

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MINISTRY OF MINING**

**FOR THE YEAR ENDED  
30 JUNE 2015**



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF MINING FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Ministry of Mining set out on pages 7 to 24, which comprise the statement of financial assets as at 30 June 2015, and the statement of receipts and payments, the statement of cash flows and statements of comparative budget and actual amounts, for the year then ended and summary of significant accounting policies and other explanatory information 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 Financial Statements**

The accounting officer-Ministry of Mining is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in Accordance with the provisions of Section 7 of the Public Audit Act, 2003.

#### **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 9 of the Public Audit Act, 2003 and submit the report in compliance with Article 229(7) of the Constitution of Kenya. The Audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 judgment, 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 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 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. Un-authorized Expenditure on Surplus Appropriation in Aid (A.I.A.)**

The statement of receipts and payments reflects other receipts totaling Kshs.1,219,89,112 which under note 3 to the financial statements under A.I.A reflects a balance of Kshs.34,916,416.45 against an approved budget of Kshs.14,000,000 resulting in an excess/surplus in A.I.A of Kshs.20,916,416.45 which procedurally, the Ministry of Mining should have surrendered to the exchequer account. However as at 30 June 2015, the surplus AIA had been expended and remained unsurrendered.

#### **2. Revenue**

##### **(a) Royalties Received from Carbacid Company Ltd – Carbon Dioxide**

Other Receipts balance of Kshs.1,319,889,112 includes royalties of Kshs.1,008,093 received from Carbacid Co. Ltd on carbon dioxide. Clause 10 of the signed mining license requires Carbacid Co. Ltd to file progress reports and sales return which forms the basis for royalty payments. Carbacid Co. Ltd has to date not complied with the provision. In the circumstance, I am unable to confirm the accuracy and completeness of the royalties amount received from Carbacid Company Ltd.

##### **(b) Royalties received from Base Titanium Limited - Titanium**

Included in the Other Receipts are royalties received from Base Titanium Limited of Kshs.260,706,550 on account of titanium exports. These receipts are based on self-declared export quantities for which the Commissioner of Mines and Geology has issued export permits. There has been no evidence of subsequent verification of the actual exports vis-à-vis declared quantities to validate their accuracy. I am therefore unable to confirm the completeness and validity of royalties income as reported under Base Titanium Limited.

#### **3. Uncollected Revenues on Dealer Licenses**

The Ministry has not put in place a functional system for tracking dealers' license validity and supervision of their operations. Consequently, there have been no dealer premise visits conducted in the year under review to verify validity and compliance with the existing license terms. Information available indicates that revenues totalling Kshs.820,000 in the form of dealer license remained uncollected

and undisclosed in the financial statements as of 30 June 2015. In the circumstances, I am unable to confirm the accuracy and completeness of revenue figure of Kshs.1,319,889,112 disclosed under note (3) to the financial statements.

#### **4. Irregular Export Permits**

Information available indicates that export permits with a value at US\$ 18,619,645 (approximately Kshs.1.9 billion) were issued during the year by an unauthorized officer whose employment contract expired on 19 April 2014. This is contrary to the mining Act which stipulates that, export permits are to be signed off by the Commissioner of Mines or an authorized officer whose authority has been delegated in writing.

Consequently, the validity of the revenue collections on the export permits issued by the officer could be challenged.

#### **5. Pending Bills**

As disclosed under Annex 1 in these financial statements, the Ministry has pending bills totalling Kshs.9,060,804 as at 30 June 2015 relating to 2014/2015 financial year that have been carried forward to 2015/2016 financial year. The reported operating expenses have been understated by this amount.

#### **6. Lack of Fixed Assets Register**

The Ministry does not maintain a fixed asset register for all its fixed assets. I am therefore unable to verify ownership, existence and valuation of all its assets.

