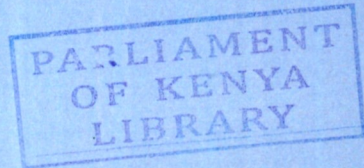


REPUBLIC OF KENYA



*Paper laid by
the Hon. W. N. Njiru
7/6/2018*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
RECEIVER OF REVENUE – THE JUDICIARY**

**FOR THE YEAR
ENDED 30 JUNE 2017**



RECEIVER OF REVENUE

THE JUDICIARY

FINANCIAL YEAR ENDED

JUNE 30, 2017

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

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE, 2017**

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	3
II. STATEMENT OF RECEIVER OF REVENUE’S RESPONSIBILITIES	6
III. STATEMENT OF RECEIPTS AND TRANFERS.....	7
IV. STATEMENT OF ARREARS IN REVENUE AS AT 30 JUNE 2017	8
V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	9
FOR THE PERIOD ENDED 30 JUNE 2017.....	9
VI. SIGNIFICANT ACCOUNTING POLICIES	10
VII. NOTES TO THE FINANCIAL STATEMENTS	12
VIII. APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.	15
IX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	16

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE, 2017**

I. KEY ENTITY INFORMATION AND MANAGEMENT

The Judiciary is one of the arms of Government. Its core 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, promote equal justice to access and advance local jurisprudence by upholding the rule of the law.

(a) Background information

The Judiciary is an arm of the Government. At cabinet level, the 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 of revenue in January 2014.

(b) Principal activities

The Receiver of Revenue collects revenue from Court Fees and Fines. Revenue collected is remitted to the National Treasury and used for exchequer in accordance with Section 81 (2) of the PFM Regulations 2015.

(c) Key Management

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

Judicial Service Commission
Office of the Chief Justice and President of the Supreme Court of Kenya and
Office of Chief Registrar of the Judiciary

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

	Designation	Name
1.	Hon Chief Justice and President of the Supreme Court of Kenya, The Head of Judiciary, Chair of the Judicial Service Commission, National Council of Law Reporting, Auctioneer Licensing Board and National Council on Administration of Justice	Hon. Justice David Kenani Maraga
2.	Chief Registrar of the Judiciary	Mrs Anne Amadi
3.	Ag Director Finance	Mrs. Susan Oyatsi
4.	Ag Deputy Director Accounts	Mr. Dominic M Ogeto

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE, 2017**

5.	Director Public Communication	Mr. Naim Bilal
6.	Director Performance	Dr. Paul Kimalu
7.	Ag Director ICT	Mr. Stephen Ikileng
8.	Director Supply chain Management	Mr. Jeremiah Nthusi
9	Ag Director Human Resource & Administration	Ms. Lorna Onyango
10.	Registrar Supreme Court	Mrs Esther Nyaiyaki
11.	Registrar Court of appeal	Mr. Moses Serem
12.	Registrar High Court	Mrs Judith Omange
13.	Registrar Employment & Labour Relations Court	Mr. Kennedy Kandet
14.	Registrar Magistrate Court	Mr Peter Mulwa

(d) Judiciary Headquarters

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

(e) The Judiciary of Kenya Contacts

Telephone: 254202221221
E-mail: info@judiciary.go.ke
Website: www.judiciary.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
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE, 2017**

(h) Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Kenya Commercial Bank ltd
Kencom House
Nairobi, Kenya.

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017**

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 of the receiver of revenue report, which gives a true and fair view of the state of affairs of the Judiciary for and as at the end of the financial year ended on June 30, 2017. 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 in charge of the Judiciary accepts responsibility for the Judiciary’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 Chief Registrar is of the opinion that the Judiciary’s Revenue report gives a true and fair view of the state of the Judiciary’s transactions during the financial year ended June 30, 2017, and of the Judiciary’s financial position as at that date. The Chief Registrar in charge of the Judiciary further confirms the completeness of the accounting records maintained for the Judiciary which have been relied upon in the preparation of the Judiciary’s account as well as the adequacy of the systems of internal financial control.

The Chief Registrar in charge 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 Judiciary 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 on 28th September 2017.



