Courts could not be ascertained.

ii. Fees

The fees collected and surrendered by Eldoret Law Court was Kshs.11,070,708 as analyzed in the table below and attached fees collection schedule maintained at the Judiciary headquarters. The original CCS, duplicate receipts and bank pay in slips submitted by the court station are available at the Judiciary headquarters.

Month	Fees (Kshs.)	Fines (Kshs.)
14-Jul	880,700.00	1,148,880.00
14-Aug	958,145.00	2,712,125.00
14-Sep	1,374,751.00	9,051,088.00
14-Oct	857,100.00	8,716,848.00
14-Nov	-	-
14-Dec	1,721,128.00	7,596,845.00
Month	Fees (Kshs.)	Fines (Kshs.)
15-Jan	816,920.00	2,154,395.00
15-Feb	726,850.00	1,007,350.00
15-Mar	729,545.00	1,049,940.00
15-Apr	1,238,963.00	1,624,105.00
15-May	645,825.00	1,331,424.00
15-Jun	1,060,781.00	1,677,330.00
Total	11,010,708.00	38,070,330.00

2016/2017 Issues

3.4 Inaccuracies in the Revenue Statement

The opening balance for fines, penalties and forfeitures was indicated as Kshs.1,470,152,225 whereas the 2015/2016 audited closing balance was Kshs.1,470,054,680 resulting in unexplained difference of Kshs.97,545. The Revenue Statement reflects an un-analyzed fine, penalty and forfeiture balance of Kshs.1,083,409,439 as at 30 June 2017. Further, during the year, Judiciary disbursed funds to various Tribunals for the operations. However, no records were provided for audit review to show how much was budgeted for collection and the actual fees collected by the Tribunals. Consequently, it was not possible to ascertain the accuracy of revenue collected from Tribunals.

3.5 Balances Carried Forward Not Yet Transferred

An amount of Kshs.470,931,785 reflected as balance carried forward and yet to be transferred could not be verified due to lack of certificate of bank balance and bank reconciliation statement as at 30 June 2017.

3.6 Fees on Use of Goods or Services

The Statement of Receipts and Transfers reflects the figure for Fees on Use of Goods and Services amounting to Kshs.847,031,435 as at 30 June 2017. However, the supporting schedule from the Headquarters shows an amount of Kshs.846,724,458 resulting into a variance of Kshs.306,977. No reconciliation or explanation has been given for the variance.

3.7 Unreconciled Balance Shown as Surrender to Exchequer Account

The Statement of Receipts and Transfers reflects an amount of Kshs.1,677,279,261 as transfers to exchequer account. However, the analysis of Central Bank Revenue statements account 1000209569 reflects an amount of Kshs.1,268,734,712. A variance of Kshs.408,544,712 has not been reconciled or explained.

Further, the audit review revealed that there was no bank reconciliation statement prepared for the Judiciary revenue main account Number 1117161749 and the cash book for revenue account Number 111761811 was also not maintained. In view of the above, the accuracy, completeness and presentation of the Revenue Statement balances for the year ended 30 June 2017 could not be ascertained.

3.8 Revenue Warrants Unaccounted for.

The warrant of commitment for sentence requires that it is prepared in triplicate and sealed. However, in a number of case files examined revealed that these warrants were not sealed.

Date	Case No.	Fines (Kshs.)
11/1/2017	TR 19/17	22,000
3/1/2017	TR 2/17	7,000
6/1/2017	TR 11/17	12,000
19/4/2017	TR 287/17	10,000
15/6/2017	TR 346/17	4,000
18/11/2016	TR 964/17	11,000

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), I am independent of Judiciary 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 requirement 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 of my opinion.

4.0 Other Matters

4.1 Unrealistic Budget on Fees from Use of Goods and Services

The FY 2017/2018 budget for Fees on Use of Goods or Services and Fines, Penalties and Forfeitures was Kshs.1,067,605,749 and Kshs.1,839,982,386 respectively. However, the actual revenue collected was Kshs.954,904,031 and Kshs.1,123,835,935 respectively. This resulted in an overall under collection of 11% equivalent to Kshs.112,701,718 for Fees and 39% equivalent to Kshs.716,146,451 for Fines. The under collection was due to unrealistic budgeting as detailed below.