#### **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 the Ministry of Mining as at 30 June 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

#### **Other Matters**

We draw your attention to the following matters:

##### **1. Appointment as Receiver/Collector of Revenue**

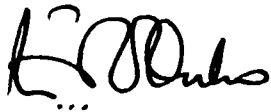
As at the time of concluding the audit, the Ministry of Mining was yet to be appointed receiver / collector of revenue and has continued during the year under review to collect revenue contrary to the Public Financial Management Act, 2012, section 75(1). The accounting officer has subsequently, vide letter dated 16 November 2015 written to Director General Accounting Services for appointment as receiver/ collector of revenue.

## **2. Irregular Meetings of the Audit Committee**

Treasury circular No.16 dated 4 October 2005 requires that the audit committee meets at least four (4) times in a year. During the year under review, the committee met only once on 28 August 2014, hence rendering limited oversight and governance over ministerial activities. The financial statements were also not reviewed and approved by the committee before being submitted for auditing as stipulated in the circular.

## **3. Delays in Commissioning of Ministry Laboratory**

The Ministry during the financial year completed the construction of its new laboratory complex at Industrial Area at the cost of Kshs.102,848,436.20. However, as at the completion of this audit, the laboratory had not been put into use and has continued to remain idle. My opinion is not qualified in respect to the above matters.



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

**Nairobi**

**10 February 2016**



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**MINISTRY OF MINING**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015**

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**MINISTRY OF MINING**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Ministry of Mining was created in May 2013 through an Executive Order No.2/2013 and is represented by the Cabinet Secretary for Mining, who is responsible for the general policy and strategic direction of the entity.

### **(b) Principal Activities**

The Ministry's vision is 'to be a world class institution in management of mineral resources and geo-spatial data'. Consequently, the ministry's mission is to 'promote and maximize benefits from mineral resource exploitation and geo-spatial information use for sustainable development.

The core functions of the Ministry are to: coordinate mineral exploration and develop extractive industry policies and management; compiling inventory and undertaking mapping of mineral resources; coordinating mining and mineral development; develop policies on the management of quarrying and mining of rocks and industrial minerals; undertake management of health conditions and health and safety in mines; conduct resource survey and remote sensing; and undertake maintenance of geological data.

### **(c) Key Management**

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

- Cabinet Secretary Office
- Principal Secretary Office
- Directorate of Corporate Affairs
- Directorate of Mines
- Directorate of Resource Survey and Remote Sensing
- Directorate of Geology

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	Patrick Omutia
2.	Director of Administration	Joseph M. Kirubi Charles Mwangi
3.	Ag. Commissioner of Mines and Geology	Shadrack Kimomo
4.	Director of Resource Survey and Remote Sensing	Patrick W. Wako
5.	Chief Finance Officer	William O. Mbaka Zakayo M..Mbogori

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6.	Head of Accounting Unit	Edward O Were
7.	Head of Supply Chain and Management Services	Elijah Obebo
8.	Head of Human Resource Management	Caroline Mugwe
9.	Head of Internal Audit	William Kagundu
10.	Head of ICT	Lynn Nyongesa

**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(d) Fiduciary Oversight Arrangements**

Audit and Finance Committee Activities

- Conduct Risk Analysis
- Auditing all items of expenditure
- Implementing measures to mitigate risks
- Review audit matters

Finance Committee Activities

- Monitoring utilization of budget
- Periodic reporting to Accounting office
- Aligning expenditure to voted provision.
- Reviewing the supplementary budget
- Preparing MTEF budget

Parliamentary Committee Activities

- Scrutinizes the MTEF Budget and makes recommendations
- Approves the Key projects to be financed in the budget
- Reviews budget policy statement
- Approves the appropriation bill
- Approves itemised budget estimates for implementation during the financial year.

**(e) Entity Headquarters**

P.O. Box 30009-00100  
Works Building/House/Plaza  
Ragati Road  
Nairobi, Kenya

**(f) Entity Contacts**

Telephone: (254) 020-2723101  
E-mail: ps@mining.go.ke  
Website: www.mining.go.ke

**MINISTRY OF MINING**  
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**(e) Entity Bankers**

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

**(f) Independent Auditors**

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

**(g) Principal Legal Adviser**

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

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**II. FORWARD BY THE CABINET SECRETARY**

This second report and financial statement highlights the expenditure status as at the close of the 2014/15 financial year.

