

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE REVENUE STATEMENTS OF THE
MINISTRY OF LANDS, HOUSING & URBAN
DEVELOPMENT**

**FOR THE YEAR ENDED
30 JUNE 2014**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE REVENUE STATEMENT

I have audited the accompanying revenue statement for the Ministry of Lands, Housing and Urban Development for the year ended 30 June 2014 in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. 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 Statement

The Accounting Officer-Ministry of Lands, Housing and Urban Development is responsible for the preparation and fair presentation of this revenue statement in accordance with International Public Sector Accounting Standards (Cash Basis) and Public Finance Management Act, 2012 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.

The management is also responsible for the submission of the revenue statement to the Auditor-General in accordance with the provisions of Section 5 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on this revenue statement based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution on Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the revenue statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the revenue statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the revenue statement, 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 the Ministry'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 statement.

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

Basis for Adverse Opinion

1.0 Revenue Paid to Exchequer

The revenue statement reflects revenue totalling Kshs.2,111,588,638 paid to the Exchequer which includes Kshs.896,473,470 remitted by the Ministry of Lands, Housing and Urban Development, and Kshs.1,215,114,692 paid directly by Kenya Revenue Authority. However, records at the Controller of Budget indicates total receipts of Kshs.1,587,972,620.25. No reconciliation or explanation has been provided for the difference of Kshs.523,616,017.75 between the two sets of records.

2.0 Revenue Collected by Kenya Revenue Authority

The revenue statements in addition reflects collection and remittances made directly by Kenya Revenue Authority (KRA) to the National Treasury during the year totalling Kshs.1,215,114,692. However, as reported in the previous year, agency agreement between the Ministry of Lands, Housing and Urban Development was not availed for audit confirmation of the specific terms and conditions of the agreement.

3.0 Understatement of Revenue

Note 8 reflects actual collection of Rent of Government Buildings and Housing of Kshs.304,410,204 during the year while the schedules from the Housing Directorates (estates) show a balance of Kshs.442,568,031. No explanation or reconciliation has been provided for the variance of Kshs.138,157,827 in the revenue statement for the year ended 30 June 2014.

4.0 Arrears of Revenue

The statement of revenue for the year ended 30 June 2014 does not reflect arrears of revenue and revenue abandoned as at 30 June 2014, as required by Public Finance Management Act, 2012 Section 82 (2) b and Public Audit Act Section 5.2 (b).

Consequently, it has not been possible to establish the status of arrears of revenue outstanding as at 30 June 2014 in the Ministry of Lands, Housing and Urban Development records.

5.0 Revenue Collection

The Revenue statements reflect total revenue collected of Kshs.2,103,528,136 during the year, while the cashbook shows an amount of Kshs.2,045,082,125. No explanation or reconciliation has been provided for the difference of Kshs.58,446,011.

Adverse Opinion

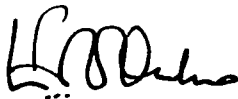
In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the statement of revenue does not fairly present the financial performance of the Ministry of Lands Vote 136 for the year ended 30 June 2014 and does not comply with Public Finance Management Act, 2012 of the Laws of Kenya.

Other Matter

Appointment of Receiver of Revenue

The Public Finance Management Act 75(1) states that the Cabinet Secretary in charge of the National Treasury shall appoint a Receiver of Revenue in the relevant ministry in writing detailing the items, terms and amount of collection. However, the letter appointing the Cabinet Secretary, Ministry of Lands, Housing and Urban Development as receiver of revenue by Treasury has not been availed for audit review.

My opinion is not qualified in respect to this matter



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 June 2015



RECEIVER OF REVENUE
MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT

REVENUE STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

Table of Content	Page
I. STATEMENT OF RECEIVER OF REVENUE’S RESPONSIBILITIES	1
II. REPORT OF THE INDEPENDENT AUDITORS ON THE REVENUE STATEMENTS.....	2
III. STATEMENT OF REVENUES AND TRANSFERS.....	3
IV. SIGNIFICANT ACCOUNTING POLICIES	5
V. NOTES TO THE REVENUE STATEMENT	6

I. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Principal Secretary in charge of the Ministry of Land, Housing and Urban Development is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Ministry; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Principal Secretary in charge of the accepts responsibility for the Ministry Land, Housing and Urban Development financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2014, and of the Ministry's financial position as at that date. The Principal Secretary in charge of the Ministry of Land, Housing and Urban Development further confirms the completeness of the accounting records maintained for the Ministry of Land, Housing and Urban Development which have been relied upon in the preparation of the Ministry of Land, Housing and Urban Development financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Revenue Statements

The revenue statements were approved and signed by the Principal Secretary on 29 SEPT 2014