Chief Registrar of the Judiciary
Name: Hon Anne Atieno Amadi



Acting Deputy Director Accounts
Name: Dominic Mong’are Ogeto
ICPAK Member Number: 3487



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE - THE JUDICIARY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying revenue statements of The Judiciary set out on pages 7 to 17 which comprise the statement of receipts and transfers as at 30 June 2017, 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the revenue statements present fairly, in all material respects, the revenue performance of the Judiciary as at 30 June 2017, 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 Qualified Opinion

1.0 Accuracy, Completeness and Presentation of the Revenue Statement

1.1 Inaccuracies in the Revenue Statement

The opening balance for fines, penalties and forfeitures was indicated as Kshs.1,470,152,225.00 whereas the 2015/2016 audited closing balance was Kshs.1,470,054,680 resulting in an unexplained difference of Kshs.97,545. The revenue statement reflects an unanalyzed fines, 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.

1.2 Un- reconciled Variances -Fines, Penalties and Forfeitures

An amount of Kshs.1,083,409,439 is shown as fines, penalties and forfeitures in the revenue statement, however an analysis of various revenue accounts from field stations shows the following discrepancies:

1.2.1 Unreconciled Revenue Balance-Fines

- i. The statement receipts and transfers reflects an amount of Kshs.1,083,409,439 as fines, penalties and forfeitures while the revenue collection summary shows an amount of Kshs.1, 125,429,137 resulting in a variance of Kshs.42,019,698 that was determined to be irregular transfer of funds from revenue account no.117161749 at Kenya Commercial Bank Moi Avenue to deposit account no.1000182342 at Central Bank of Kenya without treasury authority. It was further noted that the supporting payment vouchers made available for audit to support the refund were paid during 2014/2015 financial year hence it could not have affected collections of the year under review.
- ii. Also an amount of Kshs.470,931,785 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.
- iii **Mombasa Law Courts- Revenue from Fines**

The revenue schedule from Judiciary Headquarters shows an amount of Kshs.66,205,557 while the analysis of revenue receipts from the station shows an amount of Kshs.62,669,659 resulting into a variance of Kshs.3,535,898 which had not been explained or reconciled.

1.2.2 Erroneously Written off Negative Balance in the Revenue Cash Book – Malindi Law Courts

The cash book at Malindi Law Courts reflects a nil balance as at 30 June 2017. However, no explanation was given as to why an amount of Kshs.(531,866) was removed from cash book without any authority or supporting document casting doubt on the nil closing balance in the cashbook.

1.3 Fees on Use of Good/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.

Component	F/S Figure Kshs.	Figures as per Judiciary Report Kshs.	Variance Kshs.
Court Fees	847,031,435	846,724,458	306,977

1.5 Unreconciled Balance Shown as Surrender to Exchequer Account

The statement of receipts and transfers reflects an amount of Kshs.1,677,279,261 as transfer to exchequer account. However, the analysis of Central Bank revenue statements shows an amount of Kshs.1,268,734,712.

A variance of Kshs.408, 544,712 as shown in the table below has not been reconciled or explained.

Financial Statement Kshs.	CBK Revenue Account 1000209569 Kshs.	Variance Kshs.
1,677,279,261	1,268,734,712	408,544,712

Further, the audit review revealed that there is no bank reconciliation statement prepared for the judiciary revenue main account No. 1117161749 and the cash book for revenue account no. 111761811 was also not maintained.

In view of the foregoing, the accuracy, completeness and presentation of the revenue statement balance for the year ended 30 June 2017 could not be ascertained.

2.0 Revenue Unrecorded and Unaccounted For

2.1 Revenue Warrants Unaccounted For

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

Date	Case No.	Fine(Kshs.)
11/1/2017	TR 19/17	22,000
3/1/2017	TR 2/17	7,000
6/1/2017	TR11/17	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

2.2 Cash Book not Maintained – Milimani Commercial Courts

During the year under review, no cash book was maintained at Milimani Commercial Courts hence no bank reconciliation statement was done and the accuracy of the bank balance could not be ascertained.

2.3 Long Outstanding Un-surrendered Receipt Books – Mombasa Law Courts

As at the time of audit in February 2018, it was observed that the following receipt books had not been surrendered and have been out for a long period of time.

Receipt Book No.	Date Issued
3672301 – 3672300	19/10/2016
3720551 – 3720600	19/10/2016
3720951 – 3721000	19/9/2016
3738451 – 3738500	26/9/2016
3702351 – 3702400	23/9/2016
3655351 – 3655400	19/10/2016
3667551 – 3667600	19/10/2016
3667601 – 3667650	19/10/2016
3667751 – 3667800	19/10/2016
3667801 – 3667850	19/10/2016
3667851- 3667900	19/10/2016
3667901 – 3667950	19/10/2016
3667951 – 3668000	19/10/2016
3632601 – 3632650	19/10/2016
3632701 – 3632750	19/10/2016
3632751 – 3632800	19/10/2016

The revenue collected by use of the above receipts has neither been recorded nor accounted for as at 30 June 2017.

