

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA CITIZENS AND FOREIGN
NATIONALS MANAGEMENT SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2016**

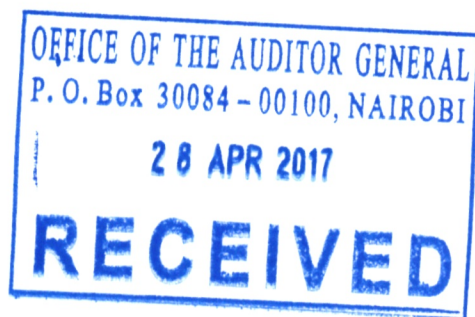


KENYA CITIZENS & FOREIGN NATIONALS MANAGEMENT SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

Prepared in accordance with the Accrual 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 Kenya Citizens and Foreign Nationals Management Service (KC & FNMS), herein after referred to as the Service, is a state corporation under the Ministry of Interior and Coordination of National Government. The Service was established by an Act of Parliament, the Kenya Citizens and Foreign Nationals Management Service Act Cap 174 Laws of Kenya.

(b) Principal Activities

The Service shall, under the general supervision of the Cabinet Secretary, be responsible for the implementation of policies, laws and any other matter relating to citizenship and immigration, births and deaths, marriages, identification and registration of persons, issuance of identification and travel documents, foreign nationals management and the creation and maintenance of a comprehensive national population register.

The service shall specifically-

- (a) In relation to the national population register and for the purpose of collecting and compiling information concerning the distribution and composition of the population in Kenya, the scope and direction of migration, labour resource utilization, and other connected purposes have the following functions—
 - (i) receiving, storing and updating information from primary registration agencies;
 - (ii) generating of appropriate unique identifier for individuals and groups in accordance with this Act;
 - (iii) subject to the Constitution and in consultation with other relevant institutions, regulating the sharing of information by the various registration agencies and other users;
 - (iv) implement the relevant policies and guidelines and provide the cabinet secretary with the necessary information to guide the formulation of new policies, review of existing policies and guidelines;
 - (v) in consultation with the Cabinet Secretary, coordinate and mobilize resources for the implementation of the relevant policies;
 - (vi) undertake the task of data collection and dissemination in a manner that ensures consistency and accuracy in accordance with set national standards and guidelines; and
 - (vii) facilitate access to information and data to national population registration information in accordance with this Act, any other relevant law or policy and the Constitution;
- (b) Administer the Acts of Parliament set out in the First Schedule and any other written law;
- (c) Advise the Government on the matters provided for in this section;

(d) Collaborate with other state agencies for effective discharge of its mandate;
and

(e) Perform such other functions as may be directed by the Cabinet Secretary.

(c) Key Management

The Service's overall oversight and management is under the following key organs:

- Cabinet Secretary
- Principal Secretary
- Board and
- Director General/CEO and Management

(d) Fiduciary Oversight Management

The Service has not yet become fully operationalized and autonomous. Therefore the reporting structure for the financial year is through the Ministry Headquarters.

Further, during the financial year, there were changes in the incumbents of the positions with fiduciary responsibility. At the end of the financial year ending on 30th June 2016, the below were the incumbents with direct fiduciary responsibility:

No.	Designation	Name
1.	Cabinet Secretary	Maj Gen.(RTD) Joseph Nkaisery
2.	Principal Secretary	Dr (Eng.) Karanja Kibicho , CBS
3.	Ag. Director General & CEO	Vacant

(e) Kenya Citizens and Foreign Nationals Management Service Headquarters

P.O. Box 30191-00100,
Nyayo House.
Kenyatta Avenue
Nairobi, KENYA

(f) Contacts

+254 2222022
Website: www.mirp.go.ke

(g) Bankers

Kenya Commercial Bank
Kipande House Branch
P.O. Box 69696-00400
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Advisor

