

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

PAPER LAID
By the Leader
of majority party
Hon. Aden Duale
on 9.5.2017



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF LAND, HOUSING AND URBAN
DEVELOPMENT REVENUE STATEMENT

FOR THE YEAR ENDED
30 JUNE 2016



RECEIVER OF REVENUE
MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT

REVENUE STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

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RECEIVER OF REVENUE – MINISTRY OF LANDS, HOUSING AND URBAN
DEVELOPMENT
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

I. KEY ENTITY INFORMATION AND MANAGEMENT

Ministry of Land, Housing and Urban Development

a) Background information

The receiver of revenue is under the Ministry of Land, Housing and Urban Development. At Cabinet level, the receiver of Revenue is represented by Cabinet Secretary for Ministry of Land, Housing And Urban Development, who is responsible for general policy and strategic direction of the Ministry. The receiver of revenue, was appointed as receiver for the financial 2015/2016.

b) Principle activities

The receiver of revenue collects revenue from Rent of Land, Rent of Government buildings and housing, Land registration fee, Land valuation fee, Conveyance fees, Land adjudication & case fees, Stand premium on town plots and Other land revenues. Revenue collection is remitted to National Treasury and used for Government operations.

C) Key management

The Ministry of Land, Housing and Urban Development day –to-day running is under the following key management:

1	Cabinet Secretary	Prof. Jacob T. Kaimenyi
2	Principal Secretary	Mariam elmaawy

Senior Management;

1	Land, Secretary	Peter K. Kahuho
2	Chief land Registrar	Jane W.Ndiba
3	Principal Accounts Controller	Joseph S. Mutusi
4	Senior Chief Finance Officer	Osano Nyangara
5	Director Administration	E.W.Barasa

RECEIVER OF REVENUE – MINISTRY OF LAND, HOUSING AND URBAN
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6	Director Survey	Cesare. N.Mbaria
7	Director Physical Planning	Augustine K.Masinde
8	Director Land Adj.& Settlement	Esther N.Ogega
9	Director H.R.M. & D	John W.Gitu
10	Director Supply Chain mgt	Reuben M.Mwaura
11	Chief I.C.T	Mercy Meme
12	Principal Public Com Officer	Joseph K. Mwangi
13	Deputy Chief Economist	Julius Muriithi
14	Secretary Housing	Patrick M. Bucha

RECEIVER OF REVENUE – MINISTRY OF LAND, HOUSING AND URBAN
DEVELOPMENT
REVENUE STATEMENTS

D) Entity Headquarters

P.O Box 30450-00100
Ardhi House
1st Ngong Avenue
Nairobi Kenya

E) Entity Contacts

Telephone 254(0)202718050
E-mail ardhi.go.ke
Website www.ardhi.go.ke

F) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Tower, University Way
P.O box 30084-00100
NAIROBI, KENYA

G) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O Box 60000-00200
NAIROBI, KENYA

H) Principal Legal Adviser

The Attorney General
State law Office
Harambee Avenue
P.O Box 40112-00200

II 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, 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 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, 2016, 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 14.12.
2016


Principal Secretary


Principal Accounts Controller

III. REPORT OF THE INDEPENDENT AUDITORS ON THE REVENUE STATEMENTS

We have audited the accompanying revenue statements of Ministry of Land, Housing and Urban Development revenue statements for the year ended June 30, 2016, which comprise a statement of revenue and transfers and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the revenue statements

The Ministry's Management is responsible for the preparation and fair presentation of the revenue statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of revenue statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the revenue statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the revenue statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the revenue statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the revenue statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministry of Land, Housing and Urban Development 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the revenue statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying revenue statements present fairly, in all material respects, the financial position of the revenue collected as at June 30, 2016, and transfers to the exchequer account for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR- GENERAL ON MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT REVENUE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE REVENUE STATEMENT

I have audited the accompanying revenue statement of the Ministry of Land, Housing and Urban Development set out on pages 7 to 16, which comprise the revenue statement for the year ended 30 June 2016, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the constitution of Kenya and Section 35 of the Public Audit Act, 2015

Management's Responsibility for the Revenue Statement

Management is responsible for the preparation and fair presentation of this revenue statement in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of revenue statement that is 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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the revenue 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 revenue statement 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

Report of the Auditor-General on the Financial Statements of the Ministry of land, Housing and Urban Development Revenue Statement for the year ended 30 June 2016

management, as well as evaluating the overall presentation of the revenue statement.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1.0 Land Rent Collected by KRA on behalf of the Ministry

Note 3 to the revenue statement under property income reflects Kshs.1,181,008,563.75 collected by Kenya Revenue Authority and remitted to the National Treasury as at 30 June 2016. However, as reported previously, the Agency Agreement between the Ministry of Land, Housing and Urban Development was not availed for audit review for confirmation of specific terms and conditions of the agreement. Further, it was noted that schedules prepared and submitted by the Kenya Revenue Authority in support of the above collection amounted to Kshs.1,201,198,115.60. The resultant difference of Kshs.20,189,551.85 between the two sets of records has not been explained or reconciled.