Principal Secretary


Principal Accounts Controller

II. REPORT OF THE INDEPENDENT AUDITORS ON THE REVENUE STATEMENTS

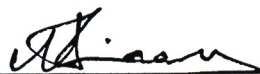
Auditor General

Date

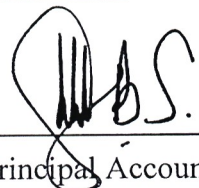
III. STATEMENT OF REVENUES AND TRANSFERS

	Note	2013-2014 Kshs	2012-2013 Kshs
TAX REVENUES			
Taxes on Income, Profits and Capital Gains	1	-	-
Taxes on Property	2	62,548,109	167,088,752
Taxes on Goods and Services	3	-	-
Taxes on International Trade & Transactions	4	-	-
Other Taxes	5	-	-
TOTAL TAX RECEIPTS		62,548,109	167,088,752
NON TAX REVENUES			
Fees on use of Goods/Services	6	-	-
Social Security Contributions	7	-	-
Property Income	8	1,536,763,301	1,113,382,321
Fines, Penalties and Forfeitures	9	-	-
Other Receipts	10	-	-
Sale of Goods and Services	11	504,216,726	557,840,778
Receipts from Sale of Non Financial Assets	12	-	-
TOTAL NON TAX RECEIPTS		2,040,980,027	1,671,223,099
TOTAL REVENUE COLLECTED		2,103,528,136	1,846,530,321
TRANSFERS TO EXCHEQUER ACCOUNT			
		(896,473,946)	(716,164,236)
Prior year adjustment (summation error adjustment in 2012/2013)		(8,218,470)	-
Money collected by KRA on behalf of Ministry		(1,215,114,692)	(1,075,794,977)
BALANCE BROUGHT FORWARD	13	114,609,441	60,038,333
BALANCE CARRIED FORWARD	13	<u>98,330,470</u>	<u>114,609,441</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 29 SEPT 2014 and signed by:



Principal Secretary



Principal Accounts Controller

IV. 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 Ministry. 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 Ministry.

2. Recognition of Revenue

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

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as 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. Comparative Figures

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

5. 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, 2014.

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. TAXES ON INCOME, PROFITS AND CAPITAL GAINS

There is no revenue from taxes on income, profits and Capital Gains.

	Original Estimates	Revised Estimates	Actual	% Realized
Income Tax from Individual (PAYE)	-	-	-	-
Income from Corporative Tax	-	-	-	-
Income share of LATF	-	-	-	-
Other Income (Refunds)	-	-	-	-
Total Revenue	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 29 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller


REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

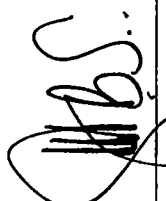
2. TAXES ON PROPERTY

	Original Estimates	Revised Estimates	Actual	% Realized
Immovable Property (Stand Premium on Town Plots)	-	192,816,384	62,548,109	32%
Second Hand Motor Vehicle Purchase Tax	-			
Total Revenue on Property		192,816,384	62,548,109	32%
Balance brought forward		-	-	
Transfers to the Exchequer account		-	(62,548,109)	
Balance carried forward		-	-	

The transition from commissioner of Lands to the National Land Commission affected the processing of new allotment on which stand premium is paid and clean up exercise leading to less collection as opposed to previous years double allocations.

The above revenue statement was approved on 29 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

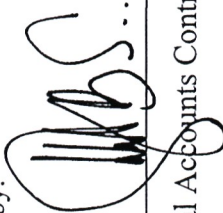
3. TAXES ON GOODS AND SERVICES

There were no taxes on goods and services

	Original Estimates	Revised Estimates	Actual	% Realized
VAT on Domestic Goods and Services	-	-	-	-
VAT on Imported Goods and Services	-	-	-	-
VAT Refund	-	-	-	-
VAT Remissions	-	-	-	-
Total VAT	-	-	-	-
Excise Receipts	-	-	-	-
Refunds	-	-	-	-
Total Revenue on Goods and Services	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 29 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

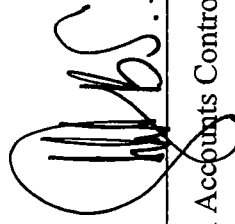
4. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS (CUSTOMS)

There were no taxes on international trade and transactions

	Original Estimates	Revised Estimates	Actual	% Realized
Customs Duties	-	-	-	-
Refunds	-	-	-	-
Other Taxes on International Trade and Transactions (IDF Fee)	-	-	-	-
Total Revenue	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 23 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. OTHER TAXES (NOT ELSEWHERE CLASSIFIED)

There were no other taxes

	Original Estimates	Revised Estimates	Actual	% Realized
Stamp Duty	-	-	-	-
Refunds	-	-	-	-
Total Revenue	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 27 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller


REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

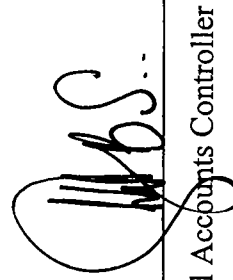
6. FEES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR TO PERFORM SERVICES AND ACTIVITIES

There were no fees on use of Goods and on Permission to use Goods to perform services and activities