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

II. THE BOARD OF DIRECTORS

	NAME	Designation	Qualifications/Experience
1	Amb.Kalimi M Mworira, MBS, EBS	Chairperson	MSc,B.Ed(Sc), Former Ambassador to the Netherlands,
2.	Sophie A.Agoye (Mrs.)	Member	BA (Hons), Dip. Retired Chief Finance Officer in the Ministry of state for Immigration and Registration of persons
3.	Peter Muange Mbatha	Member	BA-Econs/French, Dip in Rural development Retired Planning officer MP&ND, Has Served in the following Boards TARDA, KCB, National Water and pipeline corporation.
4.	Dr.Charles K. Sigei	Member	Medical Doctor
5.	John Maina	Member	MA,BA Former Advisor to the Prime Minister on Diaspora matters
6.	Judith Atieno Ogolla	Member	M.A In Economics, Civil society development Consultant
7.	Vacant	Alternate- PS Ministry of Foreign Affairs and International Trade	Director of the Americas Division, Ministry of Foreign Affairs and International Trade
8.	Eddyson Nyale	Alternate -PS Interior and Coordination of National Government	Under-Secretary-Ministry of Interior and Coordination of National Government
9.	Vacant	Alternate -PS Interior and Coordination of National Government.	
10.	Ag. Director General & CEO	Vacant	
11.	Florence N. Mulati	Ag.Secretary to the Board	Assistant Secretary



III. MANAGEMENT TEAM

<p>Ag. Director General & CEO (Vacant)</p> <p><i>(Acting A.I.E holder was appointed by the Board to facilitate Financial operations pending the Appointment of substantive office holder)</i></p>	<p>Ag. The Director-General shall be the Chief Executive Officer of the Service and, subject to the general supervision and control of the Board, shall be responsible for-</p> <ul style="list-style-type: none"> (a) the day-to-day operations of the Service; (b) the management of funds, property and affairs of the Service; and (c) the administration, organization and on delegated authority of the Public Service Commission, the control of the staff of the Service.
<p>1. Florence N. Mulati Ag.Secretary to the Board</p>	
<p>Note: The CEO and the Company Secretary feature both under the 'Board' and 'Management'.</p>	

IV. CHAIRMAN'S STATEMENT

The Kenya Citizens and Foreign Nationals Management Service was established by the Kenya Citizens and Foreign Nationals Management service Act No.31 of 2011 and the Board of the Service inaugurated on 15th February 2013. The Service is expected in due course to assume all the functions of the Directorate of Immigration and Registration of Persons and other related agencies. The responsibility of the Board is to formulate and review policies, laws and regulations of the service in accordance with constitutional values and principles. In addition, the Board is expected to monitor performance of the service; management of staff of the service; establish departments within the service and allocate responsibilities to such departments.

The Board works through various established committees as required by the law. These will go a long way in ensuring the provision of effective and efficient service delivery. One of the major strategic goals of the service is to make Kenya one of the countries that will have achieved universal births and deaths registration during the plan period.

The service shall make deliberate efforts to ensure that births and deaths registration is devolved to the lowest level possible and that appropriate technology is employed to relay and store data pertaining to the citizen for future use. Measures shall be put in place to populate the National Population Register with all required personal information for every citizen so that the country can have only one reference point of truth on a person's data. Further, the Service will ensure timely issuance of secure identification and travel documents.

The Board shall oversee the implementation of innovative strategies that will raise revenue streams to make the service a self-sustaining organization that provides world-class services. The service shall also develop a communication strategy geared towards creating awareness among the populace on the need to register and acquire identification and registration documents in time.

On behalf of the Board of the Service, I wish to make a commitment to Kenyans that the service will give priority to the implementation of the strategies that will lead to the transformation in delivery of services.



Amb. Kalimi M. Mworira, MBS, EBS
Chairperson

V. REPORT FROM THE AG. SECRETARY TO THE BOARD

The Kenya Citizens and Foreign Nationals Management Service is a body corporate established under Section 3 of the Kenya Citizens and Foreign Nationals Management Service Act, No. 31 of 2011 hereinafter referred to as "the Service Act". The Service is an executive agency under the Ministry of Interior and Coordination of National Government formed with the aim of integrating the five departments:- Immigration Services; National Registration Bureau; Civil Registration; Refugee Affairs; and Integrated Population Registration Systems.

