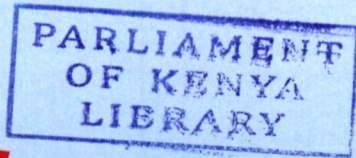


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

REVENUE STATEMENT OF THE JUDICIARY

**FOR THE YEAR ENDED
30 JUNE 2016**



**RECEIVER OF REVENUE
THE JUDICIARY**

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)



**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	2
II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES	5
III. STATEMENT OF REVENUES AND TRANSFERS.....	6
IV. STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2016.....	7
V. SIGNIFICANT ACCOUNTING POLICIES	8
1. FEES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR TO PERFORM SERVICES AND ACTIVITIES	10
2. FINES, PENALTIES AND FORFEITURES.....	11
3. BALANCES CARRIED FORWARD.....	12

**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. KEY ENTITY INFORMATION AND MANAGEMENT

The Judiciary is one the three arms of Government. Its chief mission is to resolve disputes in a just manner with a view to protecting the rights and liberties of all. The principal activity/mission of the Judiciary is to deliver justice fairly, impartially and expeditiously, promotes equal access to justice, and advance local jurisprudence by upholding the rule of law.

(a) Background information

The Judiciary is an Arm of The Government. At cabinet level, the Judiciary is represented by The Chief Registrar of the Judiciary who is responsible for the general policy and strategic direction of The Judiciary. The Chief Registrar of The Judiciary was appointed as a receiver in January 2014.

(b) Principal activities

The receiver of revenue collects revenue from Fees and Fines. Revenue collected is remitted to the National Treasury and used for Exchequer.

**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(c) Key Management

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

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

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

1. Designation	Name
Hon. Chief Justice and President of the Supreme Court. The Head of Judiciary Chair of: Judicial Service Commission, National Council of Law Reporting Auctioneer Licensing Board National Council on Administration of Justice	DR. Willy Mutunga

2.	Chief Registrar	Mrs Anne Amadi
3.	Ag. Director ,Finance	Mrs Susan Oyatsi
4.	Chief Accounts Controller	Mr Wycliffe Wanga
5.	Director Public Communication	Mr Naim Bilal
6.	Director Performance	Dr Wamwea Nyoike
7.	Ag. Director ICT	Mr. Stephen Ikileng
8.	Ag. Director Supply chain	Mr. Kariuki Gitau
9	Ag. Director Human Resource & Administration	Ms. Angella Manyalla
10.	Registrar Supreme Court	Mrs Esther Nyaiyaki
11.	Registrar Court of appeal	Mr. Moses Serem
12.	Registrar High Court	Mrs Judith Omange
13.	Registrar Employment & Labour Relations Court	Mr. Kennedy Kandet
13.	Registrar Magistrate Court	Mr Peter Mulwa

**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(d) Judiciary Headquarters

P.O. Box 30041-00100
Supreme Court Building
City Hall Way
Nairobi, KENYA

(e) The Judiciary of Kenya Contacts

Telephone: (254) 20-2221221
E-mail: info@judiciary.go.ke
Website: www.judiciary.go.ke

(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

(h) Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank Ltd
Kencom House
P.O. Box...
Nairobi

**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

The Chief Registrar in charge of the Judiciary *is* responsible for the preparation and presentation of the receiver of receiver of revenue report, which gives a true and fair view of the state of affairs of the Judiciary for and as at the end of the financial year (2015/16) 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 Judiciary; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Registrar in charge of the Judiciary accepts responsibility for the Judiciary revenue report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Chief Registrar is of the opinion that the Judiciary revenue report gives a true and fair view of the state of the Judiciary transactions during the financial year ended June 30, 2016, and of the Judiciary's financial position as at that date. The Chief Registrar charge of the Judiciary further confirms the completeness of the accounting records maintained for the Judiciary, which have been relied upon in the preparation of the Judiciary's revenue account as well as the adequacy of the systems of internal financial control.


The Chief Registrar in charge of the Judiciary confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Chief Registrar confirms that this report 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 statement was approved and signed by the Chief Registrar on 30th September 2016.



Chief Registrar



Chief Accounts Controller

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENT OF THE JUDICIARY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE REVENUE STATEMENT

I have audited the accompanying revenue statement of the Judiciary set out on pages 6 to 12, which comprise the statement of revenues and transfers 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. 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 Chief Registrar-Judiciary is responsible for the preparation and fair presentation of the 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 statements are 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 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 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 Judiciary's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

Report of the Auditor-General on the Revenue Statement of the Judiciary for the year ended 30 June 2016

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

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

Basis for Qualified Opinion

1. Financial Anomalies at Kericho Courts

Examination of financial records maintained at the Kericho Law Courts disclosed the following unsatisfactory matters in addition to the issues raised in the certificate issued on 18 April 2016 on the audit of 2014/2015.

1.1 Unaccounted for Court Deposits

Examination of the deposit ledger and other court records indicated that deposits and bonds paid to the court by convicts totaling Kshs.13,579,539 had not been refunded as at 30 June 2015. However, an examination of bank statement for Deposit Account revealed a balance of Kshs.5,478,737 as at the same date. The resulting difference of Kshs.8,100,802 represents unaccounted for convicts deposits and bonds.

1.2 Irregular Expenditure

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

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

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

1.3 Bank Reconciliations

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

Although it was indicated monthly bank reconciliation statements had been prepared, none was provided for audit verification.

In view of the foregoing, the accuracy and completeness of the revenue collected, utilized or transferred could not be ascertained.