	Original Estimates	Revised Estimates	Actual	% Realized
Interest Received	-	-	-	-
Licences under Traffic Act	-	-	-	-
Licenses under the Communication Act	-	-	-	-
Petroleum Development Levy (PDL)	-	-	-	-
Roads Maintenance Levy (RML)	-	-	-	-
Total Fees	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 29 Sept 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

7. SOCIAL SECURITY CONTRIBUTIONS

There were no social security contributions

	Original Estimates	Revised Estimates	Actual	% Realized
Contributions from Government Employees to Social and Welfare Schemes within Government	-	-	-	-
Total Contributions	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 29 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller


REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

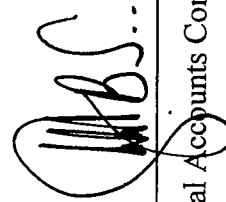
8. PROPERTY INCOME

	Original Estimates	Revised Estimates	Actual	% Realized
Interest	-	-	-	-
Dividends from Central Bank of Kenya (CBK)	-	-	-	-
Other Profits and Dividends	-	-	-	-
Surplus funds from Regulatory Authorities	-	-	-	-
Rent of Land	-	1,651,637,925	1,232,353,097	75%
Rent of Government Buildings and Housing	-	499,128,742	304,410,204	61%
Total Property Income	-	2,150,766,667	1,536,763,301	-
Balance brought forward	-	-	-	-
Amount collected by KRA	-	-	(1,215,114,692)	-
Transfers to the Exchequer account	-	-	(321,648,609)	-
Balance carried forward	-	-	-	-

The difference was due to heightened system of governance

The above revenue statement was approved on 29 JEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. FINES, PENALTIES AND FORFEITURES

There were no funds received from fines, penalties and forfeitures.

	Original Estimates	Revised Estimates	Actual	% Realized
Fines, Penalties and Forfeitures and Other Charges	-	-	-	-
Total Income	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 22 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

10. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

There were no other receipts.

	Original Estimates	Revised Estimates	Actual	% Realized
Miscellaneous Revenue	-	-	-	-
Sundry Revenue	-	-	-	-
Total Revenue	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 29 SEPT 2014 and signed by:


Principal Secretary


Principal Accounts Controller

INCOME STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

11. SALE OF GOODS AND SERVICES

	Original Estimates	Revised Estimates	Actual	% Realized
Administrative Fees and Charges				
Incidental Sales by Non-Market Establishments	-	-	-	0%
Sale of Tender Documents	-	-	-	0%
Land Valuation Fees	-	7,047,235	7,996,044	113%
Land Adjudication and Case Fees	-	-	49,600	0%
Land Registration Fee	-	20,411,194	22,545,723	110%
Conveyance Fees	-	748,417,375	8,849,251	1%
Other Land Revenue	-	-	464,702,208	0%
Sale of freehold interest in Agricultural	-	-	73,900	0%
Total Revenue	-	775,875,804	504,216,726	65%
Balance brought forward	-	-	114,609,440	0%
Prior year adjustment (error adjustment 2012/2013)	-	-	(8,218,470)	0%
Transfers to the Exchequer account	-	-	(512,277,227)	0%
Balance carried forward	-	775,875,804	98,330,470	13%

The difference was due to heightened system of governance.

The above revenue statement was approved on 29 SEP 2014 and signed by:


Principal Secretary


Principal Accounts Controller

REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

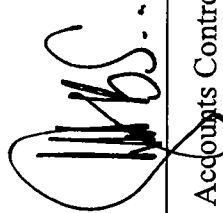
12. RECEIPTS FROM SALE OF NON FINANCIAL ASSETS

There were no receipts from sale of non-financials assets.

	Original Estimates	Revised Estimates	Actual	% Realized
Receipts from the Sale of Buildings	-	-	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-	-	-
Receipts from the Sale of Intangible Non-Produced Assets	-	-	-	-
Total Revenue	-	-	-	-
Balance brought forward	-	-	-	-
Transfers to the Exchequer account	-	-	-	-
Balance carried forward	-	-	-	-

The above revenue statement was approved on 29 SEPT 2014 and signed by:


Principal Secretary


Principal Accounts Controller

13. BALANCES CARRIED FORWARD

The balance of Kshs 114,609,440.50 for the year ended 30 June 2013 was transferred on 09.04.2014.

The balance of Kshs 98,330,470 for the year ended 30 June 2014 has not been transferred. It mainly relates to income from the sale of goods and services as indicated in note 11.

14. STATEMENT OF ARREARS OF REVENUE AS AT 30TH JUNE 20XX

There were no arrears of revenue

Tax Head	Principal - Kes.	Interest - Kes.	Penalty - Kes.	Total Arrears - Kes.
Corporate Tax	-	-	-	-
PAYE	-	-	-	-
VAT on Domestic Goods & Services	-	-	-	-
VAT on Imported Goods & Services	-	-	-	-
Excise Taxes	-	-	-	-
Withholding Tax	-	-	-	-
Total Debt	-	-	-	-

REVENUE STATEMENTS
FOR THE YEAR ENDED