Table 9: Budget Analysis for 2017/2018-Judiciary

Item	Estimates (Kshs.)	Actual (Kshs.)	Variance (Kshs.)	%
Fees on Use of Goods or Services	1,067,605,749	954,904,031	-112,701,718	11
Fines, Penalties and Forfeitures and Other Charges	1,839,982,386	1,123,835,935	-716,146,451	39
Total	2,907,588,135	2,078,739,966	-828,848,169	

4.2 None Provision of Documents

Section 9(1) (e and f) of the Public Audit Act, 2015 provides for unlimited access to record and data in the course of gathering audit evidence. However, the Judiciary did not provide all supporting documents for amounts reported in Statement of Receipts and Transfers as Fees On Use of Goods and Services and Fines, Penalties and Forfeitures. The Judiciary only provided the Collection Control Sheets for Nairobi region while bank statements for the months of November 2017 to June 2018 for 107 Courts were not provided. Further, Miscellaneous Receipts for fines were similarly not provided for Court stations other than for Nairobi region. In addition, management at Milimani Law Courts provided only bank reconciliation statements for July 2017 to September 2017 and March 2018. Under the circumstances, revenues collected and disclosed in statement of receipt and transfers could not be adequately ascertained.

4.3 Internal Control Deviations due to Financial Malpractices by the Judiciary

Documents reviewed revealed that there were internal control deviations due to various malpractices perpetuated by the Judiciary in 2017/2018 as detailed below;

i. Cashbook Not Updated

Review of Cashbooks in Various Court Stations revealed that they were not updated accordingly against Judiciary Finance Policy and Procedures Manual Section 9.2.3.6(d) and 10.2(e) requiring the Station's Cashbook to be updated daily with the amount received, refunds and forfeitures. These are detailed in observations discussed below;

a. Thika Law Courts

It was observed that the station did not record transactions in its revenue and deposit cashbooks for the month of April 2018. Further, receipts amounting to Kshs.3,406,573 surrendered to the Judiciary Headquarters during the financial year 2017/2018 were not posted to the cashbook as detailed in table 10 below:

Table 10: Receipts Surrendered but not Posted in Cashbook

Month	Collection Control Sheet Number	Amounts (Kshs)
18-Apr	855073	120,800.00
	855074	82,590.00
	855075	473,436.00
	855076	291,911.00
	855077	347,833.00
	855078	359,845.00
	855079	216,809.00
	855080	167,006.00
	855083	201,600.00
18-Jun	900768	804,000.00
18-Jan	855022	8,420.00
17-Nov	848290	114,200.00
	848291	102,288.00
17-Oct	848272	57,354.00
17-Jul	281815	58,481.00
Total		3,406,573.00

b. Eldoret Law Courts

Eldoret Law Courts did not maintain a cashbook between July 2017 and October 2017. The Court recorded only the balance brought forward as at 1st November 2017 of Kshs.2,806,874 and it was therefore not possible to verify amounts collected during this period.

c. Milimani Law Courts

The Cashbook for Milimani Law Courts was not updated with the receipted amount from receipt books not surrendered by the revenue cashiers. Further, the Cashbook was not updated with revenue collected using the 8,000 tribunal fees bank slips not receipted. Without updating the Cashbooks, it was not possible to do bank reconciliations that determines the accuracy of revenue collected.

ii. Variances Between Receipt Voucher(FO17) and Banked Collections- Shanzu Law Courts

Review of Receipt Vouchers (FO17) for Shanzu Law Courts revealed that Kshs.22,536,613 was collected. However, the bank statement reflects banking of Kshs.28,494,473. This resulted in a difference of Kshs.5,957,860.00 detailed in table 29 below. Therefore, the accuracy and completeness of the total surrenders of revenue for Shanzu Law Courts for 2017/2018 could not be confirmed.