2. Fraud at Baricho Law Courts

An audit inspection done on Baricho Law Courts confirmed that the Judiciary had lost a total of Kshs.984,080 due to falsification of documents and fraud by the staff based in Baricho Law Courts and no recoveries had been made at the time of audit. Further, a review of the accountable documents maintained revealed that twelve (12) receipt books were missing at the District Treasury at Baricho. In addition, thirty (30) traffic case files were missing without trace in addition to the personal file of the accountant involved in the forgery.

Baricho Law Courts did not maintain a deposit cash book and further no monthly reconciliation statements were prepared as required. No explanation was provided as to why Judiciary did not adhere to Section 64 of the Public Finance Management Act, 2012 on revenue collection, management and accountability. It is also not clear why recoveries had not been done by the Judiciary contrary to Section D of Judiciary's Human Resource Policies and Procedures manual of September 2014.

In the circumstances, the Judiciary lost funds both through fraud and inertia.

3. Prior Year Matters

3.1 Discrepancies in Revenue Records

3.2 Naivasha Law Courts

Records maintained at the station reflected the amounts of surrender to the Headquarters for court fines and court fees as Kshs.100,923,964.00 and Kshs.11,612,408 respectively.

However, records maintained at the Headquarters had surrenders amounting to Kshs.110,192,341 and Kshs.10,583,445 for court fines and fees respectively. The resulting difference of Kshs.(9,268,377) for court fines and Kshs.1,028,963 for court fees between the two sets of records has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the revenue collected and surrendered from Naivasha Law Courts could not be confirmed as at 30 June 2016.

3.3 Eldoret Law Courts-Fines and Fees

An audit inspection at Eldoret Law Courts indicated that fines collected in the financial year 2014/2015 was Kshs.51,984,727. However, the amount of fines surrendered at Headquarters totaled Kshs.38,070,330 resulting in an unexplained difference of Kshs.13,914,397.

Further, the revenue collection control sheet number 0192365 collected two different amounts of Kshs.522,360 and Kshs.1,537,475. In addition, the amount of fees collected could not be confirmed as revenue collection control sheets and surrenders were not made available for audit review.

Consequently, the amount of fines and fees collected and surrendered from Eldoret Law Courts could not be ascertained as at 30 June 2016.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the revenue statement present fairly, in all material respects, the financial operations of the Judiciary for the year ended 30 June 2016, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Other Matter

1. Weak Internal Control

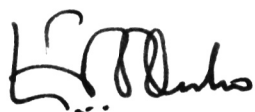
It was observed that the Baricho court station did not maintain a list of authorized staff to collect accountable documents including case files for the station an indication that there is no segregation of duties.

2. Budget Analysis

Item	Estimates (Kshs)	Actual (Kshs)	Variance (Kshs)	%
Fees on use of Goods/Services	3,986,871,177	838,002,748	3,148,869,429	79%
Fines, Penalties and forfeitures	1,479,260,850	1,470,054,680	9,206,170	0.6%

It is not clear and Judiciary has not explained what caused the huge discrepancies in the fees on use of Goods/Services revenue collection figure of Kshs.3,148,868,429 as at 30 June 2016.

My opinion is not qualified in respect to these matters.



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


Nairobi

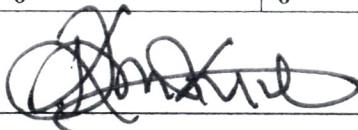
01 February 2017

RECEIVER OF REVENUE ENTITY - JUDICIARY
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

IV. STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2016

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


 Chief Registrar


 Chief Accounts Controller

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

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

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Judiciary.

2. Recognition of Revenue

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

3. Budget

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

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya.

**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

5. Revenue in Arrears

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

6. Comparative Figures

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

7. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2016.

RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

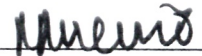
1. FEES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR TO PERFORM SERVICES AND ACTIVITIES

	Original Estimates	Revised Estimates	Actual	% Realized
Total Fees	0	0	838,002,748	N/A
Balance brought forward	0	0	-	N/A
Transfers to the Exchequer account	0	0	838,002,748	N/A
Balance carried forward	0	0	Nil	N/A

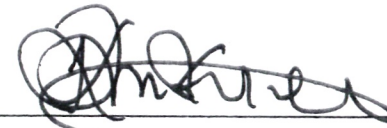
Commentary on Actual Revenue against the Revised Estimates

There was not budgetary and revised estimate for fees

The above revenue statement was approved on 30th September 2016 and signed by:



Chief Registrar



Chief Accounts Controller

**RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. FINES, PENALTIES AND FORFEITURES

	Original Estimates	Revised Estimates	Actual	% Realized
Fines, Penalties and Forfeitures and Other Charges	1,479,260,850	0	1,470,054,680	99.4%
Total Income	1,479,260,850	0	1,470,054,680	99.4%
Balance brought forward	0	0	-	N/A
Transfers to the Exchequer account	0	0	1,470,054,680	N/A
Balance carried forward	0	0	Nil	N/A

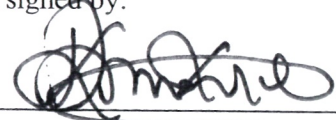
Commentary on Actual Revenue against the Revised Estimates

There was no budgetary and revised estimate for fines, penalties and forfeitures.

The above revenue statement was approved on 30th September 2016 and signed by:



Chief Registrar



Chief Accounts Controller

RECEIVER OF REVENUE ENTITY - JUDICIARY
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

3. BALANCES CARRIED FORWARD

<u>Balance brought forward subsequently transferred</u>	
Amount	<i>Date transferred</i>
1,388,683,724.00	July 2015
388,683,724.00	July 2015
<u>Balance brought forward yet to be transferred</u>	
0	0
0	0

No revenue was collected and not transferred

(PFM ACT section 82 sub section 4, 5)