In the period under review, the Ministry was allocated a budget of Kshs. 1,960,211,140 out of which a total of Kshs. 1,650,346,654 was utilized. This represents a budget utilization level of 84%. The expenditure in terms of economic classification was 99% on compensation for employees, 93% use of goods and services and 78% acquisition of assets. This performance emanated from the fact that most structures within the ministry were in their formative stages

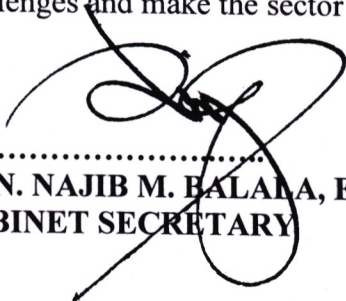
However, I am happy to report that despite the performance above, a number of strategic issues relating to the sector were achieved. Among the Ministry's key achievement was the operationalization of the mining cadastre portal meant to ease mining business environment and hence enhanced growth. Additionally, the Mining Bill was debated by the National Assembly and forwarded to the Senate for concurrence and possible adoption. Indeed, Am happy to report that the Bill has now been finalized by the Senate and is awaiting concurrence of the National Assembly before it is assented into law.

The Ministry also conducted a scoping study on laboratory services with a view of modernizing and equipping the current Mineral Laboratory and making it internationally accredited. Indeed, a number of installations and equipment for the lab were also purchased while at the same time equipping the Geological survey directorate with requisite tools and equipment.

All these and other achievements are attributed to the 2014/15 Budget and have made a significant contribution in making the Country a leading Mining Hub for the region while at the same time ensuring that requisite investment is attracted to the country.

During the course of implementation of the above mentioned projects, the Ministry experienced a number of challenges and emerging issues. Key among them was the apparent lack of geological data which is key at establishing a leading mining jurisdiction. Indeed, it has been seen in other leading mining countries that it is the principle responsibility of the countries to provide mining investors with geological data to aim at exploration and reduce the risks of failing to secure a mineable reserve while increasing the level of confidence by exploration companies. Connected with this challenge, there are low exploration activities in the country.

In order to arrest the situation, the Ministry has proposed to undertake a Nationwide Airborne Geophysical Survey. This exercise is envisaged to map out potential mineralized areas and act as a pointer to invest on the minerals available in Kenya. Going forward, the Ministry aspires that adequate budgetary provision shall be allocated to the Ministry in order to assist it surmount the identified challenges and make the sector vibrant.

  
.....  
**HON. NAJIB M. BALANA, EGH**  
**CABINET SECRETARY**

  
**Date**

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**MINISTRY OF MINING**  
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**For the year ended June 30, 2015**

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**III. STATEMENT OF ENTITY MANAGEMENT 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 Accounting Officer in charge of the Ministry of Mining 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, 2015. 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 Accounting Officer in charge of the Ministry of Mining accepts responsibility for the Ministry's 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). The Accounting Officer 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, 2015, and of the Ministry's financial position as at that date. The Accounting Officer in charge of the Ministry of Mining further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of Mining 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 Accounting Officer 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 financial statements**

The Ministry's financial statements were approved and signed by the Accounting Officer on 25<sup>TH</sup> September 2015.

  
Principal Secretary/  
Accounting Officer

  
Principal Accounts Controller

**MINISTRY OF MINING**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

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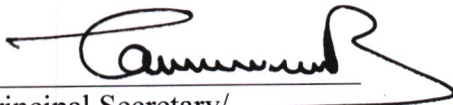
**IV. REPORT OF INDEPENDENT AUDITORS ON THE MINISTRY OF MINING**