The departments used to operate independently and occasionally at cross-purpose. This led to duplication of work, resource constraints and serious security lapses. It was against this background that the Departments were brought together under the Ministry of State for Immigration and Registration of Persons in 2005 to harmonize all the functions of the five departments and to promote collaboration with other security agencies for efficient and effective delivery of services. Following the enactment of the Constitution of Kenya 2010, it was recommended that Kenya Citizens and Foreign Nationals Management Service be established to assume the functions of the Ministry.

Beginning April 2014, the Service was assigned a new responsibility of championing the implementation of the National Digital Registry Service project. This is a national project which aims to establish a national digital identity infrastructure with four core building blocks namely: People, Company, Land and Assets. In particular, the "People" component intends to operationalize the Act by delivering the following:

- a. National identity authentication services: A key prerequisite to this is the undertaking of a national digital registration exercise to capture biometric details - finger print, iris scan and facial image, for all Kenyans and Foreign Nationals of all ages. This will pave for the establishment of a comprehensive digital population register, based on which every Kenyan will be issued with a unique identifier which will be referenced from birth to death. In addition, the digital population register will be used as the single source of identity authentication including for services such as voting and tax payments.
- b. Immigration Services and Border Management: One of the current challenges affecting National Security is the porosity of the Borders. As part of the NDRS project, a Border Control and Management system will be implemented to link all the border post as well as to enhance the monitoring and the vetting of inflows and outflows across the borders. In addition, the NDRS project will establish pre-boarding biometric visas to enable adequate vetting for passengers before arrival in Kenya.
- c. Secure documents production centre: The third component will be a single source of personalization and production of all security documents including IDs, Passports, and Log Books etc.

Since the service has not been fully operationalized, the Departments have continued to implement projects that fall within their purview. The efforts are geared towards the attainment of a comprehensive National Register and ensuring that security is enhanced through effective border management and Migration.

His Excellency the President of the Republic of Kenya launched the Integrated Population National Register on 11th March 2015 and directed all the concerned agencies to develop and



implement a road map for the attainment of a National Master Database which shall be a single source of truth on population data.

The Service continues to face operational challenges emanating from the legal regime that should be addressed through a review of the Act. A draft bill has been developed for the review of the Act. This essentially is the priority for the service at the moment.

N. Mulati

Florence N. Mulati
Ag. Secretary to the Board



VI. CORPORATE GOVERNANCE STATEMENT

OVERVIEW

Corporate governance is core to ensuring the efficient and effective service delivery coupled with customer satisfaction. The Board maintains, and requires that the Kenya Citizens and Foreign Nationals Management Service hereinafter referred to as “the Service” maintains the highest level of corporate ethics.

The Board comprises a majority of Independent Non-Executive Board members who, together with the Chief Executive Officer, have an appropriate balance of skills, experience and expertise.

The Board envisions a solid foundation for management and oversight and is responsible for setting and reviewing the strategic direction of the Service and monitoring the implementation of that strategy by Management, including:

- formulation and review of the policies of the Service in accordance with constitutional values and principles including the principle on public participation;
- monitoring of the performance of the Service;
- appointing and removing the Chief Executive Officer (CEO)
- appointment training, discipline and removal of members of staff of the Service;
- establishing departments within the Service and allocate responsibilities to such departments; and
- reviewing and recommending for review laws and regulations
- promoting ethical and responsible decision-making
- monitoring compliance with all relevant laws, tax obligations, regulations, applicable accounting standards and significant corporate policies
- oversight of the Service, including its control and accountability systems
- approving the annual operating budget and monitoring the operating and financial performance of the Service
- approving and monitoring the capital management strategy, including major acquisitions and divestitures
- monitoring the performance of the CEO and Management
- developing Board and Executive Management and succession planning
- ensuring a clear relationship between performance and executive remuneration

Composition of the Board

The Board of the Kenya Citizens and Foreign Nationals Management Service currently has eleven Board Members. The Board is structured to add value hence the composition of the membership.

