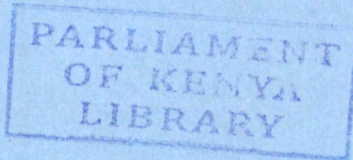


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

PAPER LAID
BY THE LEADER
OF THE MAJORITY
PARTY ON
16/5/17
LBM

OF

THE AUDITOR-GENERAL

ON

REVENUE STATEMENT

**FOR THE YEAR ENDED
30 JUNE 2016**



STATE DEPARTMENT FOR INTERIOR





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
30 SEP 2016
RECEIVED

STATE DEPARTMENT FOR INTERIOR

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)

**STATE DEPARTMENT FOR INTERIOR
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 Principal Secretary in charge of the *State Department for Interior* is responsible for the preparation and presentation of the *department's revenue account*, which gives a true and fair view of the state of affairs of the *department* 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 *department*; (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 *State Department for Interior* accepts responsibility for the *department's revenue* accounts, 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 *department's revenue* account gives a true and fair view of the state of *department's revenue* transactions during the financial year ended June 30, 2016, and of the *department's* financial position as at that date. The Principal Secretary in charge of the *State Department for Interior* further confirms the completeness of the accounting records maintained for the *department's revenue*, which have been relied upon in the preparation of the *department's revenue* account as well as the adequacy of the systems of internal financial control.


The Principal Secretary in charge of the *State Department for Interior* 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 *department's revenue* accounts 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 _____ 2016



DR (ENG) KARANJA KIBICHO, CBS
Principal Secretary



THOMAS G. NJOGU
Senior Assistant Accountant General

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016 – STATE DEPARTMENT FOR INTERIOR

REPORT ON THE STATEMENT OF REVENUE

I have audited the accompanying revenue statement of State Department for Interior set out on pages 1 to 6, 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 Revenue Statements

Management is responsible for the preparation and fair presentation of this revenue statement in accordance with the 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 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

Report of the Auditor-General on Revenue Statements for the year ended 30 June 2016 – State Department for Interior

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 Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the revenue statement.

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

Basis for Adverse Opinion

1.0 Presentation of Financial Statements

The revenue statement presented for audit has no page numbers, does not include key entity's management information, date of approval of the financial statements and a Statement of arrears of revenue as prescribed under Section 82(2)(b) of the Public Finance Management Act, 2012, Treasury Circular No. AG.3/088 VOL.6/ (78) dated 1 July 2014 and Kenya Gazette Notice No. 5440 of August 2014.

In addition, differences between actuals and estimates for the year under review have not been explained as required by the Public Sector Accounting Standards Board (PSASB).

2.0 Accuracy of the Revenue Statement

The revenue statement reflects actual revenue collections of Kshs.10,177,309,165.00 during the year under review of which the following anomalies were noted;

2.1 The statement of revenue reflects Kshs.10,177,309,165.00 which differs with the trial balance amount of Kshs.9,816,403,654.00 resulting in a difference of Kshs.360,905,511.00 which has not been explained or reconciled.

2.2 Audit inspection undertaken at the Directorate of Criminal Investigations (DCI) Headquarters indicate that 543,108 Police Clearance Certificates were issued, out of which Kshs.543,108,000.00 was realized as application fees. However, the statement reflects a collection of Kshs.350,078,533.35 against DCI resulting in a loss of Kshs.193,029,466.65 which has not been explained or reconciled.

2.3 Although the revenue statement reflects an amount of Kshs.2,632,208,598.65 against immigration visa and other consular fees, it was not possible to confirm the accuracy and completeness of this amount as entry declaration forms and applications for visa forms together with the receipts could not be verified due to poor record keeping at the immigration offices at Jomo Kenyatta and Moi International Airports.

Further, the department explained that their inability to capture this data electronically is due to lack of the necessary software that is compatible with information maintained by International Airlines.

2.4 Field audit inspections revealed that revenue amounting to Kshs.77,925,416.00 was collected at various County and Sub County Administration Police offices from Hire of Police Services. However, the completeness of revenue collected cannot be confirmed since the Department does not keep Miscellaneous Receipts (MR) Receipt Vouchers (F.O. 17) and the same has not been posted to cash books and Integrated Financial Management Information (IFMIS) ledger.

In this regard, revenue amounting to Kshs.77,925,416.00 has not been reflected in the revenue statement contrary to Section 64(4) of the Public Finance Management Regulations (2015).

2.5 Examination of bank reconciliation statements maintained at Kilifi Sub-County (Bahari), for bank account number 1145222625 KCB, Kilifi, Ministry of Interior and Coordination of National Government dated 8 April 2016 indicate that revenue amounting to Kshs.1,538,800 received through Cheque No. 829 from hire of security was not surrendered or accounted for, contrary to Section 76 (2) of the Public Finance Management Act (2012).

2.6 Examination of revenue records maintained at District Accountant's office, Likoni indicate that revenue totalling to Kshs.1,606,180.00 was received from hire of security, of which Kshs.863,300.00 was surrendered to Permanent Secretary, Ministry of Interior, resulting in a loss of Kshs.742,880 which has not been recovered or explained.