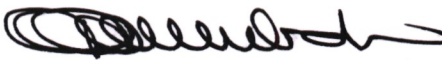
**MINISTRY OF MINING**  
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**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	<b>NOTE</b>	<b>2014-2015</b> <b>Kshs</b>	<b>2013-2014</b> <b>Kshs</b>
Exchequer releases	<b>1</b>	1,555,585,000	995,150,000
Domestic Currency and Domestic Deposits	<b>2</b>	-	31,081,693
Other Receipts	<b>3</b>	1,319,889,112	92,889,437
Proceeds from Foreign Grants(UNDP)	<b>3(a)</b>	42,500,000	-
<b>TOTAL REVENUES</b>		<b>2,917,974,112</b>	<b>1,119,121,130</b>
<b>PAYMENTS</b>			
Compensation of employees	<b>4</b>	322,483,217	191,371,210
Use of goods and services	<b>5</b>	306,236,086	215,573,894
Acquisition of assets	<b>6</b>	962,179,992	570,388,324
Other payments	<b>7</b>	17,080,875	16,707,309
Social security benefits	<b>9</b>	19,573,978	-
Transfer to other Government Units	<b>10</b>	1,142,657,398	-
<b>TOTAL PAYMENTS</b>		<b>2,770,211,546</b>	<b>994,040,737</b>
<b>SURPLUS/DEFICIT</b>		<b>147,762,566</b>	<b>125,080,394</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>TH</sup> September 2015 and signed by:

  
Principal Secretary/  
Accounting Officer

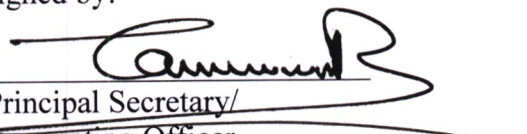
  
Principal Accounts Controller

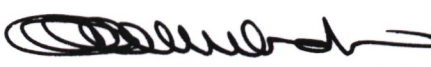
**MINISTRY OF MINING**  
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**VI. STATEMENT OF ASSETS**

	NOTE	2014-2015 Kshs	2013-2014 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8A	245,811,396	124,053,104
Cash Balances	8B	-	766,884
<b>Total Cash and cash equivalent</b>		<b>245,811,396</b>	<b>124,819,988</b>
Accounts receivables – Outstanding Imprest	8C	-	260,406
<b>TOTAL FINANCIAL ASSETS</b>		<b>245,811,396</b>	<b>125,080,394</b>
<b>Fund balance b/fwd</b>		125,080,394	-
<b>Surplus/Deficit for the year</b>		147,762,566	125,080,394
<b>Prior Year Adjustment</b>	12	(27,031,564)	-
<b>NET FINANCIAL POSITION</b>		<b>245,811,396</b>	<b>125,080,394</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>TH</sup> September 2015 and signed by:

  
Principal Secretary/  
Accounting Officer

  
Principal Accounts Controller

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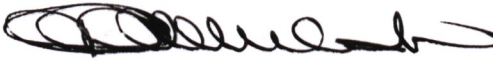
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**VII.STATEMENT OF CASHFLOW**

	NOTE	2014 – 2015 Kshs	2013 - 2014 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from National Treasury	1	1,555,585,000	995,150,000
Other Revenues	3	1,319,889,112	123,971,130
Proceeds from foreign grant(UNDP)	3(a)	42,500,000	-
<b>Payments for operating expenses</b>			
Compensation of employees	4	(322,483,217)	(191,371,210)
Use of goods and services	5	(306,236,086)	(215,573,894)
Other expenses	7	(17,080,875)	(16,707,309)
Social security benefits	9	(19,573,978)	-
Transfer to other Government entities	10	(1,142,657,398)	-
Adjustment during the year	12	(27,031,564)	-
<b>Net cash flow from operating activities</b>		<b>1,082,910,994</b>	<b>695,468,717</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	962,179,992	(570,388,324)
<b>Net cash flows from Investing Activities</b>		<b>962,179,992</b>	<b>(570,388,324)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Domestic Currency and Domestic Deposits	2	-	121,604,137
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>121,604,137</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		<b>120,731,002</b>	<b>125,080,394</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	8	<b>125,080,394</b>	<b>-</b>
<b>Cash and cash equivalent at END of the year</b>	8	<b>245,811,396</b>	<b>125,080,394</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>th</sup> September 2015 and signed by:


  
Principal Secretary/  
Accounting Officer

  
Principal Accounts Controller

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilisation Difference		% of Utilisation
	Kshs	a	Kshs	b	Kshs	c=a+b	Kshs	d	Kshs	e=c-d	
<b>RECEIPTS</b>											
Exchequer releases	1,908,227,033		-		1,903,711,140		1,555,585,000		348,126,140		82%
Other Receipts-AIA	56,500,000		-		56,500,000		77,416,416		(20,916,416)		137%
<b>TOTALS</b>	<b>1,964,727,033</b>		<b>-</b>		<b>1,960,211,140</b>		<b>1,633,001,416</b>		<b>327,209,724</b>		<b>83%</b>
<b>PAYMENTS</b>											
Compensation of Employees	289,000,000		33,484,107		322,484,107		322,483,217		890		99%
Use of goods and services	332,527,088		1,500,000		334,027,088		306,236,086		27,791,002		96%
Acquisition of assets	1,306,902,280		(41,500,000)		1,265,402,280		962,179,992		303,222,288		76%
Social security benefits	18,297,665		2,000,000		20,297,665		19,573,978		723,687		96%
Other payments	18,000,000		-		18,000,000		17,080,875		919,125		95%
<b>TOTALS</b>	<b>1,964,727,033</b>		<b>4,515,893</b>		<b>1,960,211,140</b>		<b>1,627,554,148</b>		<b>332,656,992</b>		<b>83%</b>

The entity financial statements were approved on 25<sup>th</sup> September 2015 and signed by:

  
Principal Secretary/  
Accounting Officer

  
Principal Accounts Controller

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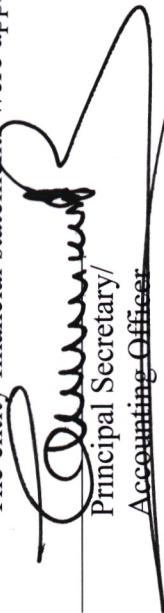
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**MINISTRY OF MINING**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

**IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Receipt/Expense Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilisation Difference		% of Utilisation
	Kshs	a	Kshs	b	Kshs	c=a+b	Kshs	d	Kshs	e=c-d	
<b>RECEIPTS</b>											
Exchequer releases	708,227,033		-		753,711,140		665,765,000		87,946,140		88%
Other Receipts- AIA	14,000,000		-		14,000,000		34,916,416		(20,916,416)		249%
<b>TOTALS</b>	<b>722,227,033</b>		<b>-</b>		<b>767,711,140</b>		<b>700,681,416</b>		<b>67,029,724</b>		<b>91%</b>
<b>PAYMENTS</b>											
Compensation of Employees	289,000,000		33,484,107		322,484,107		322,483,217		890		100%
Use of goods and services	332,527,088		1,500,000		334,027,088		306,236,086		27,791,002		92%
Acquisition of assets	64,402,280		8,500,000		72,902,280		52,060,638		20,841,642		71%
Social security benefits	18,297,665		2,000,000		20,297,665		19,573,978		723,687		96%
Other payments	18,000,000		-		18,000,000		17,080,875		919,125		95%
<b>TOTALS</b>	<b>722,227,033</b>		<b>45,484,107</b>		<b>767,711,140</b>		<b>717,434,794</b>		<b>50,276,346</b>		<b>93%</b>

The entity financial statements were approved on 25<sup>th</sup> September 2015 and signed by:

  
 Principal Secretary/  
 Accounting Officer



Principal Accounts Controller

IX. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilisation Difference		% of Utilisation
	Kshs	a	Kshs	b	Kshs	c=a+b	Kshs	d	Kshs	e=c-d	
<b>RECEIPTS</b>											
I. Exchequer releases	1,200,000,000		-		1,150,000,000		889,820,000		260,180,000		78%
Other Receipts (AIA)	42,500,000		-		42,500,000		42,500,000		-		100%
<b>TOTALS</b>	<b>1,242,500,000</b>		<b>-</b>		<b>1,192,500,000</b>		<b>932,320,000</b>		<b>260,180,000</b>		<b>78%</b>
<b>PAYMENTS</b>											
Acquisition of assets	1,242,500,000		(50,000,000)		1,192,500,000		910,119,354		282,380,646		76%
<b>TOTALS</b>	<b>1,242,500,000</b>		<b>(50,000,000)</b>		<b>1,192,500,000</b>		<b>910,119,354</b>		<b>282,380,646</b>		<b>76%</b>

The entity financial statements were approved on 25<sup>TH</sup> September 2015 and signed by:

  
Principal Secretary/  
Accounting Officer

  
Principal Accounts Controller

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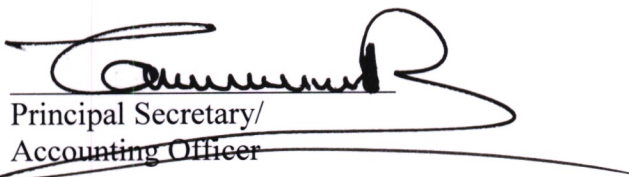
**X. SUMMARY STATEMENT OF PROVISIONINGS**

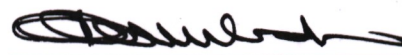
- Details of General Accounts On Vote

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
GAV Provisioning account balance	332,656,992	409,809,290
<b>Total</b>	<b>308,481,629</b>	<b>409,809,290</b>

- Details of Exchequer Account

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Exchequer Provisioning account balance	348,126,140	406,333,034
<b>Total</b>	<b>348,126,140</b>	<b>406,333,034</b>

  
Principal Secretary/  
Accounting Officer

  
Principal Accounts Controller

## **XI. SIGNIFICANT ACCOUNTING POLICIES**

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

### **1. Statement of compliance and basis of preparation**

The financial 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. 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. The accounting policies adopted have been consistently applied to all the years presented.

The financial 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 of Mining.

### **2. Recognition of revenue and expenses**

The Ministry of Mining recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Ministry. In addition, the Ministry of Mining recognises all expenses when the event occurs and the related cash has actually been paid out by the Ministry.

### **3. In-kind contributions**

In-kind contributions are donations that are made to the Ministry of Mining in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Ministry of Mining includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

### **4. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**XI. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Ministry of Mining at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**6. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Ministry of Mining budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Ministry of Mining actual performance against the comparable budget for the financial year under review has been included in these financial statements.

**7. Comparative figures**

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

**8. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

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**XII. EXPLANATORY NOTES**

**1. EXCHEQUER RELEASES**

Description and reference of the transfer	Date of transfer	2014 - 2015 Kshs	2013 - 2014 Kshs
1st quarter transfer		185,265,000	96,000,000
2nd quarter transfer		398,000,000	184,150,000
3rd quarter transfer		258,500,000	228,000,000
4th quarter transfer		713,820,000	487,000,000
<b>Total</b>		<b>1,555,585,000</b>	<b>995,150,000</b>

**2. DOMESTIC CURRENCY AND DOMESTIC DEPOSITS**

	2014 - 2015 Kshs	2013 - 2014 Kshs
10% Retention amount in relation to Lab Construction	-	1,500,000
10% Retention amount in relation to Lab Construction	-	1,966,224
10% Retention amount in relation to Lab Construction	-	2,700,000
10% Retention amount in relation to Lab Construction	-	1,776,048
Deposits held in trust: Kwale County	-	4,689,260
Mombasa County	-	18,450,160
<b>Total</b>	<b>-</b>	<b>31,081,693</b>

**3. OTHER REVENUES**

	2014 - 2015 Kshs	2013 - 2014 Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	34,916,416	12,577,917
Revenue	1,284,972,695	80,311,520
<b>Total</b>	<b>1,319,889,112</b>	<b>92,887,437</b>