Table 11: Comparative Analysis of Receipt Vouchers (FO17) and Banked Amounts

Month	Receipt Voucher (FO17)No.	Date	Receipt Voucher (FO17) (Kshs.)	Banked Collections (Kshs.)	Variance (Kshs.)
17-Jul	197	3.8.17	1,526,138.00	1,526,213.00	-75.00
17-Aug	331	5.10.17	1,555,377.00	1,555,377.00	0.00
17-Sep	330	3.10.17	1,760,784.00	4,145,859.00	-2,385,075.00
17-Oct	366	2.11.17	2,114,462.00	2,114,462.00	0.00
17-Nov	368	5.12.17	2,131,612.00	2,126,612.00	5,000.00
17-Dec	370	8.1.18	2,066,853.00	2,086,853.00	-20,000.00
18-Jan	371	1.2.18	1,905,341.00	1,861,041.00	44,300.00
18-Feb	278	28.2.18	1,834,682.00	2,754,692.00	-920,010.00
18-Mar	279	5.4.18	1,901,009.00	1,864,759.00	36,250.00
18-Apr		7.5.18	1,301,903.00	1,256,995.00	44,908.00
18-May	349	5.6.18	2,130,335.00	2,175,993.00	-45,658.00
18-Jun	358		2,308,117.00	5,025,617.00	-2,717,500.00
	Total		22,536,613.00	28,494,473.00	-5,957,860.00

iii. Delayed Issuance of Miscellaneous Receipt by Judiciary – Shanzu Law Courts

Amounts collected in September 2017 of Kshs.4,148,784 as per Collection Control Sheet number 248424 compared with Kshs.1,760,784 as per Receipt Vouchers(FO17), resulted in a difference of Kshs.2,388,000. This was due to delayed issuance of Miscellaneous Receipt done in May 2018 eight months later. The cause of the delay in issuing miscellaneous receipt has not been explained.

iv. Variances Between Collection Control Sheets and Cashbook– Nyeri Law Courts

Examination of the financial records maintained at Nyeri Law Courts revealed an unexplained variance of Kshs.160,747 between Collection Control Sheet figure of Kshs.508,188.00 and Cash Book figure of Kshs.668,935 for August 2017. In the circumstances, the accuracy and completeness of the collected and surrendered revenue could not be confirmed.

v. Variance Between Statement Revenue Figure and Collection Control Sheet Figure for Fines and Forfeitures-Mombasa Law Courts

The statement of revenue and revenue supporting schedule indicate that the total revenue for fines and forfeitures collected during the year totaled to Kshs.33,923,326 while revenue from collection control sheets for the same period totaled to Kshs.32,980,002 resulting to an unexplained variance of 943,324 as detailed in Table 12. This may have resulted in misstatement of Judiciary Statement of Receipts and Transfers for 2017/2018.

Table 12: Court Fines and Forfeitures- Mombasa Law Courts for 2017/2018

Collection Control Sheet No.	Period	Collection Control Sheet (Kshs.)	Comments
0256922	April, May, June	828,110.73	
" "	" " " "	269,000.00	
256918	1st July-31st July	36,853.00	
" "	" "	306,984.00	
" "	" "	413,230.00	
" "	" "	248,334.00	
" "	" "	362,172.00	
" "	" "	133,766.00	
" "	" "	184,467.00	
0256920	1st July-31st July	411,500.00	Deposit forfeited
0256935	1st Aug-31st August	316,000.00	Deposit forfeited
0256933	1st Aug-31st August	1,561,211.00	Fines
0256949	1st Sept -30st Sept	1,781,196.00	Fines
0256950	6th Sept- 29th sept	721,560.00	Deposit forfeited
0221684	1st Oct 31st oct2017	728,500.00	Deposit forfeited
0221681	1st Oct 31st oct2017	1,523,469.00	Fines
846163	1st Nov to 30th Nov	1,262,207.00	Fines
846164	1st Nov to 30th Nov	934,000.00	Deposit forfeited
846176	1st Dec to 31st Dec	1,462,948.00	Fines
846185	1st Jan to 31st Jan18	1,994,745.00	Fines
0221690	1 st Feb to 29thFeb18	543,000.00	Fines
846173	1st Dec to 31st Dec	401,000.00	Forfeiture
846188	1st Feb to 28th Feb18	2,412,117.00	Fines
900903	1st Marc to 31st Marc18	4,533,935.00	Fines
900919	1st Apr to 30th Apr18	523,000.00	Forfeiture
900916	1st Apr to 30th Apr18	2,906,089.00	Fines
900933	1st May to 31st May18	1,918,131.00	Fines