It is comprised of the Chairperson and five other persons with expertise or experience in matters relating to Citizens and Foreign Nationals Management who are not public officers appointed by the Cabinet Secretary and three (3) Principal Secretaries together with the CEO and Secretary to the Board who are ex-officio members.

Board Meetings

The Board holds at least four formal meetings in a financial year, one of which serves to review and approve the strategy and financial plan for the next financial year. Additional meetings are held as required. The Board also meets with Management to consider matters of strategic importance.

The chairperson shall, on the written application of one-third of the members, convene a special meeting of the Board.

Unless the majority of the total membership of the Board otherwise agree, at least fourteen days' written notice of every meeting of the Board shall be given to every member of the Board.

The Chairperson shall preside at every meeting of the Board at which he is present and in the absence of the chairperson at a meeting, the members present shall elect one of their members who shall, with respect to that meeting and the business transacted thereat, have all the powers of the chairperson.

Unless a unanimous decision is reached, a decision on any matter before the Board shall be by concurrence of a majority of all the members.

Unless otherwise provided by or under any law, all instruments made by and decisions of the Board shall be signified under the hand of the Chairperson and the Secretary.

Committees of the Board

During the period under review the Board re-assessed the performance of the committees and reconstituted the Committees thereby establishing (4) committees from previous (5) to drive the efficiency and expedite disposal of the business of the Board.

A committee of the Board have authority to deliberate on and make resolutions or recommendations over such matter as shall be referred to it by the Board.

Each committee of the Board is chaired by a member appointed by the Board and in the absence of the member; the members of committee present appoint one member from among themselves to chair the meeting.

The Board safeguards the Integrity of Financial Reporting and has established among other Committees the Finance and General Purposes and the Audit and Risk Management Committees.

The responsibility of the Finance and General Purpose Committee whose include:-

1. Overseeing the preparation of annual budgets and the performance of the organization in meeting its revenues and expenses.
2. Receiving regular reports on the organization's performance and effective utilization of its resources and present its findings and recommendations to the full board
3. Managing the organization's investments and assets.
4. Setting compensation packages for staff
5. Overseeing the implementation of projects and raising of funds for the projects.

While the responsibility of the Audit and Risk management committee include the following:

1. Ensuring financial controls are in place
2. Identify all the risks to the corporation and put in place mitigating measures.
3. Whenever necessary, appoint an external auditor, meet with the external auditor, receive the audit report and the management letter(s), and discuss management letter(s) with the full board and the senior staff.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility Policy Statement

This Statement is about how The Kenya Citizens and Foreign Nationals Management Service takes account of its economic, social and environmental impact in carrying out its mandate.

The Board endeavours to align the business values, purpose and strategy with the needs of clients, whilst entrenching such responsible and ethical principles coupled with the national values in every aspect of service delivery.

The elements of this Statement cover the approach in dealing with clients, suppliers and the local community principles in an effort to support reducing energy, procurement, transport, water use and other business usage to reduce the carbon footprint and environmental impact.

Environment

Protection of the environment in which we live and operate is part of The Kenya Citizens and Foreign Nationals Management Service's values and principles and we consider it to be sound business practice. Care for the environment is one of our key responsibilities and an important part of the way in which we do business.

In this policy statement the Board is committed to:-

- Complying with all relevant environmental legislation, regulations and approved codes of practice
- Protecting the environment by striving to prevent and minimize our contribution to pollution of land, air, and water
- Seeking to keep wastage to a minimum and maximize the efficient use of materials and resources
- Managing and disposing of all waste in a responsible manner
- Providing training for our staff so that we all work in accordance with this policy statement and within an environmentally aware culture
- Regularly communicating our environmental performance to our employees and other significant stakeholders
- Developing our management processes to ensure that environmental factors are considered during planning and implementation
- Monitoring and continuously improving our environmental performance.