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**3(a) PROCEEDS FROM FOREIGN GRANT (UNDP)**

	<b>2014 - 2015</b>	<b>2013-2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Proceeds from Foreign Grant (UNDP)	42,500,000	-
<b>Total</b>	<b>42,500,000</b>	<b>-</b>

**XII. EXPLANATORY NOTES**

**4. COMPENSATION OF EMPLOYEES**

	<b>2014- 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	205,405,245	149,911,078
Basic wages of temporary employees	8,582,110	8,886,301
Personal allowances paid as part of salary	108,495,862	32,573,831
<b>Total</b>	<b>322,483,217</b>	<b>191,371,210</b>

**5. USE OF GOODS AND SERVICES**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	11,918,831	9,271,947
Communication, supplies and services	9,935,024	7,815,633
Domestic travel and subsistence	33,510,054	22,791,986
Foreign travel and subsistence	11,540,368	11,258,635
Printing, advertising and information supplies & services	5,275,521	10,463,924
Rentals of produced assets	1,740,595	1,700,000
Training expenses	4,095,549	6,319,691
Hospitality supplies and services	13,524,367	26,297,041
Fuel Oil and Lubricants	54,942,198	41,494,311
Insurance costs	20,441,822	20,462,000
Specialised materials and services	18,997,992	12,339,687
Office and general supplies and services	21,349,216	12,139,386
Other operating expenses	65,448,843	13,239,471
Routine maintenance – vehicles and other transport equipment	26,652,720	15,261,975
Routine maintenance – other assets	6,862,986	4,718,207
<b>Total</b>	<b>306,236,056</b>	<b>215,573,894</b>

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**XII. EXPLANATORY NOTES**

**6. ACQUISITION OF ASSETS**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b><u>Non Financial Assets</u></b>		
Construction of Buildings	26,620,665	52,799,142
Refurbishment of Buildings	8,682,932	13,158,339
Purchase of Vehicles and Other Transport Equipment	22,500	18,550,221
Overhaul of Vehicles and Other Transport Equipment	53,745,578	30,666,845
Purchase of Office Furniture and General Equipment	7,256,457	23,959,594
Purchase of Specialised Plant, Equipment and Machinery	510,179,642	335,154,635
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	326,780
Research, Studies, Project Preparation, Design & Supervision	355,672,218	95,772,768
<b>Total</b>	<b>962,179,992</b>	<b>570,388,324</b>

**7. OTHER EXPENSES**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Membership Fees and Dues and Subscriptions to International Organizations Total	5,780,875	5,407,309
Membership Fees and Dues, and Subscriptions to Intl. Orgns Total	11,300,000	11,300,000
<b>Total</b>	<b>17,080,875</b>	<b>16,707,309</b>

**8A. BANK ACCOUNTS**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Amount in bank account currency</b>	<b>Exc rate</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
			<b>Kshs</b>	<b>Kshs</b>
Central Bank of Kenya,A/C NO.1000181877( <b>Recurrent</b> )	Ksh	-	178,116.85	11,398,859
Central Bank of Kenya,A/C NO.1000182008( <b>Development</b> )	Ksh	-	21,707,697.95	1,261,032
Central Bank of Kenya,A/C NO.1000182326 ( <b>Deposit</b> )	Ksh	-	223,925,581.35	111,393,213
<b>Total</b>			<b>245,811,396.15</b>	<b>124,053,104</b>

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**XII. EXPLANATORY NOTES**

**8B: CASH IN HAND**

	<b>2014 – 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Headquarters(Development)	-	763,933
Headquarters(Recurrent)	-	2,951
<b>Total</b>	<b>-</b>	<b>766,884</b>

**8C: OUTSTANDING IMPRESTS**

<b>Name of Officer or Institution</b>	<b>Date Imprest Taken</b>	<b>Amount Taken</b>	<b>Amount Surrendered</b>	<b>2014-2015</b>	<b>2013-2014</b>
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Robert K A Chepkwony	28 <sup>th</sup> Jan. 14	358,475	98,069	-	260,406
<b>Total</b>				<b>-</b>	<b>260,406</b>