2.7 Revenue records maintained at Sub County Administration Police Commander's office, Kwale reflect that revenue amounting to Kshs.1,575,020.00 as collected from hire of security services. However, available records show that Kshs.705,000.00 was surrendered to the District Accountant, resulting in a loss of Kshs.870,020.00 that has not been recovered or explained.

2.8 Examination of Counter Receipt Book Register (CRBR) maintained at the District Accountant's office at Kilifi Sub-County (Bahari) indicates that eight (8) miscellaneous receipt books were issued to DCIO Kilifi. However, a verification undertaken at the DCIO's offices in Kilifi and Mtwapa revealed that these were not received or accounted for.

Consequently, the revenue collected using these books has been lost.

2.9 Information and records available indicates that NSSF Kisumu paid a total of Kshs.4,408,500.00 to Sub County AP Commander Kisumu Central for provision of armed security services on their plot at Milimani. However, fake receipts which are not accountable documents were issued in exchange of money which was not surrendered to the Ministry.

3.0 Huduma Centers

Although Huduma Centres have enhanced service delivery, revenue collected on behalf of the Principal Secretary, State Department for Interior, being the designated receiver of revenue, has not been surrendered and transferred to the Exchequer contrary to Section 76(2) of the Public Finance Management Act (2012).

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the revenue statement does not present fairly, the financial performance of State Department for Interior for the year ended 30 June 2016, in accordance with International Public Sector Accounting Standards (Cash Basis) and does not comply with Public Finance Management Act, 2012.



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

Nairobi

24 April 2017

**STATE DEPARTMENT FOR INTERIOR
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**


III. STATEMENT OF REVENUES AND TRANSFERS

	Note	2015/2016 Kshs	2014/2015 Kshs
NON TAX REVENUES			
Fees on use of Goods/Services	6	10,177,309,164.85	8,443,983,153
Other Receipts	10	-	-
Sale of Goods and Services	11	673,780.00	3,680,160
Receipts from Sale of Non Financial Assets	12	-	192,000
TOTAL NON TAX RECEIPTS		10,177,982,944.85	8,447,855,313
TOTAL REVENUE COLLECTED		10,177,982,944.85	8,447,855,313
TRANSFERS TO EXCHEQUER ACCOUNT		(10,295,678,563.05)	(8,426,227,232)
BALANCE BROUGHT FORWARD	16	117,695,618.20	96,067,537
BALANCE CARRIED FORWARD	16	Nil	117,695,618.20

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on _____ 2016 and signed by:



DR (ENG) KARANJA KIBICHO, CBS
Principal Secretary



THOMAS G. NJOGU
Senior Assistant Accountant General

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

**STATE DEPARTMENT FOR INTERIOR
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

IV. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *department*. 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 *department*.

2. Recognition of Revenue

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

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.

5. Revenue in Arrears

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

**STATE DEPARTMENT FOR INTERIOR
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.


STATE DEPARTMENT FOR INTERIOR
 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

TYPES OF REVENUE	Original Estimates	Revised Estimates	Actual	% Realized
Licence Fees	4,326,428.00	1,889,937.40	15,780,850.00	834.99
Registration of births & deaths	13,930,536.00	130,949,668.00	75,123,141.35	57.38
Immigration visa & other consular fees	823,735,344.00	2,529,785,833.00	2,632,208,598.65	104.04
Passport fees	132,158,568.00	10,318,264.00	896,067,355.85	8684.28
Work permit fees	1,422,834,770.00	1,786,584,883.00	5,604,654,567.45	313.71
Id cards fees	5,937,590.00	12,338,097.00	22,433,780.00	181.83
Other immigration fees	79,609,468.00	440,648,537.00	139,502,522.35	31.66
Certificate of good conduct	63,847,038.00	272,061,499.00	350,078,533.35	128.68
Hire of security	20,566,078.00	238,910,165.00	441,459,815.85	184.78
TOTALS	2,566,945,820.00	5,423,486,883.40	10,177,309,164.85	10521.31

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


 DR (ENG) KARANJA KIBICHO, CBS
 Principal Secretary



 THOMAS G. NJOGU
 Senior Assistant Accountant General

STATE DEPARTMENT FOR INTERIOR
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016


2. SALE OF GOODS AND SERVICES

	Original Estimates	Revised Estimates	Actual	% Realized
Administrative Fees and Charges				
Incidental Sales by Non-Market Establishments				
Sale of Tender Documents	1,139,846	2,237,850	673,780.00	30.11
Total Revenue	1,139,846	2,237,850	673,780.00	30.11
Balance brought forward				
Transfers to the Exchequer account				
Balance carried forward				

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



DR. (ENG.) KARANJA KIBICHO, CBS
Principal Secretary



THOMAS G. NJOGU
Senior Assistant Accountant General

4. BALANCES CARRIED FORWARD FROM 2014/2015 FINANCIAL YEAR

The Kshs. 117,695,618.20 balances brought forward from 2014-2015 was transferred to the exchequer as indicated below:

- (i) An amount of Kshs. 25,025,582.70 being the balance held in the old revenue account was transferred to the exchequer on 21st September, 2015 when this account was closed.*

- (ii) An amount of 92,667,035.50 which was previously held in the deposit account was transferred to the current revenue account and later to the exchequer on 2nd November, 2015.*