2.4 Unaccounted For Deposits Converted to Fines

During the year under review, it was noted that deposits were converted into fines as per court orders and an MR receipt issued covering the converted amounts and extra cash payable. The receipt is then used to surrender revenue to headquarters however no evidence is attached during surrender to support that the converted amount was transferred from deposits to revenue account.

Further, no supporting evidence was provided during surrender in respect to deposits which have been forfeited.

Under the circumstances, it has not been possible to confirm the accuracy and completeness of the expected revenue collected and accounted for as at 30 June 2017.

3.0 Prior Year Issues

3.1 Financial anomalies at Kericho Courts

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

3.2 Unaccounted for Court Deposits

Examination of the deposit ledger and other court records indicated that deposits and bonds paid to the court by convicts totaling 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.8,100,801.65 represents unaccounted for convicts deposits and bonds.

3.3 Irregular Expenditure

The Chief Magistrate's office procured general office supplies worth Kshs.833,677 during the period under review. However, the following unsatisfactory matters were noted.

- i. There were no requisitions initiated by the user departments detailing the quality and quantity of the stationery required.
- ii. No approvals were made of the requisitions made for the stationery purchased.
- iii. No procurement plan was produced for audit.
- iv. The stores purchased were not entered in record contrary to section 18.2 of the Government Financial Regulations and Procedures and it was therefore not possible to confirm receipt and subsequent usage.

In the circumstances, it was not possible to confirm the propriety of the expenditure of Kshs.833, 677.

3.4 Bank Reconciliations

The Kericho Law Courts did not prepare bank reconciliation statements for the deposit and revenue cash books as at 30 June 2015 contrary to Section 5.9.2 of the Government Financial Regulations and Procedures. Although it was indicated 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.

4.0 Fraud at Baricho Law Courts

An audit inspection done during the year under review revealed that the Judiciary had lost a total of Kshs.984,080.00 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) receipt books were missing at the District Treasury at Baricho and in 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 cash book and further no monthly reconciliations statements were prepared. No explanation was provided as to why Judiciary did not adhere to the Public Finance Management 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 manual September 2014.

5.0 Discrepancies in Revenue Records

5.1 Naivasha Law Courts

Records maintained at the station reflects the amounts of surrender to the Headquarters for court fines and court fees as Kshs.100,923,964.00 and Kshs.11,612,408.00 respectively.

However, records maintained at the Headquarters had surrenders amounting to Kshs.110,192,341.00 and Kshs.10,583,445.00 for court fines and fees respectively and hence a difference of Kshs.(9,268,377.00) for court fines and Kshs.1,028,963.00 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 could not be confirmed.

5.2.0 Eldoret Law Courts

5.2.1 Fines

An audit inspection at Eldoret Law Court indicated that fines collected in the financial year 2016/2017 were Kshs.51,984,727. However, the amount of fines surrendered at Headquarters totaled 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 Law Courts could not be ascertained.

5.2.2 Fees

The fees collected and surrendered by Eldoret Law Courts was KShs.11,010,708 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	Fines
July 2014	880,700.00	1,148,880.00
August 2014	958,145.00	2,712,125.00
September 2014	1,374,751.00	9,051,088.00
October 2014	857,100.00	8,716,848.00
November 2014	0	0
December 2014	1,721,128.00	7,596,845.00
January 2015	816,920.00	2,154,395.00
February 2015	726,850.00	1,007,350.00
March 2015	729,545.00	1,049,940.00
April 2015	1,238,963.00	1,624,105.00
May 2015	645,825.00	1,331,424.00
June 2015	1,060,781.00	1,677,330.00
TOTAL	11,010,708.00	38,070,330

The audit was conducted in accordance with 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 requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to communicate in my report.

Other Matter

1. Unrealistic Budget on Fees from Use of Goods and Services

The current year Budget was Kshs.1,610,597,206 compared to last year's budget of Kshs.5,466,132,027. During the budgeting process only Kshs.24,925 was projected as revenue on fees. This is despite the fact that in 2015/2016 the actual revenue on fees was Kshs.838,002,748. This shows that the budgeting process was erroneous leading to an huge under-estimation of the revenue projected. The over-collection of Kshs.847,006,509 representing 3 million % over-collection is misleading.