The nature of our work as a Service provider means that we do not inherently have a high environmental impact but we will take consideration of environmental issues in the professional services we provide and endeavour to reduce our environmental impact to an absolute minimum.



The Board will ensure that the service reduces the environmental impact on the service by:-

- Reducing all our transportation requirements wherever possible and utilising such facilities as digital communication
- By using vehicles that are regularly serviced and checked with regards to their emission levels and economically use their fuel
- Sourcing and buying locally to save fuel costs wherever possible
- Ensuring that all lights and equipment is switched off when not required
- Ensuring that water is used efficiently
- Using scrap paper for drafts and notes
- Printing in mono and double sided wherever possible
- Recycling all waste (shredding all business documentation)
- Sourcing recycled materials wherever possible
- Working with like-minded suppliers who take steps to minimize their environmental impact Local Community

The Board will also ensure that our work with the local community involves:

- Working and supporting local and national charities
- Encouraging volunteer work in community activities
- Supporting local schools
- Undertaking voluntary business advisory services via professional bodies

Clients

The Board will also ensure that we deal responsibly, openly and fairly with clients and potential clients by:

- Ensuring that all our advertising and documentation about the business and its activities are clear, informative, legal, decent, honest and truthful
- Being open and honest about our products and services and telling customers what they want to know, including what we do to be socially responsible
- Ensuring that if something goes wrong we will acknowledge the problem and deal with it
- Ensuring that we will listen to our clients so that this can help us improve the products and Services we offer to them

- Ensuring that we benchmark and evaluate what we do in order to constantly improve our competitive edge in the marketplace.

The Directors will also ensure that we deal responsibly, openly and fairly with suppliers by:

- Ensuring that we use local suppliers as much as possible
- That we will endeavour to pay on time
- Not expecting any discounts to have a detrimental effect on their business

The operational and ultimate responsibility for the commitment to our corporate social responsibility principles lies with the Board of The Kenya Citizens and Foreign Nationals Management Service. Every employee of The Kenya Citizens and Foreign Nationals Management Service is expected to give their full co-operation to the above principles in their activities at work. Consultants or visitors are also expected to apply our environmental principles.

The effectiveness of the Policy Statement will be monitored and reviewed at least annually by the Board to ensure the Company's continuing compliance with any relevant legislation and to meet new business requirements and to identify areas in need of improvement. We will also ensure that all areas having changes will be brought to the attention of employees as necessary.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the *entity's* affairs.

Principal activities

The principal activities of the entity are:-

1. Citizenship and immigration,
2. Births and deaths,
3. Identification and registration of persons,
4. Issuance of identification and travel documents,
5. Foreign nationals management and
6. The creation and maintenance of a comprehensive national population register.

Members of the Board

The appointment of the members of the Board was done by the Minister through Gazette Notice No. 8633 of 2012 dated 25th June 2012 whose tenure or termination of tenure shall be in accordance with Section 8 and 9 of the Kenya Citizens and Foreign nationals Management Service Act, 2011.

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Section 15(2) of the Public Audit Act 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya.

By Order of the Board



Charles N. Wanyoike
Ag. A.I.E Holder

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and The State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

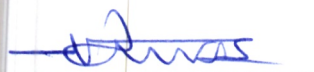
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate 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 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2016, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The entity's financial statements were approved by the Board on 27th July, 2016 and signed on its behalf by:



Ag. A.I.E Holder



Chairperson

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CITIZENS AND FOREIGN NATIONALS MANAGEMENT SERVICE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Citizens and Foreign Nationals Management Service (KCFNMS) set out on pages 18 to 26, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows 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.

Management's Responsibility 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 (Accrual 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.