Collection Control Sheet No.	Period	Collection Control Sheet (Kshs.)	Comments
900955	5/4/18 to 25/5/18	525,000.00	Forfeiture
900954	30th June 2018	757,000.00	Forfeiture
900952	1st June to 30th June	2,980,477.00	Fines
	Total	32,980,001.73	

vi. Inadequate Data to Identify Source and Destination of Funds Transfer

The transactions in the bank statements lacked references to the payees. This made confirmations of receipts to the bank statement difficult leading to lack of audit trail.

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 matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 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 Judiciary ability to continue as a going concern/ 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 liquidate the Judiciary to cease operations, or have no realistic alternative but to do so.

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 revenue 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 Judiciary 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 revenue 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 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 revenue 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 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 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 Judiciary- Revenue Financial Statement 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 Judiciary's ability to continue as a going concern or 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 Judiciary to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial 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 financial information and business activities 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 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.

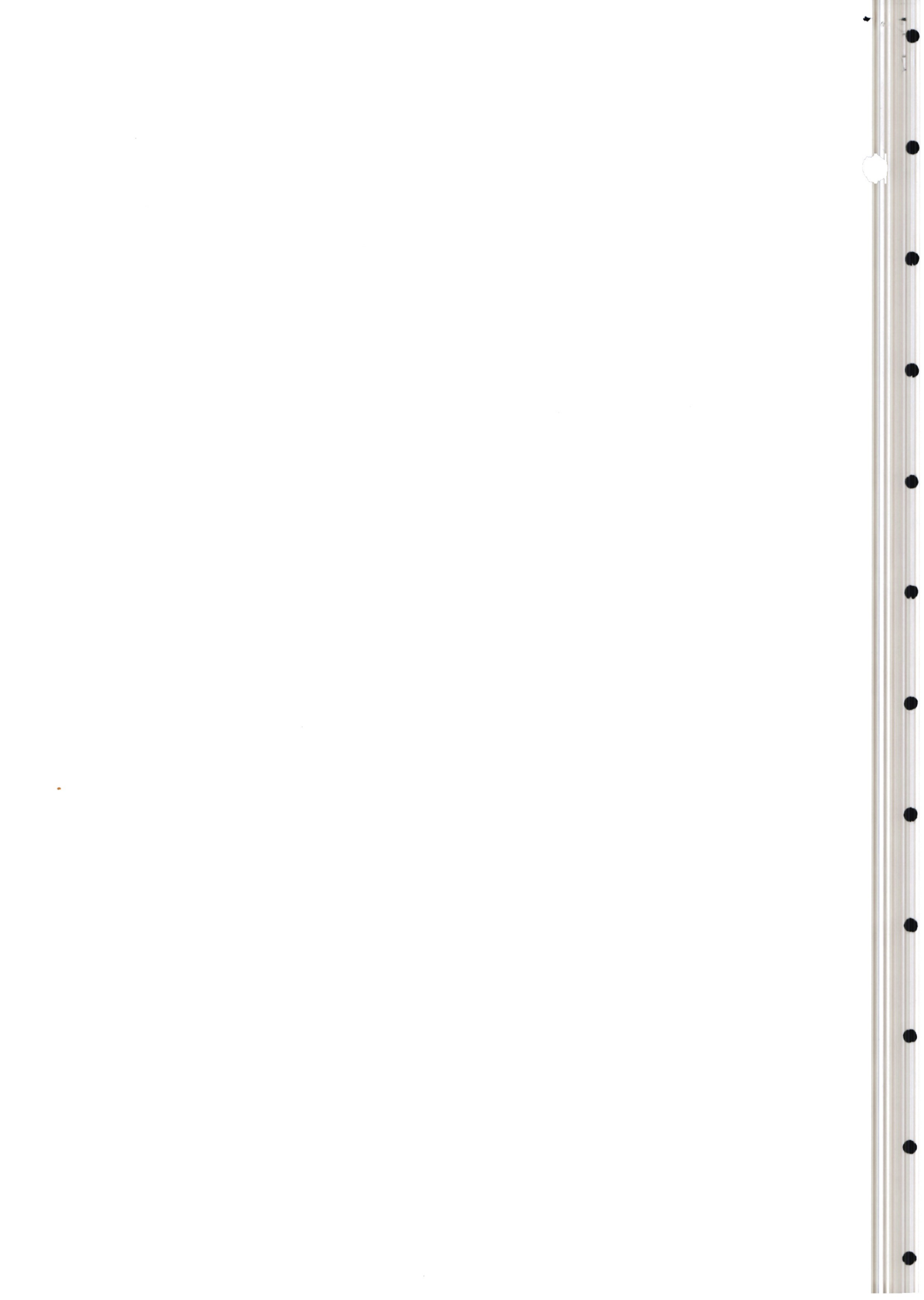
From the matters communicated with management, I determine those matters that were of most significance in the audit of the revenue statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication



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

Nairobi

13 June 2019




**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

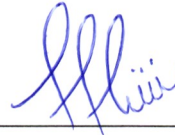
III. STATEMENT OF RECEIPTS AND TRANSFERS

	Note	2018 KShs	2017 KShs
NON TAX REVENUES			
Fees on use of Goods/Services	1(a)	954,904,031	847,031,435
Fines, Penalties and Forfeitures	1(b)	<u>1,123,835,935</u>	<u>1,083,409,439</u>
TOTAL NON TAX RECEIPTS		<u>2,078,739,966</u>	<u>1,930,440,874</u>
TRANSFERS TO EXCHEQUER ACCOUNT	2	(1,967,609,303)	(1,677,279,261)
BALANCE BROUGHT FORWARD		<u>470,931,785</u>	<u>217,770,172</u>
BALANCE CARRIED FORWARD	3	<u>582,062,448</u>	<u>470,931,785</u>

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 28th September 2018 and signed by:



Chief Registrar of the Judiciary
Anne A. Amadi



Ag. Deputy Director Accounts
Philip Kakai - ICPAK Member
Number: 3767



**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

IV. STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2018

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2016 (a)	Amount in arrears for the immediate previous period to June 2017 (b)	Amount in arrears for the current period to June 2018 (c)	Total arrears as at June 2018 (a+b+c)	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Non Tax Revenues						
Fees on use of goods and services	-	-	-	-	N/A	N/A
Fines, penalties and forfeitures	-	-	-	-	N/A	N/A
Total Arrears	-	-	-	-		



Chief Registrar of the Judiciary
Anne A Amadi



Ag. Deputy Director Accounts
Philip Kakai - ICPAK Member Number: 3767



**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. SIGNIFICANT ACCOUNTING POLICIES

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

a) 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 under the Cash Basis of Accounting 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 Judiciary. 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 Judiciary.

b) Recognition of Revenue

The Judiciary recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Judiciary.

c) Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the 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 to these revenue statements.

d) 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.

e) Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue.

f) Comparative Figures

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

g) Subsequent Events

There have been no events subsequent to the period end with a significant impact on the revenue statements for the period ended 30 June, 2018.




**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
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VI. NOTES TO THE FINANCIAL STATEMENTS

1(a) & (b) FEES ON USE OF GOODS/SERVICES & FINES, PENALTIES AND FORFEITURES

	2017/2018 Original Estimates	Revised Estimates	Actual	% Realized
	KShs	KShs	KShs	
Fees on use of goods/ Services	1,067,605,749	-	954,904,031	89.44% ¹
Fines, Penalties and Forfeitures and Other Charges	1,839,982,386	-	1,123,835,935	61.39% ²
Total Income	2,907,588,135		2,078,739,966	71.49%
Balance brought forward	-	-	470,931,785	-
Transfers to the exchequer account	-	-	(1,967,609,303)	-
Balance carried forward	-	-	582,062,448	-

The above revenue statement was approved on 28th September 2018 and signed by:


Chief Registrar of the Judiciary
Anne Atieno Amadi


Ag. Deputy Director Accounts
Accounts Philip Kakai - ICPAK Member Number: 3767

¹ There was an 89.44% realization of fees on use of goods/services. Fees collection depends on court activities that vary from time to time. The original estimates were not adjusted in the supplementary budget which should have reduces the expected collections to reasonable amount.

² There was a 61.39% realization on fines, penalties and forfeiture of the charges. Fines imposed is dependent on cases completed that vary from time to time. The original estimates were not adjusted in the supplementary budget which should have reduces the expected collections to reasonable amount.



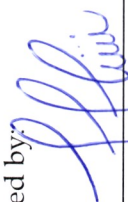
**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
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2. BALANCES CARRIED FORWARD

Balance brought forward subsequently transferred		<i>Date transferred</i>
	KShs	
1.	204,411,971	04-Jul-2018
2.	142,000	10-Jul-2018
3.	254,827,085	25-Jul-2018
4.	<u>12,001,105</u>	10-Aug-2018
	471,382,161	
Balance brought forward yet to be transferred		
	KShs	
1.	3,219,225	Relates to revenue surrender from Makadara Law Courts for the month of September 2016 which is yet to be transferred
2.	106,671,830	Relates to collections for January 2017 whose request to transfer has not been effected by the bank.
5.	164,265	Being balance of June 2018 collections not yet transferred.
6.	624,967	Being Oct 2017 and December 2017 collections for Marimanti law courts yet to be transferred.
	110,680,285	
	582,062,448	

The above revenue statement was approved on 28th September 2018 and signed by:


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**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
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VII. REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE PERIOD.

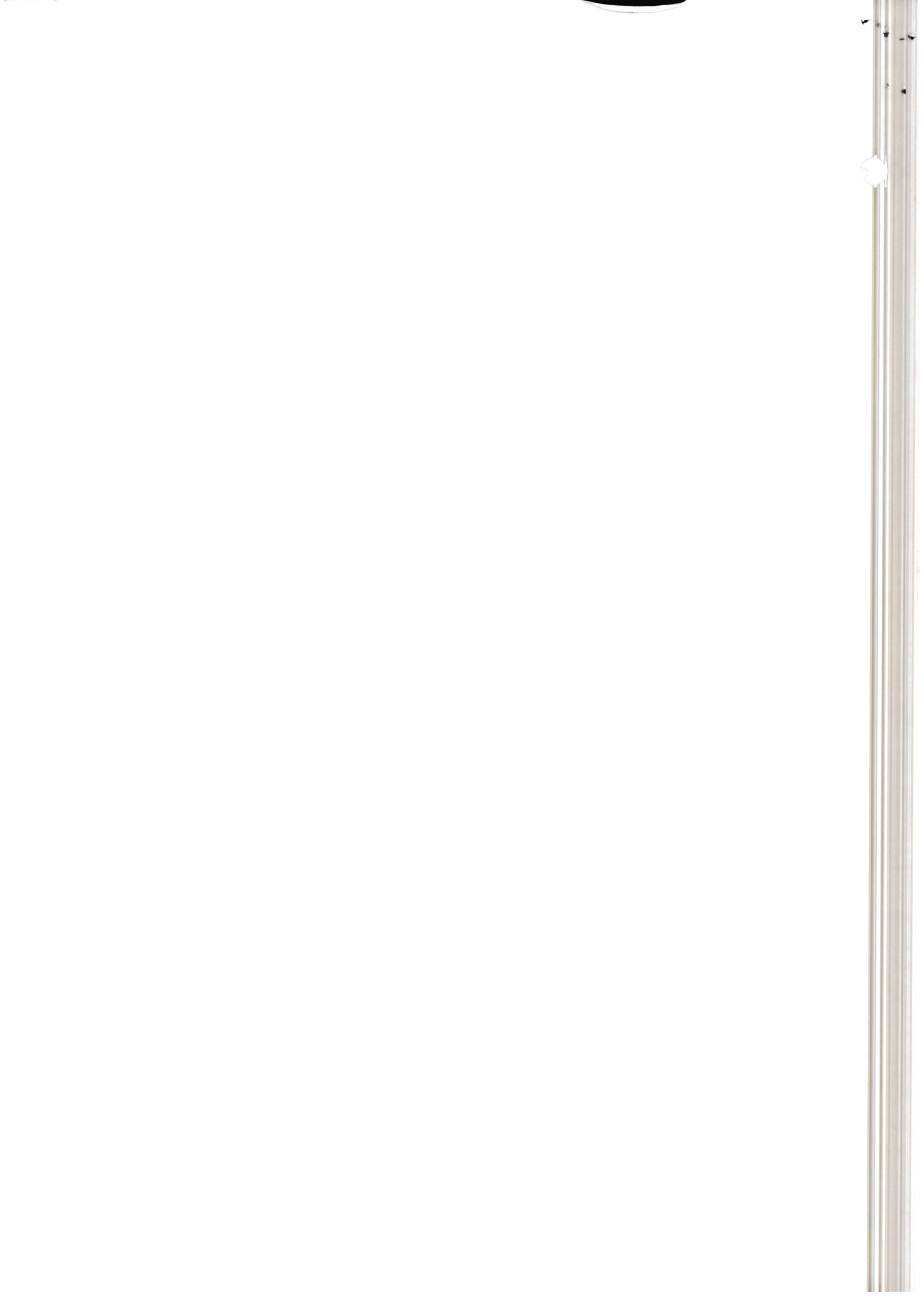
Name of person/organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/waiver	Reason for waiver/ variation	The law in terms of which the variation was granted
None	N/A	N/A	N/A	N/A



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VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Ref: No of the external audit report	Issue/Observation from Auditor	Management Comments	Action By	Status	Timeframe
1.1	Inaccuracies in the Revenue Statement	Tribunals are considered as any other subordinate court under Milimani Law Courts and therefore their revenue which is classified as 'Sale of goods and fees for services' is surrender under the Milimani Law Courts account where all other subordinate courts falling under Milimani are recorded.	Ag.DDA	Ongoing	6 Months
1.2.1 (i)	Unreconciled Revenue Balance - Fines	The difference of Kshs.42, 019,698 relates to reimbursement of court fines and fees earlier surrendered to the National Treasury but refunded after successful appeal in the Higher Court	Ag.DDA	Resolved	N/A
1.2.1 (ii)	Balances carried forward not yet transferred	The amount has been analysed and in the process of being transferred	Ag.DDA	On going	4 months
1.2.1(iii)	Mombasa Law Courts – Revenue from fines	The revenue schedule from Headquarter has the same amount as the station's CCSs. This is available for review.	Ag.DDA	Resolved	N/A
1.2.2	Erroneously written off negative balance in the revenue cash book – Malindi Law Courts	This was an error which has since been corrected.	Ag.DDA	Resolved	N/A
1.3	Fees on use of goods/services	The variance arises where there are successful appeals that lead to refund of fines and not reconciled by the time of audit. The reconciliation is being undertaken on an ongoing basis	Ag.DDA	Ongoing	



**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
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Ref: No of the external audit report	Issue/Observation from Auditor	Management Comments	Action By	Status	Timeframe
1.5	Unreconciled balance shown as surrender to exchequer account	This was as a result of restatement of prior year financial statements.	Ag.DDA		
2.1	Revenue warrants unaccounted for	The practice is that only original of the committal warrants are sealed, copies are normally just stamped and kept in the files for references only. Payments of fines or refund of deposit is based on a court order and not on committal warrants and therefore internal control on revenue is not weak.	Ag.DDA	N/A	N/A
2.2	Cashbook not maintained – Milimani Commercial Courts	Milimani Commercial Court maintains two Cashbooks for Revenue Account and Deposit Account which are very much up-to-date. Attached are the extracts of the two cashbooks.	Ag.DDA	Resolved	N/A
2.3	Long outstanding un-surrendered receipt books – Mombasa Law Courts	The receipt books were issued from the headquarters for use in South West Coast region but erroneously indicated in Headquarters CRB as for in Mombasa Law Courts only. The anomaly has since been corrected	Ag.DDA	Resolved	N/A
2.4	Unaccounted for Deposits converted to fines	Deposits converted to fines were all accounted for. Records are available for review	Ag.DDA	Resolved	N/A

Amadi

Chief Registrar of the Judiciary
Anne A. Amadi

Kakai

Ag. Deputy Director Accounts
Philip Kakai - ICPAK Member Number: 3767

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