As a result, the true position of revenue target could not be verified and cut-off procedures in relation to revenue collected were not observed as partial income of one year was reported as income in the subsequent year.

2. Weak Internal Control

It was observed that the court station did not maintain a list of authorized staff to collect accountable documents including case files for the station that there is no segregation of duties.

Budget Analysis

Item	Estimates (Kshs)	Actual (Kshs)	Variance (Kshs)	%
Fees on use of Goods/Services	3,986,871,177.00	838,002,748.00	3,148,869,429.00	78%
Fines, Penalties and forfeitures	1,479,260,850.00	1,479,260,850.00	9,206,170.00	0.6%

It is not clear and Judiciary has not explained what caused the big discrepancies in the fees on use of Goods/Services revenue collection figure of Kshs.3,148,868,429.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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 such 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.

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 or 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.

Those charged with governance are responsible for overseeing the Judiciary's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Judiciary's 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 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 to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the revenue financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the revenue statements.

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

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



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

Nairobi

8 May 2018

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017**

III. STATEMENT OF RECEIPTS AND TRANSFERS

	Note	2016/17	Restated* 2015/16
		Kes	Kes
NON TAX RECEIPTS			
Fees on use of Goods/Services	1	847,031,435	838,002,748
Fines, Penalties and Forfeitures	2	1,083,409,439	1,470,152,225
TOTAL NON TAX RECEIPTS		1,930,440,874	2,308,154,973
TOTAL RECEIPTS COLLECTED		1,930,440,874	2,308,154,973
TRANSFERS TO THE EXCHEQUER ACCOUNT		(1,677,279,261)	(2,258,787,140)
BALANCE BROUGHT FORWARD		217,770,172	168,402,339
BALANCE CARRIED FORWARD	3	470,931,785	217,770,172

**The previous year comparative amounts as audited have been restated to reflect the actual transfers to the exchequer. Please refer to note 4.*

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, 2017 and signed by:



Chief Registrar of the Judiciary
Name: Hon Anne Atieno Amadi




Acting Deputy Director Accounts
Name: Dominic Mong'are Ogeto
ICPAK Member Number: 3487


(Ref: PFM ACT section 82, 2(a))

IV. STATEMENT OF ARREARS IN REVENUE AS AT 30TH JUNE 2017

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2015 (a)	Amount in arrears for the immediate previous year to 30 June 2016 (b)	Amount in arrears for the current year to June 30 2017 (c)	Total arrears as at 30 June 2017 (a+b+c)	Measures taken to recover arrears	Assessment to the recoverability of arrears
Non Tax Revenues						
Fees on Use of Goods and services	0	0	0	0	N/A	N/A
Fines, penalties and Forfeitures	0	0	0	0	N/A	N/A
Total arrears	0	0	0	0		

*We have un-surrendered balances at court stations commercial bank accounts that have not been reconciled and transferred to Central Bank of Kenya


 Chief Registrar of the Judiciary
 Name: Hon Anne Atieno Amadi


 Acting Deputy Director Accounts
 Name: Dominic Mong'are Ogeto
 ICPAK Member Number: 3487

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017**

**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30TH JUNE 2017**

	Original budget 2016-2017	Adjustments 2016-2017	Final budget 2016-2017	Actual comparable basis 2016-2017	Performance difference 2016-2017	%
Revenue	Ksh	Ksh	Ksh	Ksh	Ksh	
Non tax receipts						
Fees on use of goods/services	24,925	-	24,925	847,031,435	847,006,509	3398221%
Fines, Penalties and Forfeitures	1,610,572,281	-	1,610,572,281	1,083,409,439	-527,162,842	67%
Total fees and fines	1,610,597,206	-	1,610,597,206	1,930,440,874	319,843,668	119%
Total Non-tax receipts	1,610,597,206	-	1,610,597,206	1,930,440,874	319,843,668	
Total receipts	1,610,597,206	-	1,610,597,206	1,930,440,874	319,843,668	

Commentary on significant under/over utilizations:-

- i. The original budget on fees on use of goods was under cast and never adjusted hence an over collection by approximately 3M %.
- ii. The actual collection for fees penalties and forfeitures is at 67% as this was never adjusted in the supplementary budget which should have reduced it to a reasonable figure.

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017**

VI. 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 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.

2. 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.

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 as part of notes to these financial 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 due and is yet to be received or collected by the receiver of revenue. The revenue in arrears is as disclosed in the Statement of Revenue in Arrears under section IV of these financial statements.