The management is also responsible for the submission of the financial 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 financial 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

Report of the Auditor-General on the Financial Statements of Kenya Citizens and Foreign Nationals Management Service for the year ended 30 June 2016

judgement, including the assessment of the risks of material misstatement of the financial 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 financial 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 Service'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 financial 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. Prior Year Matters

As previously reported, the Acting Director-General was paid a sum of Kshs.6,735,000.00 contrary to the Cabinet Secretary's letter that required terms and conditions of engaging the Acting Director-General be determined in consultation with the Salaries and Remuneration Commission. Further, no justification has been made for failure to recruit the Director-General/Chief Executive Officer competitively in accordance with Section 13(1) and (2) of the Kenya Citizens and Foreign Nationals Management Act, 2011. In addition, failure by the State Corporations Advisory Committee (SCAC) to categorize the Service has hampered it from discharging its mandate effectively as stipulated in Section 4(2) V of the Kenya Citizens and Foreign Nationals Management Service Act Cap 174, Laws of Kenya.

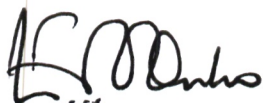
Arising from the above, the KCFNMS Board has not appointed a substantive Director General/Chief Executive Officer and further, the proposed organization and pay structure devised by the Board has not been approved by the Salaries and Remuneration Commission.

2. Irregular Expenditure

The statement of comparison of budget and actual amount reflects actual expenditure totaling Kshs.47,988,000.00 against total budget of Kshs.102,566,000 for the financial year under review. However, the budget was not approved by the Cabinet Secretary contrary to Section 19(3) of the Kenya Citizens and Foreign Nationals Management Act, 2011. In addition, the omission contravened Section 68 (1) of the Public Finance Management Act, 2012.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Citizens and Foreign Nationals Management Service as at June 30 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Citizens and Foreign Nationals Management Service Act, 2011.



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

Nairobi

19 April 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

	Note	2015-2016 Kshs(000)	2014-2015 Kshs(000)
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	3	36,062	49,248
Total revenue		<u>36,062</u>	<u>49,248</u>
Expenses			
Employee costs	4	9,859	11,915
Remuneration of directors	5	28,260	8,420
Depreciation expense	6	2,192	2,144
Repairs and maintenance	7	214	2,008
General expenses	8	7,463	3,089
Total expenses		47,988	27,576
Surplus/(Deficit) before tax		(11,926)	21,672
Taxation		-	-
Surplus/(Deficit) for the period		(11,926)	21,672
Attributable to:			
Surplus attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		(11,926)	21,672
		<u>(11,926)</u>	<u>21,672</u>

The notes set out on pages 23 to 26 form an integral part of the Financial Statements



ACCOUNTANT


AG.A.I.E HOLDER



XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2015-2016 Kshs(000)	2014-2015 Kshs(000)
Assets			
Current assets			
Cash and cash equivalents	9	54,004	66,531
Prepaid insurance	10	933	164
		<u>54,937</u>	<u>66,695</u>
Non-current assets			
Property, plant and equipment	11	5,948	6,116
		<u>60,885</u>	<u>72,811</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
		<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets		60,885	72,811
Accumulated surplus		<u>60,885</u>	<u>72,811</u>
Total net assets		<u>60,885</u>	<u>72,811</u>


ACCOUNTANT


AG.A.I.E. HOLDER



XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	Accumulated surplus
	Kshs (000)
Balance as at 30 JUNE 2015	72,811
Surplus/(Deficit) for the period	(11,926)
Transfers to/from accumulated surplus	-
Balance as at 30 JUNE 2016	60,885



XIV. STATEMENT OF CASH FLOWS

	Note	2015-2016 Kshs (000)	2014-2015 Kshs(000)
Cash flows from operating activities			
Receipts			
Government grants and subsidies	3	36,062	49,248
Total receipts		36,062	49,248
Payments			
Compensation of employees		38,366	20,140
Goods and services		8,129	5,043
Other payments		70	18
Total Payments		46,565	25,201
Net cash flows from operating activities	12	(10,503)	24,047
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	11	(2,024)	(142)
Net cash flows used in investing activities		(2,024)	(142)
Net cash flows used in financing activities		-	-
Net increase in cash		(12,527)	23,905
Cash at 1 JULY	9	66,531	42,626
Cash at 30 JUNE	9	54,004	66,531