**Note:** The imprest has already been recovered in full as at 30<sup>th</sup> Sep 2014

**9: SOCIAL SECURITY BENEFITS**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Government pension and retirement benefits	19,573,998	-
<b>Total</b>	<b>19,573,998</b>	<b>-</b>

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**10: TRANSFER TO OTHER GOVERNMENT ENTITIES**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfer to Central Government Entities	1,142,657,398	-
<b>Total</b>	<b>1,142,657,398</b>	<b>-</b>

**Note:** This transfer was surrender of Revenue to the National Treasury.

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**XII. EXPLANATORY NOTES**

**11. OTHER IMPORTANT DISCLOSURES**

**11.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Construction of buildings	-	15,984,438
Supply of goods	5,757,990	36,185,092
Supply of services	3,302,814	5,176,368
<b>Total</b>	<b>9,060,804</b>	<b>57,345,898</b>

**11.2: OTHER PENDING PAYABLES (See Annex 2)**

	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Amount due to National Government (Revenue)	222,626,817	90,522,444
Amount due to National Government (Excess AIA)	20,916,416	-
Amounts due to County Government entities	-	23,139,420
<b>Total</b>	<b>243,543,233</b>	<b>113,651,860</b>

**12. PRIOR YEAR ADJUSTMENT**

	<b>2014-2015</b>	<b>2013-2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Amount due to County Government (Mombasa and Kwale Counties)	19,355,840	-
Amount transferrable from Deposit to Recurrent	7,675,724	-
	<b>27,031,564</b>	<b>-</b>

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**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount Kshs	Date Contracted Kshs	Amount Paid To-Date Kshs	Outstanding Balance		Comments
				2013 Kshs	2012 Kshs	
	a	b	C	d=a-c		
<b>Supply of goods</b>						
CHELEON SERIVES	600,000		-	600,000	-	
COPY CAT LTD	2,608,840		-	2,608,840	-	
KENBAN ENTERPRISES	1,889,400			1,889,400		
MOKOGOTI GENERAL AGENCIES	659,750			659,750		
<b>Sub-Total</b>	<b>5,757,990</b>		-	<b>5,757,990</b>	-	
<b>Supply of services</b>						
NATION MEDIA GROUP	33,456		-	33,456	-	
WANJIMA GENERAL TRADERS	1,985,000		-	1,985,000	-	
LAKE NAIVASHA LODGE	800,000		-	800,000	-	
THE PEOPLE MEDIA MAX NETWORK	115,000		-	115,000	-	
KENYA SCHOOL OF GOVERNMENT	137,460		-	137,460	-	
PS MINISTRY OF DEVOLUTION AND PLANNING	231,898.30			231,898.30	-	
<b>Sub-Total</b>	<b>3,302,814.30</b>			<b>3,302,814.30</b>	-	
<b>Grand Total</b>	<b>9,060,804.30</b>			<b>9,060,804.30</b>	-	
					-	
					-	
					-	
					-	
					-	
					-	



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**ANNEX 2 - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
		a	b	C	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1. National Treasury	Unsurrendered revenue			-	222,626,817	90,522,444	
	Excess A.I.A				20,916,416		
	<b>Sub-Total</b>				<b>243,543,233</b>	<b>90,522,444</b>	
<b>Amounts due to County Govt Entities</b>							
2. Kwale County				-	-	4,689,260	
3. Mombasa County				-	-	18,450,160	
	<b>Sub-Total</b>				-	<b>23,139,420</b>	
	<b>Grand Total</b>				-	<b>113,661,864</b>	

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**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost	
	Kshs 2014/15	Kshs 2013/14
Buildings and structures	117,563,593	92,563,593
Vehicles and Transport equipment	30,550,221	18,550,221
Office equipment, furniture and fittings	27,959,594	23,959,594
Other Machinery and Equipment	435,154,635	335,154,635
<b>Total</b>	<b>611,228,043</b>	<b>470,228,043</b>

