

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF LANDS AND PHYSICAL
PLANNING

FOR THE YEAR ENDED
30 JUNE 2018







**NATIONAL GOVERNMENT ENTITY
MINISTRY OF LANDS AND PHYSICAL PLANNING**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

**Ministry of Land and Physical Planning
Reports and Financial Statements
For the year ended June, 30 2018**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry is mandated to provide policy direction and coordinate all matters related to land. In discharging its functions, the Ministry is guided by detailed mandate through Executive Order No. 1 of June 2018 notably: National Lands Policy Management; Physical Planning for land use; Land Transactions; Survey and Mapping; Land Adjudication; Settlement Matters; Rural Settlement planning; Land Registration; National Spatial Data Infrastructure; Land and Property Valuation Services; Administration of public land as designated by the Constitution; Land Information Systems; and Maintenance of a Public Land Bank.

1.1 Vision

“To be a globally competitive organization in sustainable land management”

1.2 Mission

“To facilitate improvement of the livelihood of Kenyans through efficient administration, equitable access, secure tenure and sustainable management of the land resource”

1.3 Core Values

In its endeavor to execute its Mandate, the Ministry will be guided by the following Core Values/ Principles:-

- Team spirit
- Prompt customer responsiveness
- Integrity – honesty, accountability and transparency
- Patriotism
- Consultative
- Professionalism
- Gender equity and equality

1.4 Core Functions

- Policy formulation for management and administration of land
- Processing and issuance of title deeds
- Registration of land transactions and other legal documents
- Determination of land and other boundaries disputes
- Provision of reliable land information
- Valuation of land for various purposes
- Ascertainment of existing land rights and interests
- Provision of quality control and assurance in surveying and mapping services
- Provision of title maps
- Capacity building to counties on physical planning matters
- Regulate on land use planning in the country

Ministry of Land and Physical Planning
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(b) Key Management

During the period under review, the Ministry's day-to-day management was under the following key organs:

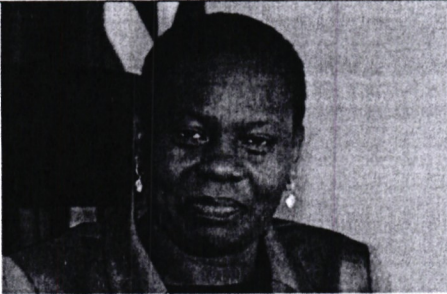
- Department of General Administration and Planning
- Department of Land Adjudication and settlement
- Department of Physical planning
- Department of Survey and Mapping
- Department of Land Administration
- Department of Land Registration
- Department of Land Valuation

(c) Fiduciary Management

The key management personnel in office during the period ended 30th June 2018 and had direct fiduciary responsibility were:

- | | |
|--|-----------------------|
| - Cabinet Secretary | Farida Karoney |
| - Chief Administrative Secretary | Gideon MaithaMung'aro |
| - Principal Secretary | Dr. Nicholas Muraguri |
| - Director of Administration | Amb. Julius Kandie |
| - Ag. Lands Secretary | Esther Ogega |
| - Ag. Director of Land Adjudication & Settlement | Paul K. Mwangi |
| - Director of Physical Planning | Augustine K. Masinde |
| - Ag. Director of Survey | James Maina |
| - Director Land Administration | Edward Kosgei |
| - Ag. Chief Land Registrar | Pauline Murithia |
| - Ag. Director Land Valuation | Charles Moemi |
| - Ag. Head of Accounting Unit | Jane Wanjiru Mburu |
| - Chief Finance Officer | Stephen Njue Alexis |
| - Ag. Director Supply Chain Management | Kennedy Omari |

**Ministry of Land and Physical Planning
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Ms. Farida Karoney
Cabinet Secretary

Ms. Karoney was appointed the Cabinet Secretary in February 2018. In this position, she exercises executive power on policy formulation and management of all matters regarding the Ministry of Lands and Physical Planning.

She holds a Master of Business Administration (Strategic Management) and a Post-Graduate Diploma in Mass Communications from the University of Nairobi and a Bachelor of Education Science (Botany and Zoology) from Kenyatta University.



Hon. Gideon Maitha Mung'aro
Chief Administrative Secretary

Hon. Mungaro is the Chief Administrative Secretary.

He served as: a Mayor for Malindi for 5 year; chair of the Local Government Authorities of Kenya (ALGAK) (1998- 2002); member of Pan- African Parliament; a member of Parliament for Kilifi North where he chaired Coast Parliamentary group; and was also a Member of Land Committee(2013- 2017).



Dr. Nicholas Muraguri
Principal Secretary

Dr. Nicholas Muraguri is the Principal Secretary, Ministry of Lands and Physical Planning.

He holds, a Masters Degree in Public Health as well as an MBA from Moi University and post- graduate certificates in Health Communication (John Hopkins Bloomberg) and applied epidemiology from the University of Nairobi.

He is a holder of Bachelors Degree in surgery and medicine (Moi University).

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(d) Fiduciary Oversight Arrangements

The following are the different committees and their activities in the Ministry:

Audit and Finance Committee Activities

- i. Evaluating adequacy of management procedures with regard to risk management, control and governance.
- ii. Reviewing and approving the audit charter and the internal audit annual work plans.
- iii. Reviewing the internal and external audit findings/recommendations and proposing necessary action.
- iv. Reviewing the systems established to ensure sound public financial management and internal controls, compliance with policies, laws, regulations, procedures, plans and ethics.
- v. Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer.
- vi. Any other tasks which are within the mandate of the committee.

Budget Implementation committee activities

- i. Budget implementation
- ii. Budget expenditure review
- iii. Evaluation of project implementation status
- iv. Discuss and agree on re-allocation /increase or decrease of budgetary allocations.
- v. Preparation of quarterly expenditure forecasts for discussions with treasury for release of funds
- vi. Implementation of the National Treasury Circulars on budget implementation and MTEF process.

Parliamentary committee activities

- i. Gather information on issues raised.
- ii. Receive and compile the gathered information
- iii. Facilitate the Cabinet Secretary's appearance at the Parliament and Senate as requested.
- iv. Make follow up on issues raised from both National Assembly and The Senate
- v. Submit responses as required and agreed by the Cabinet Secretary.
- vi. Make Annual Reports on all matters attended to in response to Parliamentary concerns.

Human resources Management Advisory committee

- i. Review of promotions of officers in job group A-P
- ii. Review of Confirmations of appointments
- iii. Review of disciplinary matters
- iv. Review of re-designation of officers from one cadre to another
- v. Confirmation of surcharge of officers found to have misused Government resources.

**Ministry of Land and Physical Planning
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a) Ministry of lands and physical planning Headquarters

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1STNgong Avenue
P.O. Box 30450-00100
Nairobi, KENYA

b) Ministry of lands and physical planning contacts

Telephone: (254)(0) 202718050
email:hacculands@ardhihouse.go.ke
Website: www.go.ke

c) Ministry of Lands and Physical Planning Bankers

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

d) Independent Auditors

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

(e) Principal Legal Adviser

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

**Ministry of Land and Physical Planning
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For the year ended June, 30 2018**

II. FORWARD BY THE CABINET SECRETARY



Land reform and sustainable land use management are critical to the attainment of the objectives of Vision 2030, realization of the 'Big Four' Agenda(Affordable Housing, Universal Healthcare, Food Security and Manufacturing) for social and economic transformation and overall economic growth and development in Kenya.

The Ministry's budget expenditure was Kshs. 4.7 billion against an allocation of Kshs. 5.1 billion in the financial year 2017/18. Out of the total budget allocation, recurrent expenditure was Kshs.2.3 billion (absorption rate of 99%) while the development expenditure was Kshs. 2.4 billion which translates to absorption rate of 85%. The variance on utilization of development budget was due to lack of exchequer. Table 1 below shows the budget utilization levels by economic classification. Table 2 shows the budget performance by programmes.

Table 1: Budget Implementation by Economic classification

Programme 1: Land Policy and Planning	Approved Budget 2017/18	Actual Budget 2017/18	Deviation	Remarks (Absorpti on rate %)
	(A)	(B)	(C)=A-B	
Compensation of Employees	2,031,200,000	2,029,350,270	1,849,730	100%
Use of goods and services	1,607,907,078	1,377,458,653	230,448,425	86%
Routine Maintenance	20,251,993	16,999,999	3,712,302	82%
Grants and Other Transfers to International Organizations	10,000,000	9,999,999	1	100%
Social Security Benefits	17,000,000	16,999,999	1	100%
Acquisition of Fixed Capital Assets	1,050,605,264	866,719,593	183,885,671	82%
Acquisition of land and Intangible Assets	390,000,000	390,000,000	-	100%
TOTAL	5,126,964,335	4,707,068,206	419,896,129	92%

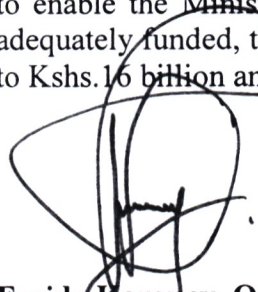
Table 2: Budget implementation by Programmes

Programme	Approved Estimates	Expenditures	Variance	Absorption rate
Programme 1: Land Policy and Planning				
Development planning and land reforms	2,420,129,302	2,136,811,646	283,317,656	88%
Land Information Management	701,230,143	688,276,056	12,954,087	98%
Land Survey	913,125,047	842,931,885	70,193,162	92%
Land Use	203,335,989	159,616,021	43,719,968	78%
Land Settlement	889,143,854	879,433,193	9,710,662	99%
Total	5,126,964,335	4,707,068,801	419,895,534	92%

During the period under review, the Ministry registered 365,866 title deeds countrywide; digitized 2 land registries, another 18 are currently being digitized; developed land value index in 6 counties; surveyed and maintained 1,099 boundary pillars covering 190 kilometres along Kenya and Tanzania boundary; finalized and launched the National Spatial Plan and the National Land Use Policy; Further, the Ministry generated revenue amounting Kshs.12,595,383,385.

However, budgetary cuts, delayed exchequer releases, high number of litigation cases, manual land records leading to delay in access, storage and retrieval of records, lack of a National Land Value Index leading to unrealistic compensation demands during purchase of private land for projects and settlement of landless households as well as insecurity along the international boundaries are among issues that affected implementation of the envisaged programmes and projects.

There is need therefore, for the National Treasury to enhance the Ministry's budgetary allocation to enable the Ministry undertake its core mandate of land administration and management. If adequately funded, the Ministry has the capacity to raise revenue collection from Kshs.12 billion to Kshs.16 billion annually.



Farida Karoney, OGW
Cabinet Secretary
Ministry of Lands and Physical Planning

**Ministry of Land and Physical Planning
Reports and Financial Statements
For the year ended June, 30 2018**

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 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.

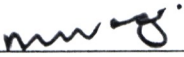
The Accounting Officer in charge of the Ministry of lands and physical planning is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 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 entity; (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 lands and physical planning accepts responsibility for the entity'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 Ministry of lands and physical planning financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of Ministry of lands and physical planning financial position as at that date. The Accounting Officer charge of the Ministry of lands and physical planning further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of Ministry of lands and physical planning financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of lands and physical planning confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that Ministry of lands and physical planning 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 Ministry of lands and physical planning 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 of Lands and Physical Planning financial statements were approved and signed by the Accounting Officer on 27/09 2018.


Principal Secretary
Name: Dr. Nicholas Muraguri


Ag. Principal Accounts Controller
Name: Jane Wanjiru Mburu
ICPAK Member Number: 5541

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF LANDS AND PHYSICAL PLANNING FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of the Ministry of Lands and Physical Planning set out on pages 1 to 44 which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation, recurrent and development combined 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 knowledge and belief were necessary for the purpose of the audit.

In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Ministry of Land and Physical Planning as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

The following discrepancies were noted between the figures in the financial statements and figures in trial balance: -

Item Description	Balance in the Financial Statements (Kshs)	Balance in the Trial Balance (Kshs)	Difference (Kshs)
Recurrent bank account	1,981,923	1,850,997,643	(1,849,015,720)
Development bank account	1,941,231	2,629,063,120	(2,627,121,889)
Deposits bank account	197,263,116	34,881,306	162,381,810
Cash in hand	201,038	8,222,208,932	(8,222,007,894)

Report of the Auditor-General on the Financial statements of the Ministry of Lands and Physical Planning for the year ended 30 June 2018

Item Description	Balance in the Financial Statements (Kshs)	Balance in the Trial Balance (Kshs)	Difference (Kshs)
Domestic debtors and advances	308,748	313,726	(4,978)
Imprests	6,447,907	6,489,907	(42,000)
Other current assets	-	17,153,153	(17,153,153)
Deposits	-	6,559,229	(6,559,229)
Deposits	197,263,116	263,971,798	(66,708,682)
Other liabilities	-	2,604,481	(2,604,481)
Other liabilities	-	34,596,207	(34,596,207)
System required liabilities a/c	-	3,022,582	(3,022,582)
System required liabilities a/c	-	3,430,789,800	(3,430,789,800)
Totals	405,407,079	16,502,651,884	(16,097,244,805)

In the circumstances, the accuracy of the financial statements for the year ended 30 June 2018 could not be confirmed.

2. Purchase of Vehicles and other Transport Equipment

Included in the statement of receipts and payments for the year ended 30 June 2018 is acquisition of assets amounting to Kshs.1,256,719,593. Included in this figure is purchase of vehicles and other transport equipment of Kshs.84,346,340 as per note 8 to the financial statements out of which Kshs.1,396,350 is in respect of motor vehicle repairs. Under the circumstances, the accuracy of purchase of vehicles and other transport equipment of Kshs.84,346,340 could not be confirmed for the year ended 30 June 2018.

3. Bank Balance

Note 9A to the financial statements reflects bank balance of Kshs.201,186,270 as at 30 June 2018. However, bank confirmation certificates for the three bank accounts were given as at 31 July 2018. Further, the reconciliation statement for the recurrent bank account at the central bank reflects balance as per bank statement of Kshs.1,359,165 but the attached bank confirmation certificate reflects Kshs.1,660,233 resulting in un-reconciled difference of Kshs.301,068. In addition, the clearance status of the reconciling balances listed below was not provided for audit verification.

Description	Recurrent (Kshs)	Development (Kshs)	Deposit (Kshs)
Payments in cashbook not in bank	509,672	396,704.15	-
Receipts in bank not in cashbook	1,470,561	-	455,933
Payments in bank not in cashbook	2,449,684	2,539,300	287,500
Receipts in cashbook not bank	864,377	-	708,780
Total	5,294,294	2,936,004.15	1,452,213

Further, cheques totalling Kshs.285,776 for the recurrent account and Kshs.280,604 for the development account were stale as at 30 June 2018 but had not been reversed in the cashbooks.

In the circumstances, the accuracy of bank balance of Kshs.201,186,270 as at 30 June 2018 could not be confirmed.

4. Accounts Receivable – Outstanding Imprests

Note 10 to the financial statements reflects accounts receivable-outstanding imprest of Kshs.9,606,874 as at 30 June 2018. Included in this amount are outstanding imprests of Kshs.6,447,907 out of which Kshs.6,025,607.25 have been outstanding for more than one year. In addition, an extract of IFMIS register shows total imprests outstanding of Kshs.12,141,952 while the Ministry reflects Kshs.6,447,907 resulting in unexplained difference of Kshs.5,694,045. Further, the manual register shows outstanding imprests of Kshs.4,162,198. The outstanding imprests were not recovered as required by section 91 (6) of the Public Finance Management-National Government Regulations 2015. Further, the Ministry did not adhere to imprest controls on issue of multiple imprests since various officers were issued with more imprest before surrendering the previous ones which is contrary to section 91 (8) of the Public Finance Management-National Government Regulations 2015. Consequently, the accuracy and full recoverability of accounts receivable-outstanding imprests balance of Kshs.9,606,874 as at 30 June 2018 could not be confirmed.

5. Compensation of Employees

The statement of receipts and payments reflects compensation of employees amount of Kshs.2,029,350,270. However, this amount exclude compensation of employees related expenditure amounting to Kshs.29,341,555 paid to employees but charged to other expenditure items as detailed below:-

Item Charged	Amount (Kshs)
Utilities, supplies and services	3,528,465
Communication, supplies and services	834,666
Rentals of produced assets	215,143
Training expenses	37,320
Specialised materials and services	7,435,242
Office and general supplies and services	125,000
Other operating expenses	2,184,943
Routine maintenance – vehicles and other transport equipment	785,748
Fuel Oil and Lubricants	393,520
Routine maintenance – other assets	784,613
Membership Fees	3,595,065
Government pension and retirement benefits	6,270,000
Purchase of Office Furniture and General Equipment	452,000
Purchase of Specialised Plant, Equipment and Machinery	2,541,600
Rehabilitation and Renovation of Plant, Machinery and equip.	158,230
Total	29,341,555

Consequently, the completeness of compensation of employees expenditure of Kshs.2,029,350,270 for the year ended 30 June 2018 cannot be confirmed.

6. Research, Studies, Project Preparation, Design and Supervision

Included in research, studies, project preparation, design and supervision expenditure of Kshs.621,224,359 as disclosed at note 8 to the financial statements are payments totalling Kshs.8,613,960 in respect of claims for refund of per diem and expenses incurred on the 4th joint Kenya – Ethiopia boundaries pillar’s inspection and maintenance conducted in April/

May 2017 for 30 days. The exercise was carried out in the last financial year but payments for reimbursement done in January 2018. Approval for the team members to conduct the exercise without per diem and refunded later has not been availed for audit review. Further, the Public Finance Management regulations require confirmation of availability of funds against relevant items of expenditure to meet the proposed expenditures. It was not clear on what basis the activities were allowed to be undertaken in the absence of funds.

7. Pending Bills

7.1 Pending Bills in the Financial Statements

As disclosed at Annex 1 to the financial statements, the Ministry reported total pending bills of Kshs.299,109,118 as at 30 June 2018, which were not settled but were carried forward to 2018/2019. Had the bills been paid and the expenditure charged to the respective accounts in 2017/2018, the statement of receipts and payments for the year would have reflected a deficit of Kshs.293,732,682 instead of the reflected surplus of Kshs.5,376,436 for the year ended 30 June 2018.

7.2 Payment of Undisclosed Pending Bills

The Ministry's audited financial statements for the financial year 2016/2017 disclosed pending bills of Kshs.363,922,055.51. However, during the financial year under review, the Ministry made payments totalling to Kshs.159,885,022 that related to goods and services delivered and invoiced in the previous year but were not disclosed as pending bills in 2016/2017. As a result, the source of the pending bills could not be established and the regularity of the expenditure of Kshs.159,885,022 for the year ended 30 June 2018 could not be ascertained.

7.3 Undisclosed Pending Bills

7.3.1 Legal

National Treasury annual reporting template for Ministries, Departments and Agencies states that 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 are disclosed as "memorandum" or "off-balance" items to provide a sense of the overall net cash position of the entity at the end of the year. In 2017/2018, the Ministry had legal pending bills amounting to Kshs. 946,508,404 for cases determined against the Ministry. However, the bills have not been disclosed in these financial statements and no budget provision has been made to settle them contrary to Section 44(2)(1)(a) which require the Accounting Officer to ensure that procurement of goods, works and services of the public entity are within approved budget of that entity.

7.3.2 Arrears for Land Board Members

Field visits to county offices in Machakos, Kwale and Nyeri, revealed that payments to Land Board Members were in arrears as detailed below:-

County	Amount (Kshs)
Machakos	8,340,000
Kwale	594,000
Nyeri	2,430,000

Further, these arrears were not disclosed in the Ministry's financial statements as pending bills.

Consequently, the accuracy of pending bills of Kshs.299,109,118 as disclosed at note 15.1 of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ministry of Land and Physical Planning management in accordance with ISSAI 30 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 financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for conclusion

1. Summary of Fixed Assets

The financial statements for the year ended 30 June 2018 do not include a summary of fixed assets register as an annex contrary to the prescribed reporting template as issued by Public Sector Accounting Standards Board of the National Treasury. In the current year, assets amounting to Kshs.1,256,719,593 were procured by the Ministry but an assets register was not maintained as required by section 143 of Public Finance Management (National Government) Regulations 2015. Consequently, the management failed to comply with

section 143 of Public Finance Management (National Government) Regulations 2015 which require maintenance of fixed assets register.

2.0 Other Operating Expenses

2.1 Interest on delayed Payment of Legal Claims

Other operating expenses of Kshs.741,048,982 as disclosed at Note 4 to the financial statement includes Kshs.13,839,467 that relate to interest on legal claims. It was observed that the Ministry delayed in paying the decretal sums for various cases resulting in significant accrued interests amounting to Kshs.13,839,467. This is against the principles of public finance on prudence and responsible use of public money as required by Article 201 (d) of the Constitution.

2.2 Loss of Public Funds -Civil Case No. 152 of 2012

Other operating expenses of Kshs.741,048,982 include expenditure of Kshs.112,831,083 on legal claims arising from Civil Case No. 152 of 2012 between City Finance Bank Limited vs Ceder Bond Enterprises and the Commissioner of Lands. The Commissioner of Lands was sued on the grounds that he prepared and executed a title deed LR No. 209/12851 in their favor with full knowledge that the same land was registered to another party. This led the defendant to incur losses and damages for which compensation was sought. As a result, the Government lost Kshs.112,831,083 which is against Public Officer Ethics Act No.4 of 2003 that require public officers to carry out their duties to the best of their ability and ensure that the services that they provide are provided efficiently and honestly.

2.3. Digitization of Land Registries

Records availed for audit review indicated that contracts to digitize Machakos, Kajiado, Nakuru and Kisumu land registries was awarded to Neuge Agencies, Coseke and Chekey Supplies and Services on 30 May 2015 at a combined contract sum of Kshs.154,280,000 being Kshs.88,160,000 for Neuge Agencies and Coseke for Machakos and Kajiado registries and Kshs.66,120,000 for Chekey Supplies and Services for Kisumu and Nakuru registries. However, it was noted that although the contracts were completed and handed over to the Ministry during 2016/2017 financial year, scanning of documents was not continuing because of lack of scanners. Further, it was noted that Machakos and Kajiado registries were not connected to internet. Lack of appropriate scanners and internet has significantly affected the sustainability of digitization project in the four registries despite incurring significant expenditure. Consequently, it has not been possible to ascertain if the citizens of the four counties are getting value for money on the expenditure of Kshs.154,280,000 on the digitization process.

3. Renovation of Lands Office-Bungoma

Records availed for audit review indicate that a contract for renovation of Bungoma Lands Office was awarded to a Building and Civil Engineering Contractor at a sum of Kshs.5,687,665 in 2016/2017 financial year. The contractor provided the services and was paid during that year. However, a field inspection at the Bungoma land registry revealed discrepancies between the actual works performed and what was stipulated in the bills of quantities as detailed below;

Description	Amount (Kshs)	Remarks
Excavation and earthworks Paving of slabs	180,000	The works were not done. The paving slabs were still dilapidated
Fire detection and alarm system	20,600	Confirmed that no fire detection and alarm system was in place
Supply, install, test and commission the following: <ul style="list-style-type: none"> • Fire break glass manual call point unit • Fast response heat detectors • LG wall hanging complete fitted 24000 BTU air conditioner 	98,600	Confirmed no fire break glass manual call point unit, fast response heat detectors or air conditioners were installed in the premises.
Doors Carefully remove existing timber doors in readiness to receive new ones (9 doors)	4,500	Confirmed doors were not removed instead painted
Joinery Frames Wrot Mahogany	14,760	Confirmed not done
Timber doors 6 Solid core flush door 45mm thick, 900*2100mm high, 6mm mahogany veneer facing both sides	30,000	Confirmed only two doors delivered
Ceilings <ul style="list-style-type: none"> • Carefully remove all dilapidated ceiling sheets and make good all damaged brandering • 12mm thick soft board celotex sheet nailed onto timber brandering • Cypress prime grade, pressure impregnated 50mm thick*15mm wide moulded cornice plugged to wall and nailed to ceiling finish 	318,200	Confirmed ceilings were painted instead of being replaced
Total	666,660	

Further, the contractor went on to build some pit latrines which were not in the bill of quantities. As a result, Kshs.666,660 was paid for works not done as required . Consequently value for money was not attained in the renovation works.

4. Development of Sporting Facilities at the Kenya Institute of Surveying and Mapping

Included in acquisition of assets figure of Kshs.1,256,719,593 and as disclosed at note 8 to the financial statements is construction of civil works expenditure of Kshs.5,700,000 which include Kshs.4,200,000 paid in respect of a contract for development of sporting facilities at the Kenya Institute of Surveying and Mapping awarded to a Contractor at a contract sum of Kshs.21,550,775.80. The contract period was 26 weeks and commencement date was 5 September 2017 and completion date 15 March 2018. However, by the time of the audit in October 2018, the works had not been completed. Although the contractor had been paid Kshs.4,200,000 against valuation No. 1 amounting to Kshs.7,201,813.60 dated 12 October 2017, it was not confirmed whether there was approval for extension of contract period. Site visit and physical verification revealed that the contractor had not established site office as required contrary to clause 01 (vii) of special specification. Further, performance security of 5% of contract price was not availed for audit review and therefore could not be confirmed whether the contractor forwarded the same.

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, financial transactions and information reflected in the financial statements are in compliance, 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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Adverse Opinion sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Audit Committee

In 2017/2018 financial year, the Ministry did not have an independent audit committee as required by Section 73 (5) of the Public Finance Management Act 2012 which state that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. In the absence of a functioning audit committee, monitoring and review of the effectiveness of the internal audit process, review of internal controls, risk management systems and financial statements among other functions of an audit committee did not occur which may have affected good corporate governance at the Ministry.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires 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 financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Ministry's or to cease operations, or have no realistic alternative but to do so.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance 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 financial 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 financial 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 financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance 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 and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial 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 financial 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 financial 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 going concern 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 Ministry's ability to continue 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 financial 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 Ministry's to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Ministry's to express an opinion on the financial 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

24 December 2018


IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	June 30 th 2018 KShs	June 30 th 2017 KShs
RECEIPTS			
Exchequer releases	1	4,703,029,892	4,865,901,000
Other Receipts	2	9,414,750	13,937,624
TOTAL REVENUES		4,712,444,642	4,879,838,624
PAYMENTS			
Compensation of Employees	3	2,029,350,270	1,908,315,507
Use of goods and services	4	1,393,998,344	1,503,868,174
Transfers to Other Government Units	5	-	3,400,000
Other grants and transfers	6	9,999,999	5,087,130
Social Security Benefits	7	16,999,999	6,811,489
Acquisition of Assets	8	1,256,719,593	1,420,287,681
TOTAL PAYMENTS		4,707,068,206	4,847,769,980
SURPLUS/DEFICIT		5,376,436	32,068,644

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry Of Lands and Physical Planning financial statements were approved on 27/09/ 2018 and signed by:



Principal Secretary
 Name: Dr. Nicholas Muraguri




Ag. Principal Accounts Controller
 Name: Jane Wanjiru Mburu
 ICPAK Member Number: 5541

Ministry of Lands and Physical Planning
 Reports and Financial Statements
 For the year ended June 30, 2018

V. STATEMENT OF ASSETS AND LIABILITIES

	Note	June 30th 2018 KShs	June 30th 2017 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9A	201,186,270	331,466,747
Cash Balances	9B	200,148	201,038
Total Cash And Cash Equivalents		201,386,418	331,667,785
Accounts Receivables - Outstanding Imprest and Clearance Accounts	10	9,606,874	52,649,071
TOTAL FINANCIAL ASSETS		210,993,292	384,316,857
LESS: FINANCIAL LIABILITIES			
Accounts Payables – Deposits	11	197,263,116	331,416,703
NET FINANCIAL ASSETS		13,730,176	52,900,154
REPRESENTED BY			
Fund balance b/fwd	12	52,900,154	45,658,356
Surplus/Deficit for the year		5,376,436	32,068,644
Prior year adjustments		(44,546,414)	(24,826,846)
NET FINANCIAL POSITION		13,730,176	52,900,154

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry Of Lands and Physical Planning financial statements were approved on 27/09/2018 and signed by:



Principal Secretary
 Name: Dr. Nicholas Muraguri



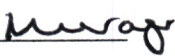
Ag. Principal Accounts Controller
 Name: Jane Wanjiru Mburu
 ICPAK Member Number: 5541


**Ministry of Lands and Physical Planning
Reports and Financial Statements
For the year ended June 30, 2018**

VI. STATEMENT OF CASHFLOWS

	Note	June 30th 2018 KShs	June 30th 2017 KShs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	4,703,029,892	4,865,901,000
Other Revenues	2	9,414,750	13,937,624
		4,712,444,642	4,879,838,624
Payments for operating expenses			
Compensation of Employees	3	2,029,350,270	1,908,315,507
Use of goods and services	4	1,393,998,344	1,503,868,174
Transfers to Other Government Units	5	-	3,400,000
Other grants and transfers	6	9,999,999	5,087,130
Social Security Benefits	7	16,999,999	6,811,489
		3,450,348,613	3,427,482,300
Adjusted for:			
Changes in receivables		43,042,198	(7,121,972)
Changes in payables		(134,153,587)	(1,757,658,877)
Adjustments during the year	13	(44,546,414)	(24,826,846)
Net cashflow from operating activities		1,126,438,225	(337,251,371)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	1,256,719,593	1,420,287,681
Net cash flows from Investing Activities		(1,256,719,593)	(1,420,287,681)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(130,281,368)	(1,757,539,051)
Cash and cash equivalent at BEGINNING of the year		331,667,785	2,089,206,837
Cash and cash equivalent at END of the year		201,386,418	331,667,785

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry Of Lands and Physical Planning financial statements were approved on 27/09 2018 and signed by:


Principal Secretary
Name: Dr. Nicholas Muraguri


Ag. Principal Accounts Controller
Name: Jane Wanjiru Mburu
ICPAK Member Number: 5541

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Budget 30.06.2018 a	Actual 30.06.2018 B	Budget Utilisation Difference c=a-b	Budget cumulative to date d	Actual cumulative to date e	Budget Utilisation Difference f=e-d	30.06.2018 g=e/d % Utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS							
Exchequer releases	5,117,549,585	4,703,029,892	(414,519,693)	5,117,549,585	4,703,029,892	(414,519,693)	92%
Proceeds from Sale of Assets	9,414,750	9,414,750	-	9,414,750	9,414,750	-	100%
Total Receipts	5,126,964,335	4,712,444,642	(414,519,693)	5,126,964,335	4,712,444,642	(414,519,693)	92%
PAYMENTS							
Compensation of Employees	2,031,200,000	2,029,350,270	(1,849,730)	2,031,200,000	2,029,350,270	(1,849,730)	100%
Use of goods and services	1,628,159,071	1,393,998,344	(234,160,727)	1,628,159,071	1,393,998,344	(234,160,727)	86%
Other grants and transfers	10,000,000	9,999,999	(1)	10,000,000	9,999,999	(1)	100%
Social Security Benefits	17,000,000	16,999,999	(1)	17,000,000	16,999,999	(1)	100%
Acquisition of Assets	1,440,605,264	1,256,719,593	(183,885,671)	1,440,605,264	1,256,719,593	(183,885,671)	87%
Grand Total	5,126,964,335	4,707,068,206	(419,896,129)	5,126,964,335	4,707,068,206	(419,896,129)	92%

**Reports and Financial Statements
For the year ended June 30, 2018**

Notes

- i. Underutilisation of use of goods by 14% was due to lack of exchequer.
- ii. Underutilisation of Acquisition of assets of 13% was occasioned by delays in procurement processes and lack of Funding from the Treasury.

The Ministry Of Lands and Physical Planning financial statements were approved on 27/09/2018 and signed by:



Principal Secretary
Name: Dr. Nicholas Muraguri



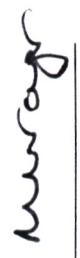
Ag. Principal Accounts Controller
Name: Jane Wanjiru Mburu
ICPAK Member Number: 5541

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


Revenue/Expense Item	Budget 30.06.2018	Actual 30.06.2018	Budget Utilisation Difference 30.06.2018	Budget cumulative to date 30.06.2018	Actual cumulative to date 30.06.2018	Budget Utilisation Difference 30.06.2018	% of Utilisation
	a	B	c=a-b	d	e	f=e-d	g=e/d %
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS							
Exchequer releases	2,319,953,851	2,305,627,842	(14,326,009)	2,319,953,851	2,305,627,842	(14,326,009)	99%
Proceeds from Sale of Assets	9,414,750	9,414,750	-	9,414,750	9,414,750	-	100%
Total Receipts	2,329,368,601	2,315,042,592	(14,326,009)	2,329,368,601	2,315,042,592	(14,326,009)	99%
PAYMENTS							
Compensation of Employees	2,031,200,000	2,029,350,270	(1,849,730)	2,031,200,000	2,029,350,270	(1,849,730)	100%
Use of goods and services	259,979,271	252,991,266	(6,988,005)	259,979,271	252,991,266	(6,988,005)	97%
Other grants and transfers	10,000,000	9,999,999	(1)	10,000,000	9,999,999	(1)	100%
Social Security Benefits	17,000,000	16,999,999	(1)	17,000,000	16,999,999	(1)	100%
Acquisition of Assets	11,189,330	11,163,799	(25,531)	11,189,330	11,163,799	(25,531)	100%
Grand Total	2,329,368,601	2,320,505,334	(8,863,267)	2,329,368,601	2,320,505,334	(8,863,267)	100%

Notes

The Ministry Of Lands and Physical Planning financial statements were approved on 27/09/ 2018 and signed by:



Principal Secretary
Name: Dr. Nicholas Muraguri



Ag. Principal Accounts Controller
Name: Jane Wanjiru Mburu
ICPAK Member Number: 5541

IX. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Budget 30.06.2018	Actual 30.06.2018	Budget Utilisation Difference	Budget cumulative to date	Actual cumulative to date	Budget Utilisation Difference	% of Utilisation
	a	B	c=a-b	d	e	f=e-d	g=e/d %
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS							
Exchequer releases	2,797,595,734	2,397,402,050	(400,193,684)	2,797,595,734	2,397,402,050	(400,193,684)	86%
Total Receipts	2,797,595,734	2,397,402,050	(400,193,684)	2,797,595,734	2,397,402,050	(400,193,684)	86%
PAYMENTS							
Use of goods and services	1,368,179,800	1,141,007,078	(227,172,722)	1,368,179,800	1,141,007,078	(227,172,722)	83%
Acquisition of Assets	1,429,415,934	1,245,555,794	(183,860,140)	1,429,415,934	1,245,555,794	(183,860,140)	87%
Grand Total	2,797,595,734	2,386,562,872	(411,032,862)	2,797,595,734	2,386,562,872	(411,032,862)	85%

Notes

- i. Exchequer releases is at 86% due to underfunding from Treasury.
- ii. Underutilisation by 17% in Use of goods and Services is as result in delays in procurement process.
- iii. Underutilisation by 13% in Acquisition of Assets was as a result of both delays in the procurement processes and lack of exchequer.

The Ministry Of Lands and Physical Planning financial statements were approved on 27/07/2018 and signed by:



Principal Secretary
Name: Dr. Nicholas Muraguri



Ag. Principal Accounts Controller
Name: Jane Wanjiru Mburu
ICPAK Member Number: 5541

X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme / Sub-programme	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d
Land policy and planning					
S.P 1.1. Development planning and Lands reform	3,123,938,400	(703,809,098)	2,420,129,302	2,136,811,051	283,317,656
S.P 1.2. Land information Management	750,476,481	(49,246,338)	701,230,143	688,276,056	12,954,087
S.P. 1.3. Land survey	1,098,469,110	(185,344,063)	913,125,047	842,931,885	70,193,162
S.P 1.4. Land use	266,404,265	(63,068,276)	203,335,989	159,616,021	43,719,968
S.P.1.5 Land settlement	985,296,994	(96,153,140)	889,143,854	879,433,193	9,710,662
TOTAL	6,224,585,250	(1,097,620,915)	5,126,964,335	4,707,068,206	419,895,534

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 Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the Ministry of Lands and Physical Planning. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the Ministry Of Lands and Physical Planning:

- i) Coastal Development Project

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The Ministry Of Lands and Physical Planning recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Ministry Of Lands and Physical Planning.

□ Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

**Ministry of Lands and Physical Planning
Reports and Financial Statements
For the year ended June 30, 2018**

SIGNIFICANT ACCOUNTING POLICIES

▫ **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

▫ **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

▫ **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Ministry Of Lands and Physical Planning recognises all payments when the event occurs and the related cash has actually been paid out by the Ministry Of Lands and Physical Planning.

▫ **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

▫ **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

▫ **Interest on Borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

SIGNIFICANT ACCOUNTING POLICIES

▫ **Rrepayment of Borrowing (Principal Amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

▫ **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Ministry Of Lands and Physical Planning 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 Lands and Physical Planning includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash Equivalents

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

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs197,263,116 as compared to Kshs331,416,703 in prior period as indicated on note9A.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. 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 Lands and Physical Planning 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.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

SIGNIFICANT ACCOUNTING POLICIES

13. 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 30th June 2018.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

Ministry of Lands and Physical Planning
 Reports and Financial Statements
 For the year ended June 30, 2018

XII. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

Description	June 30th 2018 Kshs	June 30th 2017 Kshs
Total Exchequer Releases for quarter 1	599,175,932	548,000,000
Total Exchequer Releases for quarter 2	1,087,472,460	1,140,100,000
Total Exchequer Releases for quarter 3	1,627,391,000	1,276,500,000
Total Exchequer Releases for quarter 4	1,388,990,500	1,901,301,000
Total	4,703,029,892	4,865,901,000

During the year the Ministry was to receive Kshs. 5,117,549,585, however it received Kshs. 4,703,029,892 falling short of Kshs. 414,519,693.

2 OTHER REVENUES

Description	June 30th 2018 KShs	June 30th 2017 KShs
Receipts from Administrative Fees and Charges - Collected as AIA	9,414,750	13,937,624
Total	9,414,750	13,937,624

During the year, the actual AIA Collected was Kshs. 16,572,592 against a budget of Kshs. 9,414,750. The excess of Kshs. 7,157,842 was surrendered to the exchequer.

Ministry of Lands and Physical Planning
 Reports and Financial Statements
 For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 COMPENSATION OF EMPLOYEES

Description	June 30th	June 30th
	2018	2017
	KShs	KShs
Basic salaries of permanent employees	1,221,793,815	1,144,803,400
Basic wages of temporary employees	33,397,863	25,500,500
Personal allowances paid as part of salary	774,158,592	738,011,607
Total	2,029,350,270	1,908,315,507

There was an increase in the compensation of employees as a result of promotions and new appointments during the Financial Year.

4 USE OF GOODS AND SERVICES

Description	June 30th	June 30th
	2018	2017
	KShs	KShs
Utilities, supplies and services	55,150,738	47,744,226
Communication, supplies and services	5,062,806	12,952,684
Domestic travel and subsistence	25,996,869	9,708,260
Foreign travel and subsistence	2,086,662	2,470,636
Printing, advertising and information supplies & services	679,190	1,163,682
Rentals of produced assets	1,611,097	590,800
Training expenses	5,632,924	12,805,886
Hospitality supplies and services	16,820,400	90,672,127
Specialised materials and services	503,079,470	586,834,031
Office and general supplies and services	4,059,701	9,304,997
Other operating expenses	741,048,982	704,066,121
Routine maintenance – vehicles and other transport equipment	12,953,439	7,321,935
Fuel Oil and Lubricants	16,229,815	8,530,800
Routine maintenance – other assets	3,586,252	9,701,990
Total	1,393,998,344	1,503,868,174

The decrease in Use of Goods and Services was occasioned by budget cuts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Ministry of Lands and Physical Planning
Reports and Financial Statements
For the year ended June 30, 2018**

5 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	June 30th 2018 KShs	June 30th 2017 KShs
Transfers to Central government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
<i>Coastal development Project</i>	-	3,400,000
TOTAL	-	3,400,000

Description	Recurrent	Development	Total	2016-2017
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Coastal Development Project	-	-	-	3,400,000
TOTAL	-	-	-	3,400,000

No transfers were made to any self-reporting entity in the financial year 2017-2018.

6 OTHER GRANTS AND TRANSFERS

Description	June 30th 2018 KShs	June 30th 2017 KShs
Membership Fees	9,999,999	5,087,130
Emergency relief and refugee assistance	-	-
Total	9,999,999	5,087,130

The increase in other grants and transfers is due to appointment of new members of staff, mainly to the Survey department.

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 For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 SOCIAL SECURITY BENEFITS

Description	June 30th 2018 KShs	June 30th 2017 KShs
Government pension and retirement benefits	16,999,999	6,811,489
Total	16,999,999	6,811,489

The increase in social security benefits relate to gratuity paid to key management staff whose contracts expired and/or exited from service during the year under review.

8 ACQUISITION OF ASSETS

Description	June 30th 2018 KShs	June 30th 2017 KShs
<u>Non Financial Assets</u>		
Construction of Buildings	13,986,582	77,233,294
Refurbishment of Buildings	8,980,115	25,609,152
Construction and Civil Works	5,700,000	1,007,960
Purchase of Vehicles and Other Transport Equipment	84,346,340	-
Purchase of Office Furniture and General Equipment	1,435,110	303,364
Purchase of Specialised Plant, Equipment and Machinery	130,797,086	152,265,644
Rehabilitation and Renovation of Plant, Machinery and Equip.	250,000	26,980
Research, Studies, Project Preparation, Design & Supervision	621,224,359	796,579,542
Acquisition of Land	390,000,000	367,261,745
Total	1,256,719,593	1,420,287,681

The decrease in acquisition of Assets was occasioned by budget cuts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Ministry of Lands and Physical Planning
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9A: Bank Accounts

Name of Bank, Account No. & currency	June 30th	June 30th
	2018 KShs	2017 KShs
<i>Central Bank of Kenya, 1000302798 , Recurrent Kes-Lands</i>	1,981,923	40,152
<i>Central Bank of Kenya, 1000302817, Development Kes – Lands</i>	1,941,231	9,892
<i>Central Bank of Kenya, 1000302828, Deposits Kes – Lands</i>	197,263,116	331,416,703
Total	201,186,270	331,466,747

9B: CASH IN HAND

Description	June 30th	June 30th
	2018 KShs	2017 KShs
Cash in Hand – Held in domestic currency	200,148	201,038
Cash in Hand – Held in foreign currency	-	-
Total	200,148	201,038

Cash in hand should also be analysed as follows:

Description	June 30th	June 30th
	2018 KShs	2017 KShs
Cash Office - Recurrent	200,148	201,038
Cash Office - Deposit	-	-
Total	200,148	201,038

Ministry of Lands and Physical Planning
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	June 30th	June 30th
	2018	2017
	KShs	KShs
Government Imprests	6,447,907	50,016,332
Clearance accounts	308,748	77,988
District suspense	2,850,219	2,554,751
Total	9,606,874	52,649,071

11. ACCOUNTS PAYABLE

Description	June 30th	June 30th
	2018	2017
	KShs	KShs
Deposits	197,263,116	331,416,703
TOTAL	197,263,116	331,416,703

These are amounts held in respect of compensation of compulsory land acquisitions, contractors' retention money and student levies (KISM).

12. FUND BALANCE BROUGHT FORWARD

Description	June 30th	June 30th
	2018	2017
	KShs	KShs
Bank accounts	331,466,747	2,089,206,837
Cash in hand	201,038	-
Receivables - Outstanding Imprests	52,649,071	45,527,099
Payables - Deposits	(331,416,703)	(2,089,075,580)
Total	52,900,154	45,658,356

**Ministry of Lands and Physical Planning
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PRIOR YEAR ADJUSTMENTS

Description	June 30th 2018 KShs	June 30th 2017 KShs
Adjustments on bank account balances	(50,045)	131,258
Adjustments on cash in hand	-	-
Adjustments on payables	-	-
Adjustments on receivables	(44,496,370)	(24,958,104)
Total	(44,546,415)	(24,826,846)

The prior year adjustments relate to:

- I. Bank balances that were swept back to the exchequer of Kshs. 40,152.15 and Kshs. 9,892.40 for Recurrent and Development banks respectively.
- II. Adjustments in receivables of kshs. 42,950,101.50 relate to Imprests surrendered as expenses in the current year but relate to prior year.
- III. Adjustments in receivables of Kshs. 1,546,268.95 that relate to the unspent AIEs for the financial year 2016-2017 surrendered under the current year.

14. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Ministry of Lands and physical planning.

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

Description	2017/2018	2016/2017
	Kshs	Kshs
Key Management compensation	73,465,450	69,363,840
Transfers to the Other Ministries Departments and Agencies	-	-
Transfers to other State Corporations and Semi-Autonomous Government Agencies	390,000,000	367,261,745
Transfers to Government Development Projects	-	3,400,000

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2017 – 2018	2016 – 2017
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	187,752,453	269,900,631
Supply of services	111,356,665	94,021,425
	299,109,118	363,922,056

16. 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.

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)
1.0	Fixed Assets	<p>It is true that the Financial Statements did not include summary of fixed assets as an annex contrary to the prescribed reporting template as issued by the Public Sector Accounting Standards Board.</p> <p>The ministry had just initiated the process of developing a Fixed Asset Register to prescribe to the reporting template issued by the Public Sector Accounting Standard Board (PSASB)</p> <p>However due to a number of challenges experienced in developing the asset register, the exercise has not been finalised</p>	Fredrick Ndonge-DSCM	Not Resolved	30 th June 2019
1.2	Construction of Buildings	<p>It is true that included in the figure of acquisition of assets of Kshs 77,233,293 is a figure of Kshs 58,811,632 for installation of access control and biometric equipment at Ardhi house and survey of Kenya. This was deemed to be part of the construction of the building.</p>	James Thuita HAU	Not Resolved	30 th June 2019

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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)
1.3	Purchase of Specialized Plant, Equipment and Machinery	Further Kshs 7,957,500 the vouchers has since been availed and journal entry no. MN 14930629 (appendix ix)	James Thuita	Not Resolved	30 th June 2019
2	Use of Goods and Services	It's true that missing vouchers amounted to Kshs 117,450,160. The vouchers amounting to Kshs 116,264,060 has since been availed. Voucher no. LSTD 050186 amounting to Kshs 1,186,100 was cancelled in the IFMIs system. (appendix x)	James Thuita HAU	Not Resolved	30 th June 2019
2.1	Foreign Travel and Services	Included in the above balance is an amount of Kshs 722,116.00 which was a wrong charge. The amount has now been adjusted vide journal no. MN 14932049. (Appendix ii)			
2.2	Fuel, Oils and Lubricants	It is true that Ksh.6,529,120.00 was posted to the wrong item of other operating expenses instead of Fuel and lubricant, the error has since rectified via journal no. 14931985. (appendix	James Thuita HAU	Not Resolved	30 th June 2019
3.0	Cash and Cash Equivalents				

Ministry of Lands and Physical Planning
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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)
3.1	Bank Reconciliations	<p>It is true that the reported balance in the financial statement differs from the amount in the cashbook by kshs 535,153.00. The reported balance in the financial statement was the actual amount in the bank statement as per attached. (appendix xiv)</p>			
3.2	2015/2016 Deposits Account	<p>It is true that in the FY 2015/2016, the deposit bank reconciliation statement comprised receipts in the bank statement not recorded in the cashbook amounting to Ksh. 1,015,410,405.75, payments in the bank statement not yet recorded in the cashbook amounting to 220,854,333.80 and receipts in cashbook not in the bank statement amounting to Ksh. 43, 232,134.25.</p> <p>Our analysis of the report thereof has established the following results. That the above figures reflects balances as at the close of business on 30th June, 2016 not yet adjusted for timing differences for payments and receipts made 30th June, 2016 but which Cleared early July, 2016.</p> <p>That during the FY 2015/2016, the reorganization of the government ministries, Departments and Agencies occasioned the subsequent transfer of some departments from the parent ministry of Lands, Housing and Urban Development. This included the State departments of Works, Housing and Urban Development which were transferred to the Ministry of Transport</p>	James Thuita HAU	Not Resolved	30 th June 2019

**Reports and Financial Statements
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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)
		<p>and Infrastructure. The effect is that the old Ministry Deposit Account was closed and the New Ministry of Lands and Physical planning opened a new Deposit account. The outstanding bank balances at the old account were thus analyzed and shared amongst the state departments to be carried forward to the new accounts. This therefore explains why the 2016/2017 FY deposit balances are too small yet the 2015/2016 figures were significantly big. It is therefore clarified that the 2016/2017 deposit account is new and does not incorporate the uncleared effects of 2015/2016 FY.</p> <p>The new account for the Ministry of Lands and Physical Planning therefore received Kshs.331,629,048.60 on 13th December 2016 and was effectively posted to the cashbook on 26th January, 2017.</p> <p>Deposit Account 2016/2017 F/Y</p> <p>It is true that the bank Reconciliation statement as at 30th June, 2017 reflects a balance of Ksh. 185,400.00 being receipts in the bank statement not yet recorded in the cashbook, a balance of Ksh. 276,000.00 representing payments in the bank statement but not yet recorded in the cashbook and a balance of Ksh. 38,310.00 being receipts in the cashbook not yet recorded in the bank statements.</p>			

**Ministry of Lands and Physical Planning
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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)
		<p>That upon the analysis of the bank reconciliation report, our findings are as shown here below.</p> <p>That included in the figure of Ksh.185,400.00 reported as receipts in the bank statement not yet recorded in the cash book is a receipt of Ksh.180,000.00 from HSF Medical research Institute which cleared on 18th September, 2017 and posted to the cashbook on the same date vide folio No. 1 of 2017/2018 Deposit cashbook. It should also be noted that some of these receipts are direct credits to our deposit account which sometime takes time to know the source of funds because the bank statement does not give all details of the depositor. That the difference between the closing bank balance as per the bank certificate of Ksh.338,672,194.85 and the bank reconciliation statement balance of Ksh.331,416,702.70 is explained by timing differences between the cashbook date and the bank statement date. This is because the bank payments comprise two bank statements covering the period from 1st to 30th June, 2017 (herein called June 1 reconciliation) and the period from July 1st to the last day when payments done on the last day of business i.e. 30th June, 2017 actually cleared at the bank, in this case, 17th July 2017 for deposit account (herein called June Two reconciliation). This is therefore to clarify that</p>			

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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)
		<p>the bank certificate balance of Ksh. 338,672,194.85 relates to the closing balance as at the close of business on 30th June, 2017 and does not incorporate payments made on 30th June 2017 but which cleared on early July, 2017, whereas the bank reconciliation balance of Ksh. 331,416,702.70 represents the bank balance adjusted for timing differences for the period from 1st July up to and including 17th July, 2017.</p> <p>The relevant bank statements are hereby attached as annexes to this report for ease of reference.</p>			
3.3	Development Account -Uncleared Effects	<p>We agree with the auditor's observation that the bank reconciliation report as of 30th June, 2017 reflect a balance of Ksh.4,611,522.67 being payments in cashbook not recorded in the bank statement, a balance of Ksh.3,814,979.95 representing receipts in cashbook not yet recorded in the bank statement, payments in the bank statement not recorded in the cashbook amounting to Ksh.3,637,149.10 and receipts in the bank statement not recorded in the cashbook totalling to Ksh. 2,240,874.45.</p> <p>Our analysis of the report thereof revealed the following results.</p>	James Thuita HAU	Not Resolved	30 th June 2019

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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)										
		<p>• That included in the figure of Ksh. 4,611,522.67 reported as payments in cashbook not yet recorded in the bank statement are payments amounting to Ksh. 2, 375, 446.50 which were erroneously posted in the Development cash book instead of recurrent cashbook. These payments have since been reversed vide Development cashbook Folio 70 on 31.01.2018 and posted to recurrent cashbook and hence cleared. This can be verified by referring to the recurrent reconciliation report (June Two) – Payments in bank statement not recorded in the cashbook schedule. The following payment items were erroneously posted to the Development Cashbook.</p> <p style="text-align: right;">Sh.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Mary Kerubo</td> <td style="text-align: right;">48,600.00</td> </tr> <tr> <td>Kenya Power & Lighting Co. Lt</td> <td style="text-align: right;">70,803.70</td> </tr> <tr> <td>Kap M. Enterprises –VAT</td> <td style="text-align: right;">769, 105.50</td> </tr> <tr> <td>Kap M. Enterprises – Retention</td> <td style="text-align: right;"><u>1,486,937.30</u></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;"><u>2,375,446.50</u></td> </tr> </table>	Mary Kerubo	48,600.00	Kenya Power & Lighting Co. Lt	70,803.70	Kap M. Enterprises –VAT	769, 105.50	Kap M. Enterprises – Retention	<u>1,486,937.30</u>	Total	<u>2,375,446.50</u>			
Mary Kerubo	48,600.00														
Kenya Power & Lighting Co. Lt	70,803.70														
Kap M. Enterprises –VAT	769, 105.50														
Kap M. Enterprises – Retention	<u>1,486,937.30</u>														
Total	<u>2,375,446.50</u>														

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For the year ended June 30, 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)
		<p>As shown in the above table, the remaining balance of Ksh. 2,236,076.17 has since cleared over the period as can be shown in our December, 2017 reconciliation report attached as annex to this report.</p> <ul style="list-style-type: none"> That included in the reported balance of Ksh. 3,814,979.95 being receipts in cashbook not recorded in the bank statement was an erroneous reversal of a payment in the cashbook amounting to sh. 3,697,500.00 made to Cloudpro Solutions, thought to have been paid by recurrent vote but has since been reinstated in the cashbook vide Folio 71 of Development Cashbook for current FY. The remaining balance of Ksh. 117,479.95 refers to adjustments to the cash book figures due to clerical errors which have since been corrected in the cashbook on 31.01.2017 vide Folio 70 of the current financial year. The relevant cashbook extracts have been attached as annex to this report. That reported as receipts in the bank statements not recorded in cashbook amounting to Ksh.2,240,874.45 refers to payments returned by the respective banks due to various reasons 			

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 For the year ended June 30, 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)																																							
		<p>including defective beneficiary bank account details. Under normal circumstances, they are supposed to be received back to the cashbook for onward retransmission once the bank account details of the beneficiary have been rectified in the system. However, all these have now been received in the cashbook in the current financial year vide folio 66 on 29.01.2018 and folio 70 on 31.01.2018 as follows.</p> <table border="1" data-bbox="831 808 1453 1514"> <thead> <tr> <th>S/No</th> <th>Name</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mary Diana Wambui</td> <td>63,000.00</td> </tr> <tr> <td>2.</td> <td>Robert Maina Wachira</td> <td>73,500.00</td> </tr> <tr> <td>3.</td> <td>Ephraim Mwangi Ndungu</td> <td>94,500.00</td> </tr> <tr> <td>4.</td> <td>Sarova Panafric Hotel</td> <td>214,174.45</td> </tr> <tr> <td>5.</td> <td>Nora Agina Nyakora</td> <td>32,000.00</td> </tr> <tr> <td>6.</td> <td>Esther Nadupoi Ogega</td> <td>105,000.00</td> </tr> <tr> <td>7.</td> <td>Margaret Aloo Obunga</td> <td>14,000.00</td> </tr> <tr> <td>8.</td> <td>Margaret Aloo Obunga</td> <td>60,000.00</td> </tr> <tr> <td>9.</td> <td>Jane Ciamwari Kairanya</td> <td>77,000.00</td> </tr> <tr> <td>10.</td> <td>Peter Opiyo Ngete</td> <td>235,200.00</td> </tr> <tr> <td>11.</td> <td>Charles Kipkemoi Mutai</td> <td>196,000.00</td> </tr> <tr> <td>12.</td> <td>Pamela Nyambega Lyavoga</td> <td>1,076,500.00</td> </tr> </tbody> </table>	S/No	Name	Amount	1.	Mary Diana Wambui	63,000.00	2.	Robert Maina Wachira	73,500.00	3.	Ephraim Mwangi Ndungu	94,500.00	4.	Sarova Panafric Hotel	214,174.45	5.	Nora Agina Nyakora	32,000.00	6.	Esther Nadupoi Ogega	105,000.00	7.	Margaret Aloo Obunga	14,000.00	8.	Margaret Aloo Obunga	60,000.00	9.	Jane Ciamwari Kairanya	77,000.00	10.	Peter Opiyo Ngete	235,200.00	11.	Charles Kipkemoi Mutai	196,000.00	12.	Pamela Nyambega Lyavoga	1,076,500.00			
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**Reports and Financial Statements
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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)
		<p style="text-align: center;">Total</p> <p style="text-align: right;">2,240,874.45</p>			
		<ul style="list-style-type: none"> That included in the figure of Ksh.3,637,149.10 reported as payments in the bank statement not recorded in the cashbook is an amount of Ksh.18,540.00 being transposition errors reported as cashbook under cast which have since been corrected in the cashbook vide folio 70 in this financial year's cashbook on 31.01.2018. That also an amount of Ksh.2, 459,009.10 has since cleared as shown in the attached December, 2017 reconciliation statement. That the remaining balance of Ksh.1,159,600.00 will clear in the subsequent months. 			
3.4	Recurrent Account – Bank Reconciliation	<p>It is true that the bank certificate balance of Ksh. 32,375,185.65 differs with the bank reconciliation balance of Ksh.40,152.15. The difference is explained by timing differences between the balances as at the close of business on 30th June, 2017 (in this case the bank Certificate balance) and the bank balance already adjusted by payments made on 30th June, 2017 but which cleared on early July, 2017 (in this case bank reconciliation balance). This bank certificate balance tallies with the closing bank balance as of 30th June 2017(herein called June 1) whereas the reconciled bank balance agrees with</p>	James Thuita HAU	Not Resolved	30 th June 2019

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 Reports and Financial Statements
 For the year ended June 30, 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)
4.0	<p>Accounts Receivables</p> <p>- Outstanding Imprest and Clearance Accounts</p>	<p>balance adjusted for timing differences and covers the extended period for payments made on 30th June but clear on early July, 2017 up to and including July, 10th 2017.</p> <p>(i) Long outstanding imprest of Ksh 20,308,890</p> <p>it is true that imprest amounting to Kshs 20,308,890 are long outstanding due to the fact that some of the defaulters are from different ministries and State departments. Further, we would like to state that effort have been put towards the recovery of these Outstanding amounts.</p> <p>(ii) Non Adherence to imprest control where officers are issued with more than one imprest before surrendering the previous</p> <p>These arise where an officer has brought the surrender documents but they have not yet been processed in the IFMIS system upto the final stage.</p> <p>(iii) It is true that there was differences between the IFMIS register and the manual register ,We would like to state that control measures have been designed to ensure</p>	James Thuita HAU	Not Resolved	30 th June 2019

**Reports and Financial Statements
For the year ended June 30, 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 e: (Put a date when you expect the issue to be resolved)
		<p>that periodic reconciliation between the IFMIs register and manual register is done to ensure correctness of the outstanding amount.</p> <p>(iv) Understatement by Kshs 16,186,641.94 it is true Outstanding imprest were understated by 16,186,641.94. These amount of imprests were issued from the deposit account that do not form part of voted provisions. However we made a disclosure that they existed.</p> <p>(v) It is true there is no link between surrender vouchers and numbering of payment voucher in the cashbook and IFMIS ledger. We would like to state that that control measure are underway to device an efficient way of numbering the surrender and imprests to ensure easier tracing in the cashbook and in the IFMIS ledger</p>			

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 For the year ended June 30, 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)

**Reports and Financial Statements
For the year ended June 30, 2018**

Reference No. on the external audit Report	Issue / Observatio ns from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timefram e: (<i>Put a date when you expect the issue to be resolved</i>)

**Ministry of Lands and Physical Planning
Reports and Financial Statements
For the year ended June 30, 2018**

Muraguri

Principal Secretary
Name: Dr. Nicholas Muraguri

Jane Wanjiru Mburu

Ag. Principal Accounts Controller
Name: Jane Wanjiru Mburu
ICPAK Member Number: 5541

Ministry of Lands and Physical Planning
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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

PENDING BILLS F/Y 2017/18

S/NO	Payee	SUPPLIES OF GOODS	
		Amount (Kshs.)	COMMENTS
1	Nation Media Group	2,250,000.00	Lack of exchequer
2	Jephama Gen. Merchants	1,050,800.00	Lack of exchequer
3	M/S Vanna Design Houzz	550,000.00	Lack of exchequer
4	Neliwa Enterprises	3,776,300.00	Lack of exchequer
5	M/S Neliwa Enterprises	577,500.00	Lack of exchequer
6	M/S Kevsher	1,096,000.00	Lack of exchequer
7	M/S McLain Hansons & Co	1,375,000.00	Lack of exchequer
8	M/S Lekha Trading Co. Ltd	980,000.00	Lack of exchequer
9	Charshop Enterprises	5,850,000.00	Lack of exchequer
10	Charshop Enterprises	4,711,600.00	Lack of exchequer
11	M/S Zipe Enterprises & Gen Supplies	1,960,000.00	Lack of exchequer
12	M/S Morningstar Holdings Ltd	2,000,000.00	Lack of exchequer
13	M/S Trihard Solutions	1,980,000.00	Lack of exchequer
14	M/S Angel Heights Enterprises	1,966,000.00	Lack of exchequer
15	M/S Trihard Solutions	1,110,000.00	Lack of exchequer
16	M/S Trihard Solutions	3,125,000.00	Lack of exchequer
17	M/S Lucianne Enterprises	1,234,200.00	Lack of exchequer
18	M/S Charshop Enterprises	11,200,000.00	Lack of exchequer
19	M/S Sakawa Trading	1,000,000.00	Lack exchequer

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20	M/S Modern Hypermart Solutions	12,000,000.00	Lack of exchequer
21	M/S Adet Enterprises	3,325,000.00	Lack of exchequer
22	M/S Modern Hypermart Solutions	12,000,000.00	Lack of exchequer
23	M/S Charshop Enterprises	5,360,800.00	Lack of exchequer
24	M/S Jephama Gen. Merchants	2,081,000.00	Lack of exchequer
25	M/S Gona Ventures	2,054,000.00	Lack of exchequer
26	M/S Gona Ventures	3,906,000.00	Lack of exchequer
27	M/S Petmu Enterprises	1,980,000.00	Lack of exchequer
28	M/S Vineyard Hypersolutions	1,980,000.00	Lack of exchequer
29	M/S Vineyard Hypersolutions	1,993,950.00	Lack of exchequer
30	M/S Vineyard Hypersolutions	1,960,000.00	Lack of exchequer
31	M/S Unigram Enterprises	943,500.00	Lack of exchequer
32	M/S Metropolitan Agencies	1,978,000.00	Lack of exchequer
33	M/S Mid-Week General Supplier	1,060,000.00	Lack of exchequer
34	M/S Coutech Products	2,040,000.00	Lack of exchequer
35	M/S Seal Bridge Agencies	1,950,000.00	Lack of exchequer
36	M/S Vineyard Hypersolutions	1,875,000.00	Lack of exchequer
37	M/S Open Century Technologies	1,800,000.00	Lack of exchequer
38	M/S Momentum Solutions	2,145,000.00	Lack of exchequer
39	M/S Calf Holdings	2,510,000.00	Lack of exchequer
40	M/S Raipcon Supplies	1,950,000.00	Lack of exchequer
41	M/S Momentum Solutions	1,500,000.00	Lack of exchequer
42	M/S Mangwayas Investment	1,984,500.00	Lack of exchequer
43	M/S Momentum Solutions	3,387,500.00	Lack of exchequer
44	M/S Dan & Dave Services	1,145,000.00	Lack of exchequer
45	M/S Equipelt Enterprises	967,500.00	Lack of exchequer

**Ministry of Lands and Physical Planning
Reports and Financial Statements
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46	M/S Toyota Kenya Ltd	7,753,649.00	Late submission of pre inspection report by chef mechanical
47	Neshiny Technologies	1,975,000.00	Late delivery and submission of invoice
48	Venamaris Investments	652,000.00	Late submission of invoice
49	Zetron Agencies	5,887,500.00	Late delivery and submission of invoice
50	Crestoware Logistics	3,724,500.00	Late delivery and submission of invoice
51	Primart Stationers and Printers	2,159,001.00	Late delivery and submission of invoice
52	Pestewa Agencies	2,000,000.00	Late delivery and submission of invoice
53	Kaska Commercial Agencies	1,662,500.00	Late delivery and submission of invoice
54	Stera It Solutions	1,780,000.00	Late Submission of Invoice
55	Blam Enterprises	2,660,000.00	Late submission of invoices
56	Blam Enterprises	3,360,000.00	Late submission of invoices
57	Blam Enterprises	3,444,000.00	Late submission of invoices
58	Dordan Suppliers	1,987,000.00	Late submission of invoices
59	Starhotech Supplies	5,912,500.00	Late submission of invoices
60	Fredrisia General Merchants	1,995,000.00	Late submission of invoices
61	Evatechic Electrical Services	1,764,000.00	Late submission of invoices
62	M/S Kengold Logistics	1,720,700.00	Late submission of invoices
63	M/S Kimgen Supplies Company	1,968,800.00	Late submission of invoices
64	M/S Kimgen Supplies Company	501,250.00	Late submission of invoices
65	M/S Kiwaka Gen. Merchants	1,295,500.00	Late submission of invoices
66	M/S Jecin Enterprises	315,000.00	Late submission of invoices
67	Gap Innovators	309,604.00	Late submission of invoices
68	City Belview Foods Ltd	8,739,599.00	Late submission of invoices
69	Sleek Sourcing Ltd	516,200.00	Late submission of invoices
		187,752,453.00	

SUPPLY OF SERVICES

**Ministry of Lands and Physical Planning
Reports and Financial Statements
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S/NO	Payee	Amount (Kshs.)	Reasons why payment was not made
1	M/S Primate Tours	2,074,375.00	Lack of exchequer
2	Click N Tell	10,900,000.00	Lack of exchequer
3	M/S Jw Squared Agencies	1,775,000.00	Lack of exchequer
4	M/S Clempet Enterprises	1,750,000.00	Lack of exchequer
5	M/S Samara Technologies	1,875,000.00	Lack of exchequer
6	M/S Masai Mara (Sopa)	396,400.00	Lack of exchequer
7	Rahim Auto Technologies	386,500.00	Lack of exchequer
8	M/S Elena Consultants	9,714,563.80	Lack of exchequer
9	Copy Cat	2,209,098.20	Lack of exchequer
10	M/S Fredrisia General Merchants	1,800,000.00	Lack of exchequer
11	M/S Wilva Electrical Services & Hardware	160,000.00	Lack of exchequer
12	Ms Prowler Security Services	340,000.00	Lack of exchequer
13	Simba Corporation Limited	677,612.00	Lack of exchequer
14	Kenya School Of Government Baringo	2,000,000.00	Lack of exchequer
15	Kenya School Of Government Baringo	2,104,000.00	Lack of exchequer
16	Kenya School Of Government Embu	2,906,090.00	Lack of exchequer
17	Gatcom Services	2,000,000.00	Lack of exchequer
18	Coseke Kenya Limited	17,632,000.00	Late Submission of Invoices
19	Kenyan Bankers SACCO	294,640.00	Late Submission of Invoices
20	M/S Sparkling Clean Services	1,872,000.00	Late Submission of Invoices
21	M/S Aimat Company	214,600.00	Late Submission of Invoices
22	M/S Gekam Enterprises	242,000.00	Late Submission of Invoices

**Ministry of Lands and Physical Planning
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23	M/S Colt Ltd	1,403,333.00	Late Submission of Invoices
24	M/S Mider International	112,500.00	Late Submission of Invoices
25	M/S Spero Africa Corporate	302,400.00	Late Submission of Invoices
26	M/S Standard Group	9,438,960.00	Late Submission of Invoices
27	M/S The Copy Cat	838,622.00	Late Submission of Invoices
28	M/S Lavington Security	2,116,280.00	Late Submission of Invoices
29	M/S Aimat Company	214,600.00	Lack of exchequer
30	M/S MFI Document Solutions Ltd	1,575,220.00	Lack of exchequer
31	M/S Joatechic Enterprises	1,943,100.00	Lack of exchequer
32	M/S Chakama Office Supplies	18,300,000.00	Lack of exchequer
33	M/S Masada Hotel	350,000.00	Lack of exchequer
34	Primate Tours	2,450,000.00	Lack of exchequer
35	Benchero General Supplies	1,960,000.00	Lack of exchequer
36	Rocmax Investment	150,000.00	Lack of exchequer
37	Benchero General Supplies	350,000.00	Lack of exchequer
38	Bridget Enterprises	580,000.00	Lack of exchequer
39	Putai Agencies Ltd	1,750,000.00	Lack of exchequer
40	Joychet Enterprises	634,945.00	Lack of exchequer
41	Start General Contractors	675,000.00	Lack of exchequer
42	Kap-M Enterprises	890,550.00	Lack of exchequer
43	Brejent Enterprises	176,120.00	Lack of exchequer
44	Emmakwara Consultants	1,323,170.00	Lack of exchequer
45	Nashiteq Solutions Ltd	497,986.00	Lack of exchequer
	TOTAL	111,356,665.00	
	GRAND TOTAL	299,109,118.00	