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Revenue					
Government grants and subsidies	36,062	-	36,062	36,062	-
Surplus (2014/2015)	66,504	-	66,504	72,811	6,305
Total income	102,566	-	102,566	108,873	6,307
Expenses					
Compensation of employees	26,960	(4,100)	22,860	38,245	15,385
Goods and services	75,506	4,000	79,506	9,673	(69,833)
Other payments	100	100	200	70	(130)
Total expenditure	102,566	-	102,566	47,988	54,578
Accumulated Surplus	-	-	-	60,885	-



XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS-accrual basis). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to both the years presented.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

(a) Revenue recognition

The entity's revenue results from transfers from the National Government in the form of grants. The revenue is recognised on obtaining control of the cash, free from any conditions.

(b) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. All repairs and maintenance costs are recognized in surplus.

Property, plant and equipment are depreciated using the reducing balance method. The depreciation rates applied are as follows:

Motor vehicles	25%
Computers and printers	30%
Office Equipments	30%

3. Transfers from other governments – gifts and services-in-kind

	2016 Shs 000	2015 Shs 000
Unconditional grants		
Operational grant	36,062	49,248



Total government grants and subsidies	36,062	49,248
4. Employee costs		
	2016	2015
	Shs 000	Shs 000
Employee related costs - salaries and wages	4,791	10,525
Travel, motor car, accommodation, subsistence and other allowances	5,068	1,390
Employee costs	9,859	11,915
5. Remuneration of Directors		
	2016	2015
	Shs 000	Shs 000
Chairman's Honoraria	960	960
Sitting Allowances	7,337	5,831
Transport cost	19,101	1,434
Insurance	188	196
Hospitality	674	-
Total Director's remuneration	28,260	8,420
6. Depreciation expense		
	2016	2015
	Shs 000	Shs 000
Property, plant and equipment	2,192	2,143.90
Total depreciation	2,192	2,143.90
7. Repairs and maintenance		
	2016	2015
	Shs 000	Shs 000
Motor Vehicles	214	2,008
Total repairs and maintenance	214	2,008



8. General expenses

The following are included in general expenses:

	2016 Shs 000	2015 Shs 000
Hospitality	227	-
Consulting fees	1,131	1,950
Fuel and oil	1,209	-
Insurance	202	282
Printing and stationery	494	235
Telecommunication	176	164
Training	3,935	65
Other	89	393
Total general expenses	7,463	3,089

9. Cash and cash equivalents

	2016 Shs 000	2015 Sh 000
Bank	54,004	66,531
Total cash and cash equivalents	54,004	66,531

10. Receivables from exchange transactions

	2016 Shs 000	2015 Sh000
Current receivables		
Prepaid insurance	933	164
Total current receivables	933	164

11. Property, plant and equipment

	Comp & Printers	Offic Equip	Furni. & Fittings	Motor Vehicles	Total
<i>Cost or Valuation:</i>	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
As at 1st July, 2014	1,436	-	-	6,682	8,117
Additions during the year	-	142	-	-	142
Disposal	-	-	-	-	-
Transfer/Adjustments/deprec	(430.8)	(42.60)	-	(1,670.50)	(2,143.9)
As at 30th June 2015	1,005.2	99.40	-	5,011.50	6,116.10
Additions during the year	2,024	-	-	-	2,042
Disposal	-	-	-	-	-
Transfer/Adjustments/deprec	(909)	(30)	-	(1,253)	(2,192)
As at 30th June 2015	2,120	69	-	3,759	5,948

12. Cash generated from operations

	2016	2015
	Shs 000	Shs 000
Surplus/Deficit for the year before tax	(11,926)	21,672
Adjusted for:		
Depreciation	2,192	2,144
Increase in receivables	(769)	231
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flows from operating activities	(10,503)	24,047





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