

REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	REPORT TUESDAY
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THE AUDITOR-GENERAL

ON

REVENUE STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2019**

STATE DEPARTMENT FOR MINING



**RECEIVER OF REVENUE
STATE DEPARTMENT FOR MINING**

REVENUE STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30TH 2019**

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

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

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**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The receiver of revenue is under the State department for Mining, Ministry for Petroleum and Mining. At cabinet level, the receiver of revenue is represented by the Cabinet Secretary for Petroleum and Mining, who is responsible for the general policy and strategic direction of the receiver of revenue. The receiver of revenue was appointed as a receiver on 1st July 2016

(b) Principal activities

The receiver of revenue collects revenue from Mining, Royalties, Fees and Licences. Revenue collected is remitted to the National Treasury and used for development

(c) Key Management

The State department's key personnel management holding office during the financial year ending 30th June 2019 are:

NO.	NAME	DESIGNATION
1)	Hon..John Munyes	Cabinet Secretary
2)	Amb.Kirimi P Kaberia, CBS	Principal secretary
3)	Mr Fredrick Ndambuki	Secretary Administration
4)	Mr Thomas Ndola	Director of Mines and Geology
5)	Mrs Pauline Luganje	Senior Chief Finance Officer
6)	Mr Keneth Mwangi	Head of Supplies Chain and management
7)	Mrs Bernard Orina	Head of Human Resource Management
8)	Mrs Jackline Muinamia	Head of Internal Audit
9)	Mr Appolo Muchilwa	head ICT
10)	Mr Charles Nyaga	Head Accounting Unit

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

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(g) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
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(h) Principal Legal Adviser

The Attorney General
State Law Office
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City Square 00200
Nairobi, Kenya

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2019**

II. STATEMENT OF RECEIVER OF REVENUE’S RESPONSIBILITIES

Section 83 (1) of the Public Finance Management Act, 2012 requires that, at the end of each quarter, a receiver of revenue shall prepare an account of the revenue received and collected by that received during that financial period. Section 83 (2(b) 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.

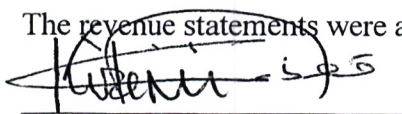
The Principal Secretary in charge of the State department for Mining is responsible for the preparation and presentation of the receiver of revenue account, which gives a true and fair view of the state of affairs of the receiver of revenue for and as at the end of the period ended on June 30th, 2018. 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 of Petroleum and Mining; (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 of Mining accepts responsibility for the State department for Mining’ s receiver of 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 State department for Mining’s receiver of revenue account gives a true and fair view of the state department of Mining’s receiver of revenue transactions during the period ended June 30th 2018, and of the State department for Mining’s financial position as at that date. The Principal Secretary in charge of the State department for Mining further confirms the completeness of the accounting records maintained for the receiver of revenue, which have been relied upon in the preparation of the receiver of revenue account as well as the adequacy of the systems of internal financial control.

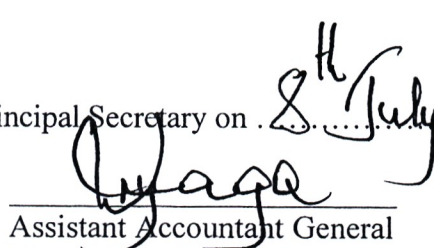
The Principal Secretary in charge of the state department of Mining confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity’s funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the receiver of revenue’s 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 8th July 2020



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2019 - STATE DEPARTMENT FOR MINING

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying revenue statements of the State Department for Mining set out on pages 6 to 20, which comprise the statement of arrears of revenue as at 30 June, 2019, the statement of receipts and transfers and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the revenue statements present fairly, in all material respects, the revenue performance of the State Department for Mining as at 30 June, 2019, in accordance with International Public Sector Accounting Standards (IPSAS) and comply with the Mining Act, 2016 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Transfers to the Exchequer Account

The statement of receipts and transfers reflects non-tax receipts totalling Kshs.1,579,065,345 and an amount of Kshs.159,235,100 brought forward from the prior year. The statement, further, shows that a sum of Kshs.1,716,622,717 was transferred to the Exchequer Account during the year. However, Kshs.458,258,892 of the transferred amount was not captured in the Integrated Financial Management Information System (IFMIS) ledger managed by the National Treasury. In their response, Management indicated that they did not have control over entries in the ledger and therefore could not explain the system's failure to capture the transfers.

In the circumstances, the accuracy and validity of the reported transfers to the Exchequer Account balance of Kshs.1,716,622,717 could not be confirmed.

2. Revenue Arrears

2.1 Long Outstanding and Unreported 2018/19 Cement Levy from East Africa Portland Cement (EAPCC)

The statement of arrears of revenue as at 30 June, 2019 reflects cement levy arrears totalling Kshs.1,016,146,970 owed by various companies. Included in the balance, is Kshs.280,329,449 owed by EAPCC accrued in the period 2014/2015 to 2017/2018. Further, the Company did not file a self-declaration assessment and was, therefore, not assessed for cement levy due in the year under review. As a result, no arrears have been reported against the Company in the financial year under review.

No plausible explanation was provided by Management as to why levies chargeable to the Company in the year under review were not assessed and included in the financial statements, and why the long outstanding arrears totalling Kshs.280,329,449 were not collected.

2.2 Long Outstanding Cement Levy from Savanna Cement Company

Similarly, out of the aggregate outstanding cement levy sum of Kshs.1,016,146,970, Kshs.285,625,707 was owed by Savanna Cement Company from the financial year 2016/2017. Although an agreement signed in August, 2017 between the State Department and the Company provided for a payment plan that required the Company to clear the arrears in twenty-four (24) monthly installments starting September, 2017, the Company has since contended that it has no mineral rights granted by the Ministry and is therefore, not liable to pay. Evidence of the State Department's effort to enforce the payment plan or seek the opinion of the Attorney-General on the matter was not provided.

2.3 Long Outstanding Dues from Magadi Soda Company and Carbacid (CO2) Limited

Out of the total reported arrears of revenue of Kshs.1,548,139,469 is Kshs.438,671,977 due from Magadi Soda Company which has accrued since the financial year 2015/2016. Although the State Department held meetings with the Company with a view to recovering the arrears, no significant progress was made.

The reported arrears also include a sum of Kshs.30,464,301 due from Carbacid (CO2) Limited. The arrears relate to the financial years 2017/2018 and 2018/2019. However, review of correspondences revealed that the Company Management had expressed their reservations to pay the royalties before a consensus on payment rates was reached.

2.4 Unrecovered Mining Royalties

The Statement of arrears of revenue reflects outstanding mining royalties totalling Kshs.56,423,141. Included in this balance, is the sum of Kshs.11,518,589 accruing from Africa Diatomite Industries Limited. Although the Company had earlier committed to offset the arrears, payments for the royalties had not been received and evidence of measures taken by the State Department to recover the amount owed were not provided for audit.

In the circumstance, the accuracy, completeness and recoverability of the aggregate arrears of revenue balance of Kshs.1,548,139,469 reflected in the statement of arrears of revenue could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Mining Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of revenue statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the revenue statements. I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Mineral Exporters Without Permits

The statement of receipts and transfers reflects Kshs.7,203,125 and Kshs.74,422,975 being receipts from mineral export levy and mining royalties respectively. The receipts are comprised of levies on sales of minerals and permits for mineral exports. Regulation 18 of the Mining Act (Dealings in Minerals) Regulations, 2017 provides that a person shall not export a mineral unless the person holds a permit granted by the Cabinet Secretary for that purpose while Regulation 19 provides that a person shall not be qualified to apply for a permit to export minerals unless such a person is a holder of a mining license, mining permit or a dealer's permit.

However, mineral export records at the Kenya Revenue Authority (KRA) for the year under review, revealed exports of minerals by persons and companies who, according to the State Department's data, were not holders of valid export, mining or dealers' permits as listed below:

Mineral Export	No. of Unlicensed Exporters
Gold	3
Gemstones	5
Salt	7
Soapstone	29

In the circumstances, it was not possible to confirm how the exporters were allowed to trade in the minerals without permits or how the permits, if any, may have been issued without payment of mineral export levies.

2. Un-Procedural Export of Mineral Samples

During the year under review, the State Department for Mining granted licenses to several companies to export soils and crushed rocks as mineral samples with no commercial value and which, therefore, would not attract royalty payments. However, one company that exported ore residue samples of unknown quantity to Tanzania failed to submit results of tests and analyses of the exported samples to the State Department as required under Regulation 26 (5) of the Mining Act (Dealings in Minerals) Regulations, 2017. Further, export permits for the samples were not made available.

In view of the foregoing, it was not possible to confirm the chemical composition of the exported samples and the quantities and values thereof.

3. Uncollected Revenue

3.1 Un-Assessed Royalties Due from Salt Mining Companies

The First Schedule of the Mining Act, 2016 specifies salt as a mineral under the administration of the Act. However, during the year under review, there were at least seven (7) salt mining companies operating in Kenya without mining licenses and for which assessment for royalties due was not done. The companies extracted the salt in the coastal region and sold their products locally and abroad without export permits for the salt exports. Although Management indicated that the State Department had engaged the salt mining operators with a view to formalizing their operations as provided for in the Mining Act, 2016, delay in formalizing the operations hindered the State Department from collecting revenue from the companies.

3.2 Inconclusive Negotiations on Review of Titanium Royalties Regime

In February 2014, the Government entered into a deed agreement with Base Titanium Company Limited to negotiate and review upwards royalty rates prescribed in the Special Mining Lease. Negotiations commenced soon thereafter and a number of proposals were advanced by both parties with Base Titanium eventually making its final proposal ("Bridge Proposal") that agreed to the royalty rate increase from 2.5% to 5%, effective 2014.

According to documents available at the State Department, including minutes of meetings between the two parties, an agreement was reached in November, 2018 to increase the royalty rate from 2.5% to 5% effective 1 July, 2018 for the remainder of the special mining lease which was to be formalized by a deed variation. However, at the time of concluding the audit in January 2020, the deed of variation had not been finalized. Management have indicated that they are still seeking input on the deed from relevant government offices. Had the deed variation been finalized on time, the State Department would have collected additional revenue totalling Kshs.519,564,262.

In view of the foregoing, it could not be confirmed that the Management complied with the provisions on responsibility for revenue management as provided under Regulation 64 of Public Finance Management (National Government) Regulations, 2015, which include application of adequate safeguards for prompt revenue collection and adequate measures including legal action where appropriate, to obtain payment.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, transactions and information reflected in the revenue statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective during the year under review.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these revenue statements in accordance with International Public Sector Accounting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error; and for assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the revenue statements, Management is responsible for assessing the State Department's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the State Department or to cease operations.

Management is also responsible for the submission of the revenue statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for preparing and presenting the revenue statements described above, Management is also responsible for ensuring that the activities, transactions and information reflected in the revenue statements comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the revenue reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the revenue statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these revenue statements.

In addition to the audit of the revenue statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, transactions and information reflected in the revenue statements comply with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution.

Further, in planning and performing the audit of the revenue statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the revenue statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the revenue statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the State Department to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the revenue statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to offer its services.
- Evaluate the overall presentation, structure and content of the revenue statements, including the disclosures, and whether the revenue statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding information and business activities of the State Department to express an opinion on the revenue statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

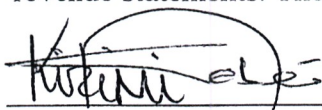
10 November, 2020

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REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2019**

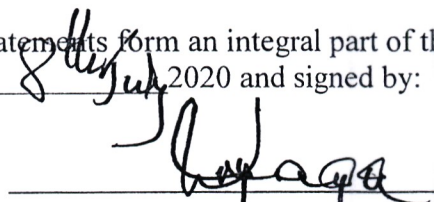
III. STATEMENT OF RECEIPTS AND TRANFERS

	Note	2018/19 K.sh	2017/18 K.sh
Cement levy	1	776,306,907	597,066,815
Mineral Export Levy	2	7,203,125	5,852,050
Mining Royalties	3	74,422,975	94,953,566
Magadi Soda	4	195,135,000	135,377,550
Base Titanium	5	519,564,262	490,949,539
Carbacid	6	6,433,076	46,411,674
Other Receipts	7	-	40,736,950
TOTAL NON TAX RECEIPTS		1,579,065,345	1,411,348,144
TOTAL RCEIPTS COLLECTED		1,579,065,345	1,411,348/144
TRANSFERS TO THE EXCHEQUER ACCOUNT		1,716,622,717	1,252,113,043
BALANCE BROUGHT FORWARD		159,235,100	-
BALANCE CARRIED FORWARD		21,677,729	159,235,100

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 8th July 2020 and signed by:



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS



Assistant Accountant General
Name: Charles W. Nyaga
ICPAK Member Number: 11093

RECEIVER OF REVENUE - STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2019

IV. STATEMENT OF ARREARS IN REVENUE AS AT 30 JUNE 2019

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2017	Amount in arrears for the immediate previous year to 30 June 2018 (a)	Amount in arrears for the current year to June 30 2019 (b)	Total arrears as at 30 June 2019 (a+b)	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Non Tax Revenues						
Cement levy		950,019,590	66,127,380	1,016,146,970	Defaulter notice & reminders	-Athi River Mining under receiverships. -EAPORTLAND is in financial difficulties, -Savannah cement under payment plan agreement
Mineral export levy		nil	nil	nil		
Mining royalties		nil	56,423,141	56,423,141	Defaulters & reminders	A waiting response
Magadi soda		274,038,197	164,633,780	438,671,977	Defaulter notice and reminders	Under payment plan agreement
Base titanium		nil	nil	nil		
Carbacid		6,433,079	30,464,301	36,897,380	Defaulter notice	
Total		1,230,490,866	317,648,602	1,548,139,469	Defaulter notice	6,433,079 received



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

**RECEIPTS OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2019**

**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30th JUNE 2019**

	Original budget 2018-2019	Adjustments 2018-2019	Final budget 2018-2019	Actual on comparable basis 2018-2019	Performance difference 2018-2019	%variance	Note
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Cement levy	761,820,357	-	779,213,601	776,306,907	(2,906,694)	1%	i
Mineral export levy	8,858,960	-	8,858,960	7,203,125	(1,655,834)	19%	ii
Mining royalties	150,347,975	-	150,347,975	74,422,975	(75,925,000)	-49.5%	iii
Magadi soda	57,734,616	-	110,234,616	195,135,000	84,900,384	+77%	iv
Base titanium	426,909,591	-	374,409,591	519,564,262	145,154,671	+38%	v
Carbacid	-	-	-	6,433,076	6,433,076	0%	vi
Other Receipts	-	-	-	-	-	0%	vii
Total Non tax receipts	1,405,671,499	-	1,423,064,743	1,579,065,345	156,000,302	+11%	
Total receipts	1,405,671,499	-	1,423,064,743	1,579,065,345	156,000,302	+11%	

(a) Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

1. **Cement levy:** There was an under collection by Ksh 2,906,694 (1%) revenue in the year under review below the budget.
2. **Mineral export levy:** This activity was under collection of Ksh. 1,655,854(19%) below the budgeted amount.
3. **Mining royalties:** Revenue realised fell by k.sh. 75,925,000 (49.5%) below the budgeted amount due to low market demands.
4. **Magadi Soda:** Revenue from Magadi soda was over collected by ksh. **84,900,384. (77%)** above the budgeted amount. This is as a result of long outstanding levy of k.sh 274,038,197 of which Ksh 84,900,384 was realized.
5. **Base Titanium :** There was an over collection by k.sh **145,154,671 (38%)**above the budget. This is because mineral deposits underground cannot be forecasted with certainty

RECEIVER OF REVENUE - STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019

6. Carbacid: This activity was not in the budget. The realized levy of k.sh 6,433,076.15 arrears in respect of years 2013 to 2016

The above revenue statement was approved on 27th July 2020 and signed by:



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2019**

VI. 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 state department of mining. 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 state department of mining

2. Recognition of Revenue

The State department for Mining recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the state department of mining

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 as part of notes to these financial 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 due and is yet to be received or collected by the receiver of revenue. The revenue in arrears is as disclosed in the Statement of Revenue in Arrears under section IV of these financial statements.

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019.

8. Statement of Arrears of Revenue

The statement of arrears of revenue is not a requirement as per the IPSAS Cash Standard. The IPSAS Cash Standard encourages disclosure of accrual based balances since it's a transitional standard to accrual basis of accounting.

The PFM Act, 2012 section 82,2b and section 69(c) of the PFM Regulations 2015 requires a Receiver of Revenue to prepare a statement on revenue of arrears due but not yet collected at the end of the period. This statement has been disclosed under section IV of these financial statements

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. CEMENT LEVY

	Original Estimates	Revised Estimates	Actual	% Realized
Cement Levy	761,820,357	779,213,601	776,306,907	99%
Total Cement Levy	761,820,357	779,213,601	776,306,907	99%

Commentary on Actual Revenue against the Revised Estimates

Cement levy: This levy was received from various cement manufacturing companies as shown below

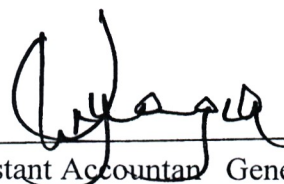
Mombasa cement Company	ksh.	254,557,215
Savannah Cement Company	Ksh.	60,000,000
National Cement Company	Ksh.	141,167,297
Athi River Mining Cement Co	Ksh	16,068,372
Rai Cement Company	Ksh	10,709,380
Bamburi Cement Company	Ksh.	283,603,632
Karsan Ramji & Sons	Ksh.	10,201,010

With an overall under collection of 1% against the revised budget estimates. This resulted from the revised estimates

The above revenue statement was approved on *8th July* 2020 and signed by:



Principal Secretary
Name: Amb. Kirimi P. Kaberia,



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number:11093


**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

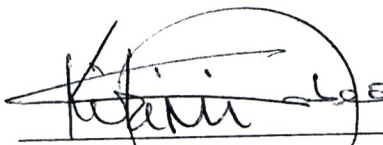
2. MINERAL EXPORT LEVY

	Original Estimates	Revised Estimates	Actual	% Realized
Mineral Export Levy	8,858,960	8,858,960	7,203,125	81%
Total Mineral Export Levy	8,858,960	8,858,960	7,203,125	81%

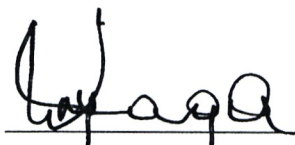
Commentary on Actual Revenue against the Revised Estimates

Mineral Export Levy: There was an under collection of 19% against the revised budget estimates, resulting to under collection of ksh 1,655,835 revenue in the year under review.

The above revenue statement was approved on...  2020 and signed by:



Principal Secretary
Name: Amb. Kiriimi P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

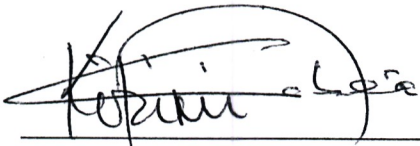
3. MINING ROYALTIES

	Original Estimates	Revised Estimates	Actual	% Realized
Mining Royalties	150,347,975	150,347,975	74,422,975	49.5%
Total Mining Royalties	150,347,975	150,347,975	74,422,975	49.5%

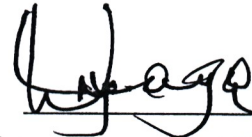
Commentary on Actual Revenue against the Revised Estimates

Mining Royalties: There was an under collection of 49.5% against the revised budget estimates, resulting to under collection of ksh 33,304,986 revenue in the year under review This was due to few clients venturing into the mining industry and market difficulties.

The above revenue statement was approved on.....*8 July* 2020 and signed by:



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number:11093

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

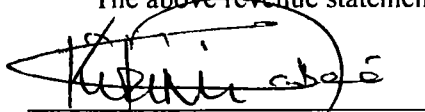
4. MAGADI SODA

	Original Estimates	Revised Estimates	Actual	% Realized
Magadi Soda	57,734,616	110,234,616	195,135,000	177%
Total Magadi Soda	57,734,616	110,234,616	195,135,000	177%

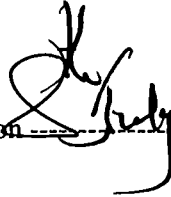
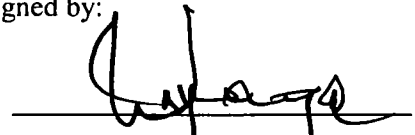
Commentary on Actual Revenue against the Revised Estimates

Magadi Soda: There was an over collection of 77% against the revised budget estimates, resulting to over collection of ksh 84,900,384.00 revenue in the year under review.

The above revenue statement was approved on 2 July 2020 and signed by:



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS

Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30TH 2019

5. BASE TITANIUM ROYALTY

	Original Estimates	Revised Estimates	Actual	% Realized
Base Titanium Royalty	426,909,591	374,409,591	519,564,262	139%
Total Base Titanium Royalty	426,909,591	374,409,591	519,564,262	139%

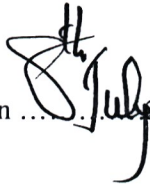
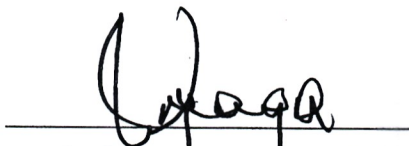
Commentary on Actual Revenue against the Revised Estimates

Base Titanium Royalty: There was an over collection of 39% against the revised budget estimates, resulting to over collection of ksh 145,154,671 revenue in the year under review. This was due to mineral deposits underground cannot be forecasted with certainty, At times in one location there might be small quantities, while at another significant quantities.

The above revenue statement was approved on July 2020 and signed by:



Principal Secretary
 Name: Amb. Kirimi P. Kaberia, CBS

Assistant Accountant General
 Name: CPA Charles W. Nyaga
 ICPAK Member Number: 11093

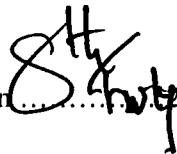
**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

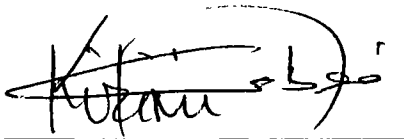
6. CARBACID

	Original Estimates	Revised Estimates	Actual	% Realized
Carbacid	-	-	6,433,076	100%
Total Carbacid	-	-	6,433,076	100%

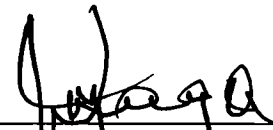
Commentary on Actual Revenue against the Revised Estimates

Carbacid: There was a collection of kshs.6,433,076 against no original nor revised budget estimates revenue in the year under review.

The above revenue statement was approved on  2020 and signed by:



Principal Secretary
Name: Amb. Kiri P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

**RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019**

7. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

	Original Estimates	Revised Estimates	Actual	% Realized
AIA-Licences	-	-	-	-
Total A.IA	-	-	-	-


Commentary on Actual Revenue against the Revised Estimates.

There were no other receipt not classified elsewhere this year.

The above revenue statement was approved on  2020 and signed by:



Principal Secretary
Name: Amb. Kirimi P. Kaberia, CBS



Assistant Accountant General
Name: CPA Charles W. Nyaga
ICPAK Member Number: 11093

RECEIVER OF REVENUE – STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30TH 2019

1. BALANCES CARRIED FORWARD

a)Balance carried forward subsequently transferred	Date transferred
Amount	
1. Ksh 20,916,416	<i>15th July 2018</i>
b) Balance carried forward yet to be transferred	
1. Ksh761,313	

REVENUE STATE DEPARTMENT FOR MINING
REVENUE STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

VII. APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.

There was no waiver given in the financial year under review 2018/2019

VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

F/Y- 2017/2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1232	Shortfall in Revenue Collection	Report has been made to the Auditor General	Director of Mines	Resolved	Appeared before P.A.C on 16 th April 2020
1233	Unconfirmed Royalties Income	Report has been made to the Auditor General	Director of Mines	Resolved	Appeared before P.A.C on 16 th April 2020
1234	Inconclusive negotiations on Review of Titanium Royalty Regime	Report has been made to the Auditor General	Director of Mines	Resolved	Appeared before P.A.C on 16 th April 2020

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.