**RECEIVER OF REVENUE ENTITY – THE JUDICIARY
REVENUE STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE, 2017**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30th June, 2017.

8. Statement of Arrears of Revenue

The statement of arrears of revenue is not a requirement as per the IPSAS Cash Standard. The IPSAS Cash Standard encourages disclosure of accrual based balances since it's a transitional standard to accrual basis of accounting. The PFM Act, 2012 section 82,2b and section 69(c) of the PFM Regulations 2015 requires a Receiver of Revenue to prepare a statement on revenue of arrears due but not yet collected at the end of the period. This statement has been disclosed under section IV of these financial statements.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. FEES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR TO PERFORM SERVICES AND ACTIVITIES

Description	2016-2017	2015-2016
	Ksh	Ksh
Court fees	847,031,435	838,002,748
Total Fees	847,031,435	838,002,748
Balance brought forward	95,552,360	61,140,445
Transfers to the Exchequer account	(735,950,154)	(820,079,177)
Balance carried forward	206,633,641	79,064,016

2. FINES, PENALTIES AND FORFEITURES

Description	2016-2017	2015-2016
	Ksh	Ksh
Fines, Penalties and Forfeitures and Other Charges	1,083,411,439	1,470,152,225
Total Income	1,083,411,439	1,470,152,225
Balance brought forward	122,217,812	107,261,893
Transfers to the Exchequer account	(941,329,107)	(1,438,707,963)
Balance carried forward	264,298,145	138,706,155

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. BALANCES CARRIED FORWARD

<u>a) Balance carried forward subsequently transferred</u>	<i>Date transferred</i>
Amount	
NONE	
<u>b) Balance carried forward yet to be transferred</u>	
1. Kes 3,219,225.00	
2. Kes 106,671,829.75	
3. Kes 170,660,492.50	
4. Kes 190,380,238.45	
KEs 470,931,785.00	

1. Kes 3,219,225 relates to surrender from Makadara Law Courts for the month of September 2016 which has not been transferred to date
2. Kes 106,671,829.75 relates to collections in January 2017 not transferred by the close of 2016/17 FY
3. Kes 170,660,492.50 related to collections in May 2017 not transferred by the close of 2016/17 FY
4. Kes 190,380,238.45 is an amount collected in June 2017 but not transferred by the close of 2016/17 FY

RECEIVER OF REVENUE ENTITY – THE JUDICIARY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED 30TH JUNE 2017

IX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expects the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	Fraud at Baricho Law Courts	The matter is being handled by the police	Accounts	Not Resolved	Unknown
3.2	Discrepancies in revenue records at Naivasha law courts	<p>The last surrender of fees and fines for the financial year 2013/2014 was done on the 30th June 2014 and amounted to Kes 442,658.00 and Kes 10,090,067.00 totalling Kes 10,532,720.00. The surrenders, although relating to Financial year 2013/2014 was reflected as revenue collected for the financial year 2014/2015 by the Judiciary Headquarters and as a result it was reflected in the wrong financial year thus showing an over surrender by Naivasha Law Courts.</p> <p>The copies of fees and fines surrender documents comprising of CCS and FO17 are kept by Naivasha Law Courts. The court station has procured shelves and cabinets to improve the filing system.</p>	Accounts	Resolved	
3.3	Discrepancies in revenue records at Eldoret law	<p>Fines:</p> <p>The fine collected at Eldoret Law Courts during the 2014/15 financial</p>	Accounts	Resolved	

30
10100


st
101



RECEIVER OF REVENUE ENTITY – THE JUDICIARY
 REVENUE STATEMENTS
 FOR THE PERIOD ENDED 30TH JUNE, 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue. (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	courts	<p>year was Kes 38, 070,330.00. The total amount collected was surrendered to the Judiciary headquarters. Original Collection Control Sheets (CCS), bank pay in slips and duplicate receipts submitted by the court station are available at the Judiciary headquarters for audit review. The total sum of Kes 522, 360.00 for CCS No.0192364 and Kes 1,531,475.00 for CCS No. 0192365 which had been cancelled were erroneously included in the quoted figure of Kes 51,984,727.00.</p> <p>Fees:</p> <p>It is true that the fees collected and surrendered by Eldoret Law Courts was Kes 11,010,708.00. The original CCS, duplicate receipts and bank pay in slips submitted by the court station are available at the Judiciary headquarters.</p>			

Chief Registrar of the Judiciary

Signature: 
 Date: