REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE REVENUE STATEMENTS OF
THE OFFICE OF THE ATTORNEY GENERAL
AND DEPARTMENT OF JUSTICE**

**FOR THE YEAR
ENDED 30 JUNE 2016**

OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE

REVENUE STATEMENT

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Office of the Attorney General and Department of Justice is represented at the Cabinet level, by the Attorney General, who is responsible for the general policy and strategic direction of the Office. The Solicitor General is the appointed as a receiver of revenue for the office.

(b) Principal activities

The Solicitor General collects revenue from the following activities;

i.) Registration of Companies
ii.) Public Trustee Fees
iii.) Registration of Receiver's fees
iv.) Registration of Coat of Arms
v.) Registration of Business Names
vi.) Registration of Marriages
vii.) Registration of Hire Purchase Agreement
viii.) Registration of Societies
ix.) Conveyance/Chattels Fees
x.) Registration of Books & Newspapers
xi.) Business Name Search Fees

(c) Key Management

The Office of the Attorney General and Department of Justice's day-to-day management is under the following key organs:

- Attorney General -	Hon. Githu Muigai
- Solicitor General -	Mr. Njee Muturi
- Senior Management -	
▪ Secretary Administration	Mr. Njenga Miiri
▪ Chief Finance Officer	Mr. Jacob Munge
▪ Registrar General	Mrs. Bernice W. Gachegu
▪ Principal Accountant	Mrs. Leah W. Kimemia

(d) Entity Headquarters

P.O. Box 40112
Sheria House
Harambee Avenue
Nairobi, KENYA

(e) Entity Contacts

Telephone: (254) 020 2227461
E-mail: info.statelawoffice@kenya.go.ke
Website: www.attorney-general.go.ke

(f) Independent Auditors

The 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 – Hon. Githu Muigai
The Solicitor General -
Telephone: (254) 020 2227461
E-mail: info@ag.go.ke

(h) Bankers (include all bankers)

1. Central Bank of Kenya
   Haile Selassie Avenue
   P O Box 60000
   City Square 00200
   Nairobi Kenya
   Telephone: (254)202860000
   E-Mail: comms@centralbank.go.ke

2. Kenya Commercial Bank LTD.
   Branch: KCB MOI AVENUE-4001
   Account No.: 1123414246
   Telephone: (254) 20244939
   FAX: 20244939
   Website: www.kcb.go.ke

II. STATEMENT OF SOLICITOR GENERAL 'S RESPONSIBILITIES

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

The Solicitor General is responsible for the preparation and presentation of the receiver of revenue Report, which gives a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the revenue collected by the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Solicitor General accepts responsibility for the entity's revenue report, which has 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 Solicitor General is of the opinion that the entity's revenue report gives a true and fair view of the state of entity's revenue collection (performance) during the financial year ended June 30, 2016. The Solicitor General further confirms the completeness of the accounting records maintained for the Office of the Attorney General and Department of Justice, which have been relied upon in the preparation of the revenue report as well as the adequacy of the systems of internal financial control.

The Solicitor General confirms that the entity has complied fully with applicable Government Regulations revenue collected during the year under audit have been properly accounted for. Further the Solicitor General confirms that the revenue report has 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 Solicitor General on **30th September, 2016**

Solicitor General

Principal Accounts Controller

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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 THE OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE REVENUE STATEMENTS

I have audited the accompanying revenue statements of the Office of the Attorney General and Department of Justice set out on pages 6 to 13, which comprise the statement of revenues and transfers and statement of arrears of revenue for the year ended 30 June 2016, 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.

Management's Responsibility for the Revenue Statements

The Accounting Officer - Office of the Attorney General and Department of Justice is responsible for the preparation and fair presentation of these revenue statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of revenue statements that are free from material misstatement, whether due to fraud or error.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these revenue statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the revenue statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the revenue statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the revenue statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the revenue statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the revenue statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion;

Basis for Qualified Opinion

1. Unremitted Revenue

The office of the Attorney General and Department of Justice has not been remitting revenue as analyzed below.

i) Huduma Centre

Postal Corporation of Kenya has been collecting revenue on behalf of the Company's Registry for name search and reservation, registration of business names, registration of companies and registration of welfare societies through a contract signed between the Corporation and Office of the Attorney General and Department of Justice (OAG & DoJ). A total of Kshs.204,882,390 was collected by the Corporation during the year under review as reflected in the Posta Pay EFT system. Out of this amount, only Kshs.66,199,200 had been remitted to OAG & DoJ revenue account at the Central Bank as at 30 June 2016 leaving a balance of Kshs.138,683,190 contrary to the provisions of the contract agreement which required monies collected by the Corporation to be remitted to the revenue account on Mondays and Thursdays every week. Further, the contract was not availed for audit review.

Under the circumstances, the validity of the transactions could not be ascertained.

ii) E-Citizen

An amount of Kshs.11,040,750 in respect of names search and reservation, registration of companies and registration of business names, had been collected through the E-Citizen platform by 30 June 2016. However, there is no evidence that this amount has been remitted to the Treasury as required.

iii) Safaricom

Safaricom collects revenue in respect of names search on behalf of OAG & DoJ. By 30 June 2016 an amount of Kshs.1,538,316 had been collected but the collection had not been remitted.

iv) Deposit Account

Public Trustee Fees amounting to Kshs.1,099,057 was transferred to the OAG & DoJ Deposit account No.1000182334.00 on 18 August 2015, however, there is no evidence that the amount has been remitted to the revenue account at the Central Bank.

v) Conveyance/Chattels Fees

The revenue statement reflects conveyance / chattels fees amounting to Kshs.1,090,250 but the Integrated Financial Management Information System trial balance does not indicate any revenue under the item, therefore understating the revenue collected.

In the circumstances, revenue totaling Kshs.152,361,312 could not be confirmed as received by National Treasury, and no explanation has been provided by the management.

2. The revised revenue statements submitted were not signed by the accounting officer as required by regulations. Further, the accounting officer has not submitted management representation letter as required.

3. Prior Year Matters

The Office of the Attorney General and Department of Justice (OAG & DoJ) has not provided a comprehensive report on when and how the previous year's matters will be addressed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the revenue statements give a true and fair view of the revenue performance of the office of the Attorney General and Department of Justice for the year ended 30 June 2016, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

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

Nairobi

23 May 2017

III. STATEMENT OF REVENUES AND TRANSFERS

	Note	2015/2016 Kshs	2014/2015 Kshs
TAX REVENUES		-	-
TOTAL TAX RECEIPTS		-	-
NON TAX REVENUES			
Fees on use of Goods/Services	1	469,814,685	430,482,650
TOTAL NON TAX RECEIPTS		**469,814,685**	**430,482,650**
TOTAL REVENUE COLLECTED		**469,814,685**	**430,482,650**
TRANSFERS TO EXCHEQUER ACCOUNT		(329,671,837)	(422,765,534)
BALANCE BROUGHT FORWARD	2	24,179,274	16,462,158
BALANCE CARRIED FORWARD	2	**164,322,122**	**24,179,274**

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 30th September, 2016 and signed by:

Solicitor General

Principal Accounts Controller

IV. STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2016

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2015	Amount in arrears for the immediate previous year to 30 June 2015	Amount in arrears for the current year to June 30, 2016	Total arrears as at 30 June 2016	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Fees on Use of Goods and services	NIL	NIL	NIL	NIL		
Total Arrears	NIL	NIL	NIL	NIL		

Solicitor General

Principal Accounts Controller

v. SIGNIFICANT ACCOUNTING POLICIES

The principle 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 under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The revenue statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The revenue statements are presented in Kenya Shillings, which is the functional and reporting currency of the Office of the Attorney General and Department of Justice. 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 Revenue

The Office of the Attorney General and Department of Justice recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the entity.

3. 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.

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 Solicitor General.

6. Comparative Figures

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

7. 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, 2016

VI. NOTES TO REVENUE STATEMENTS

I. FEE ON USE OF GOODS AND PERMISSION TO USE OF GOODS OR PERFORM SERVICES AND ACTIVITIES.

	Original Estimates	Revised Estimates	Actual	% Realized
Income Tax from Individual (PAYE)				
Income from Corporative Tax				
Income share of LATF				
Other Income (Refunds)				
Total Revenue	73,450,966.00	73,450,966.00	469,814,685.00.00	540%
Balance brought forward			24,179,274.00	
Transfers to the Exchequer account			329,671,837.00	
Balance carried forward			164,322,122.00	

Commentary on Actual Revenue against the Revised Estimates

SEE NOTE 3

Solicitor General

Principal Accounts Controller

NOTE 2: BALANCES CARRIED FORWARD

	Kshs.
Balance Brought Forward Subsequently transferred	24,179,274
Actual Receipts 2015/16	**469,814,685**
Sub-Total	**493,993,959**
Transferred to Exchequer	(329,671,837)
Balance Carried Forward	**164,322,122**

Balance carried forward subsequently transferred		
Amount		Date transferred
1.Cash Book balance B/F	24,179,274	July 2016

Solicitor General **Principal Accounts Controller**

NOTE 3: ANALYSIS OF OVER/UNDER COLLECTION:

ITEM		Original Estimates	Revised Estimates	Actual	OVER (Kshs.)	UNDER (Kshs.)	REASONS
1420208	Official Receiver's fees	47,157.00	47,157.00	51,000.00	3,843.00	-	Under-estimation of revenue.
1420209	Registration of Companies	36,161,627.00	36,161,627.00	239,290,086.00	203,128,459.00	-	Introduction of Huduma Centres hence ease of access.
1420211	Registration of Coat of Arms	813,252.00	813,252.00	103,100.00	-	710,152.00	Over-estimation of revenue.
1420212	Registration of Business Names	10,729,650.00	10,729,650.00	53,252,000.00	42,522,350.00	-	Entry of E-Citizen platform.
1420213	Registration of Marriages	6,159,659.00	6,159,659.00	84,393,855.00	78,234,196.00	-	Increase in Marriage fees.
1420214	Registration of Hire Purchase Agreement	551,210.00	551,210.00	3,313,531.00	2,762,321.00	-	Under-estimation of revenue.
1420215	Registration of Societies	2,210,962.00	2,210,962.00	7,371,384.00	5,160,422.00	-	Under-estimation of revenue.
1420218	Registration of Books & Newspapers	57,329.00	57,329.00	60,550.00	3,221.00	-	Under-estimation of revenue.
1420231	Public Trustee Fees	11,490,024.00	11,490,024.00	56,018,413.0	44,528,389.00	-	Most PT cases were closed and Under-estimation of revenue.
1420230	Business Name Search Fees	5,230,096.00	5,230,096.00	25,960,766.00	20,730,670.00	-	Entry of Safaricom & E-Citizen platform.
	TOTAL FEES	**73,450,966.00**	**73,450,966.00**	**469,814,685.00**	**397,073,871.00**	**710,152.00**	
	Balance brought forward			24,179,274.00			
	Transfers to the Exchequer Account			329,671,837.00			
	Balance carried forward			164,322,122.00			

Solicitor General

Principal Accounts Controller

NOTE 4:

	Kshs.
Balance Brought Forward	24,179,274.00
Actual Receipts 2015/16	469,814,685.00
Sub-Total	**493,993,959.00**
Transfer to Exchequer	329,671,837.00
Balance Carried Forward	**164,322,122.00**
Reconciled By:	
Deposits Accounts	1,099,057.00
Huduma Centre	138,683,190.00
E-Citizen	12,814,750.00
Safaricom	1,538,316.00
Kcb Balance B/F	1,224,687.00
Kcb Balance C/F	8,412,009.00
Cash Book Balance	550,113.00
	164,322,122.00

Solicitor General **Principal Accounts Controller**

VII.

Appendix I ANALYSIS STATEMENT FOR TOTAL REVENUE FOR EACH ACTIVITY:

SUMMARY OF REVENUE					
ITEM	**ACTUAL REVENUE**	**HUDUMA REVENUE**	**E-CITIZEN REVENUE**	**SAFARICOM**	**TOTALS**
Official Receiver's fees	51,000.00	-	-	-	**51,000.00**
Registration of Companies	98,896,346.00	139,786,740.00	607,000.00	-	**239,290086.00**
Registration of Coat of Arms	103,100.00	-	-	-	**103,100.00**
Registration of Business Names	-	45,751,250.00	7,500,750.00	-	**53,252,000.00**
Registration of Marriages	84,393,855.00	-	-	-	**84,393,855.00**
Registration of Hire Purchase Agreement	3,313,531.00	-	-	-	**3,313,531.00**
Registration of Societies	6,879,384.00	492,000.00	-	-	**7,371,384.00**
Registration of Books & Newspapers	60,550.00	-	-	-	**60,550.00**
Public Trustee Fees	56,018,413.00	-	-	-	**56,018,413.00**
Business Name Search Fees	863,050.00	18,852,400.00	4,707,000.00	1,538,316.00	**25,960,766.00**
	250,579,229.00	**204,882,390.00**	**12,814,750.00**	**1,538,316.00**	**469,814,685.00**

Solicitor General

Principal Accounts Controller