In the circumstances, it has not been possible to confirm the accuracy and validity of the property income collected by KRA amounting to Kshs. 1,181,008,563.75 for the year ended 30 June 2016.

2.0 Property Income

The revenue statement reflects Kshs.1,418,358,561.75 as property income for the year ended 30 June 2016. Included in this amount is Kshs.212,842,841.50 described as rent of Government buildings and housing. However, the Ministry did not provide an updated inventory of all government buildings and houses as at 30 June 2016 and the expected rental income from each house/building. Consequently, it has not been possible to establish whether all rentals due from government buildings and houses was received and accounted for. Further, the Ministry has not explained why there was no revenue collection during the month of August, 2015.

3.0 Revenue transferred to the Exchequer

The revenue statement for the year ended 30 June 2016 shows that Kshs.779,471,911.15 was transferred to the Exchequer account during the year ended 30 June 2016. Included in this figure is Kshs. 197,317,812.70 being revenue collection from the district registries. However, no breakdown of this figure by district in form of monthly returns/reports from each district registry has been provided for audit review. Further, it is not clear why monthly revenue analysis provided indicates that no revenue was collected during the months of

April, May and June 2016. Consequently, the accuracy and validity of the amount transferred to the exchequer account of Kshs. 779,471,911.15 as shown in the statement of revenue and transfers for the year ended 30 June, 2016 could not be confirmed.

4.0 Sales of Goods and Services

Note 4 to the revenue statement for the year ended 30 June 2016 reflects Kshs.480,445,203.15 for sale of goods and services as at 30 June 2016. Included in this figure is Kshs.420,102,466.55 described as Other Land Revenue and whose analysis/breakdown has not been provided for audit review. In the absence of this analysis, the figure for sale of goods of Kshs.480,445,203.15 included in the statement of revenue and transfers for the year ended 30 June 2016 could not be confirmed.

5.0 Unexplained Variance between the Ministry, Controller of Budget and Treasury records

Records available reflect that the Ministry of Land, Housing and Urban Development transferred Kshs.779,471,911.15 to the exchequer during the year ended 30 June 2016. However, as reported in prior years, records maintained by the Controller of Budget indicated total receipts of Kshs.1,359,908,432.90 during the period resulting in unexplained or unreconciled variance of Kshs.580,436,521. In addition, Exchequer Returns from the National Treasury indicated total receipts of Kshs.863,806,927.05 resulting in a variance of Kshs.84,335,015.90 which has not been explained or reconciled. Consequently, the accuracy and validity of the amount transferred to the exchequer account of Kshs.779,471,911.15 as shown in the statement of revenue and transfers during the year ended 30 June 2016 could not be confirmed.

6.0 Statement of Arrears of Revenue

Public Finance Management Act, 2012 Section 82 (2) require the Ministry to prepare statement of arrears and revenue abandoned during the year. However, the statement of arrears in the revenue statements reflect nil balances while the Ministry has arrears especially from rent of Government buildings and houses.

Consequently, it has not been possible to ascertain the validity and accuracy of these revenue statement for the year for the year ended 30 June 2016.

7.0 Land Rent Revenue collected at Headquarters

Revenue records reflect that Kshs.24,507,156.50 was collected at the Ministry's head office. The Ministry uses e-citizen platform software which is system based to collect land rent revenue. A review of the system indicated the following internal control weaknesses:-

- 7.1 The source documents such as copy of title deed/lease certificate, demand notice generated by the system indicating the amount of land rent payable and bank deposit slip or proof of payment are not maintained by the department making it difficult to ascertain whether the correct amount was billed or received.
- 7.2 The users are able to edit existing data about revenue in the system such as date of latest clearance which may affect the amount payable. This compromises the quality and reliability of the revenue records available.

In the circumstances, it has not been possible to confirm the validity, accuracy and completeness of the Kshs.24,507,156.50 reported as land rent revenue from the Ministry's head office during the year ended 30 June 2016.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on this revenue statement.



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

Nairobi

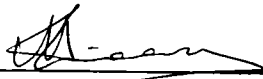
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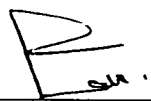
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IV STATEMENT OF REVENUES AND TRANSFERS

	Note	2015-2016 Kshs	2014-2015 Kshs
TAX REVENUES			
Taxes on Property	1	35,940,314.00	6,132,245.00
Other Taxes	2	<u>25,736,396.00</u>	-
TOTAL TAX RECEIPTS		61,676,710.00	6,132,245.00
NON TAX REVENUES			
Property Income	3	1,418,358,561.75	1,188,337,961.64
Sale of Goods and Services	4	<u>480,445,203.15</u>	<u>1,835,637,304.20</u>
TOTAL NON TAX RECEIPTS		1,898,803,764.90	3,023,975,265.84
TOTAL REVENUE COLLECTED		1,960,480,474.90	3,030,107,510.84
Transfers To Exchequer Account by The Ministry		(779,471,911.15)	(2,076,413,151.50)
Land Rent collected by KRA on behalf of Ministry		(1,181,008,563.75)	(1,045,285,832.34)
BALANCE BROUGHT FORWARD	5		98,330,470.00
BALANCE CARRIED FORWARD	6	<u>0</u>	<u>0</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 14.12. 2016 and signed by:


Principal Secretary


Principal Accounts Controller

RECEIVER OF REVENUE – MINISTRY OF LAND, HOUSING AND URBAN
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7. STATEMENT OF ARREARS OF REVENUE AS AT 30TH JUNE 2016

There were no arrears of revenue

Classification of Revenue	Accumulation amount in arrears from prior period to 30 th June 2016	Amount in arrears for the immediate previous year to 30 th June 2016	Amount in arrears for the current year to 30 th June 2016	Total Arrears as at 30 th June 2016
Tax Revenues				
Taxes on income profits and capital gains	0	0	0	0
Taxes on property	0	0	0	0
Taxes on goods and services	0	0	0	0
Taxes on international trade and transactions	0	0	0	0
Other taxes	0	0	0	0
Non Tax Revenues				
Fees on use Excise Taxes	0	0	0	0
Social security contribution	0	0	0	0
Property Income				
Fines, penalties and forfeitures	0	0	0	0
Receipts from sale of nonfinancial assets	0	0	0	0
Total Debt	0	0	0	0

V. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The 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, 2016.

6 Revenue in Arrears

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

7 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.


REVENUE DEPARTMENT - MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT
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1. TAXES ON PROPERTY

	Original Estimates	Revised Estimates	Actual Collection	% Realized
Immovable Property (Stand Premium on Town Plots)	72,956,114.00	95,805,140.00	35,940,314.00	37.5%
Total Revenue on Property	72,956,114.00	95,805,140.00	35,940,314.00	37.5%
Transfers to the Exchequer account by the Ministry		0	(35,940,314.00)	

The difference was due to transition of commissioner of Lands to the National Land Commission which affected the processing of allotments. New allotments were stopped resulting to a decrease in the amount of stand premium.

The above revenue statement was approved on 14/12/2016 and signed by:


 Principal Secretary


 Principal Accounts Controller

REVENUE OF 'REVENUE' - MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT
 REVENUE STATEMENTS

2. OTHER TAXES

	Original Estimates	Revised Estimates	Actual collection	% Realized
Stamp Duty	-	0	25,736,396.00	0
Total Revenue	-	0	25,736,396.00	0
Balance brought forward	-	0	0	0
Transfers to the Exchequer account by the Ministry	-	0	(25,736,396.00)	0
Balance carried forward	-	0	0	0

The above revenue statement was approved on 14.12. 2016 and signed by:


 Principal Secretary


 Principal Accounts Controller

REVENUE STATEMENTS -- MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT

3. PROPERTY INCOME

	Original Estimates	Revised Estimates	Actual	% Realized
Rent of Land	993,116,788.00	1,283,562,416.00	1,205,515,720.25	94%
Rent of Government Buildings and Housing	76,642,236.00	138,119,310.00	212,842,841.50	154%
Total Property Income	1,069,759,024.00	1,421,681,726.00	1,418,358,561.75	99.7%
Balance brought forward	-	0	0	0
Amount collected by KRA to treasury	-	0	(1,181,008,563.75)	0
Transfers to the Exchequer account by the Ministry	-	0	0	0
Balance carried forward	-	0	(237,349,998.00)	0

The difference was due to effective and improved measures instituted by the Ministry which resulted into increase in rental collection from Government Buildings and Housing.

The above revenue statement was approved on 19.12. 2016 and signed by:



Principal Secretary

Principal Accounts Controller

REVENUE STATEMENTS - MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT


4. SALE OF GOODS AND SERVICES

	Original Estimates	Revised Estimates	Actual	% Realized
Land Valuation Fees	2,013,187.00	7,902,137.00	4,369,303.60	55.3%
Land Adjudication and Case Fees	54,163.00	40,000.00	115,980.00	290%
Land Registration Fee	5,676,402.00	22,947,625.00	45,028,925.00	196.22%
Conveyance Fees	2,208,433.00	2,768,723.00	10,828,128.00	392%
Other Land Revenue	196,993,352.00	92,940,442.00	420,102,466.55	452%
Sale of freehold interest in Agricultural	18,606.00	77,595.00	400.00	0.52%
Sale of Goods and Fee for Services	913,648,384.00		0	0
Total Revenue	1,120,612,527.00	126,676,522.00	480,445,203.15	379.3%
Transfers to the Exchequer account by the Ministry			(480,445,203.15)	

The increase in Revenue Collection was due to effective measures instituted by the Ministry in Revenue Collection. The difference in land valuation fees was due to engagement of private Valuers in land valuation. The under Collection from sale of freehold interest is attributed to non-approval for purchase of free hold interest in Agricultural Land.

The above revenue statement was approved on 14.12.2016 and signed by:


Principal Secretary


Principal Accounts Controller

5. BALANCES BROUGHT FORWARD

The balance of Ksh 98,330,470 for the year ended 30 June 2014 was transferred on 20.03.2015

6. BALANCES CARRIED FORWARD

There was no balance for the year ended 30 June 2016 since the revenue account is a zero balancing account, where everyday revenue banked is transferred to the exchequer through a standing order by Central Bank of Kenya to Treasury.