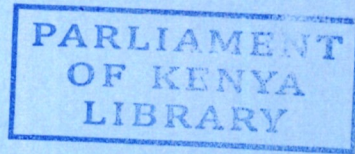


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE REVENUE STATEMENTS OF THE
MINISTRY OF LAND AND PHYSICAL
PLANNING**

**FOR THE YEAR ENDED
30 JUNE 2017**



**RECEIVER OF REVENUE
MINISTRY OF LAND AND PHYSICAL PLANNING**

REVENUE STATEMENT

**FOR THE FINANCIAL YEAR ENDED
JUNE, 30, 2017**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

Ministry of Land and physical planning

a) Background information

The receiver of revenue is under the Ministry of Land and Physical Planning. At Cabinet level, the receiver of Revenue is represented by Cabinet Secretary for Ministry of Land and Physical Planning, who is responsible for general policy and strategic direction of the Ministry. The receiver of revenue, was appointed as receiver for the financial 2016/2017.

b) Principle activities

The receiver of revenue collects revenue from Rent of Land, Land registration fee, Land valuation fee, Conveyance fees, Land adjudication & case fees, Stand premium on town plots and other land revenues. Revenue collection is remitted to National Treasury and used for Government operations.

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C) Key management

The Ministry of Land and Physical Planning day –to-day running is under the following key management:

1	Cabinet Secretary	Prof. Jacob T Kaimenyi
2	Principal Secretary	Dr. Nicholas Muraguri

Senior Management;

1	Land Secretary	Peter K Kahuho
2	Chief land Registrar	Jane W Ndiba
3	Principal Accounts Controller	Johnson W Njuguna
4	Senior Chief Finance Officer	Ezekiel Omari
5	Director Administration	Amb. Julius Kandie
6	Director Survey	Cesare. N Mbaria
7	Director Physical Planning	Augustine K Masinde
8	Director Land Adj.&Settlement	Esther N Ogega
9	Director H.R.M. & D	Agnes O Nyakiba
10	Director Supply Chain mgt	Ndonye Mutua
11	Chief I.C.T	Mercy Meme
12	Principal Public Com Officer	Joseph K. Mwangi
13	Deputy Chief Economist	Julius Muriithi

D) Entity Headquarters

P.O Box 30450-00100

Ardhi House

1stNgong Avenue

Nairobi Kenya

E) Entity Contacts

Telephone 254(0)202718050

E-mail ardhi.go.ke

Website www.ardhi.go.ke

F) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Tower, University Way

P.O box 30084-00100

NAIROBI, KENYA

G) Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O Box 60000-00200

NAIROBI, KENYA

H) Principal Legal Adviser

The Attorney General

State law Office

Harambee Avenue

P.O Box 40112-00200

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
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II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Principal Secretary in charge of the Ministry of Land 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 Ministry for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Ministry; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the Ministry accepts responsibility for the Ministry of Land and Physical Planning 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) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2017, and of the Ministry's financial position as at that date. The Principal Secretary in charge of the Ministry of Land and Physical Planning further confirms the completeness of the accounting records maintained for the Ministry of Land and Physical Planning which have been relied upon in the preparation of the Ministry of Land and Physical Planning financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the Ministry of Land and Physical Planning has ensured that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The revenue statements were approved and signed by the Principal Secretary on _____ 2017



Principal Secretary



Principal Accounts

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE REVENUE STATEMENTS OF THE MINISTRY OF LAND AND PHYSICAL PLANNING FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE REVENUE STATEMENTS

Disclaimer of Opinion

I have audited the accompanying revenue statements of the Ministry of Land and Physical Planning set out on pages 7 to 17, which comprise the statement of revenues and transfers for the year ended 30 June 2017, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1.0 Land Rent Collected by KRA on behalf of the Ministry

Note 3 to the revenue statement for the year ended 30 June, 2017 under property income of Kshs.902,364,582 includes Kshs.880,104,997 collected by Kenya Revenue Authority and remitted to the National Treasury as at 30 June 2017. However, as reported previously, the Agency Agreement between the Ministry of Land and Physical Planning was not availed for audit review for confirmation of specific terms and conditions of the agreement.

In the circumstance, it has not been possible to confirm the accuracy and validity of the property income of Kshs.902,364,582 included in the statement of revenues and transfers.

2.0 Other Land Revenue

Note 4 to the revenue statement for the year ending 30 June, 2017 reflects other land revenue amounting to Kshs.685,791,538. The full breakdown/analysis of this figure

Report of the Auditor-General on the Revenue Statements of the Ministry of Land and Physical Planning for the year ended 30 June 2017

was not provided for audit review. Further, the figure was supported with a schedule of banking supposedly made from various land registries across the country. The schedule was obtained purely from the bank and did not include all the revenues collected by the registries during the year under review. In the circumstance, it has not been possible to determine the accuracy and validity of the figure for other Land Revenue of Kshs.685,791,538 included in the statement of revenues and transfers.

3.0 Budgeted and Actual Collection of Revenue

In 2016/2017 financial year, the Ministry of Land and Physical Planning had projected to collect revenue amounting to Kshs.2,950,779,981. However, the Ministry was only able to realize Kshs.1,709,236,113 resulting to a variance of Kshs.1,241,543,868 or 42% as detailed below:-

Revenue Item	Budget Kshs.	Actual Collection Kshs.	Under collection Kshs.	Over Collection Kshs.
Taxes on Property	108,228,668	78,720,154	(29,509,514)	-
Other Taxes	-	10,492,389	-	10,492,389
Property Income	1,897,437,408	902,364,582	(995,072,826)	-
Sales of Goods & Services	945,112,905	718,956,845	(226,156,060)	-
	2,950,779,981	1,710,533,970	1,250,738,400	10,492,389

In view of the above, the Ministry failed to collect revenue to the tune of 42% of the budgeted revenue. This may have impacted negatively on the country's budgeted development projects.

4.0 Land Rent Revenue Collected at Headquarters

As previously reported, note 3 to the revenue statements for the year ended 30 June 2017 reflect that Kshs.22,259,585 in respect of land rent revenue was collected at the Ministry's head office. The Ministry uses e-citizen software which is system based to collect land rent revenue. A review of the system indicated the following internal control weaknesses:-

- 4.1 The source documents such as copy of title deed/lease certificate, demand notice generated by the system indicating the amount of land rent payable and bank deposit slip or proof of payment are not maintained by the department making it difficult to ascertain whether the correct amount was billed or received.
- 4.2 The users are able to edit existing data about revenue in the system such as date of latest clearance which may affect the amount payable. This compromises the quality and reliability of the revenue records available.

In the circumstance, it has not been possible to confirm the validity, accuracy and completeness of the land rent revenue of Kshs.22,259,585 included under property income in the statement of revenue and transfers.

5.0 Unexplained Variance between the Ministry and Treasury records

From the statement of revenue and transfers, the ministry transferred Kshs.830,429,072 to the Exchequer. However, as similarly reported in prior years, records maintained by the National Treasury indicated total receipts of Kshs.920,172,684 from the Ministry resulting in a variance of Kshs.89,743,612 which has not been explained or reconciled. In addition, the statement of revenue and transfers indicates that Kenya Revenue Authority collected on behalf of the Ministry and remitted to the Exchequer Kshs.880,104,997 as at 30 June 2017. However, Treasury records indicate the amount received from KRA on account of the Ministry to be Kshs.919,345,537 resulting to additional variance of Kshs.39,240,541 which has not been reconciled or explained. In the circumstance, the accuracy and validity of the total revenue collected of Kshs.1,710,534,069 included in the statement of revenue and transfers could not be confirmed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

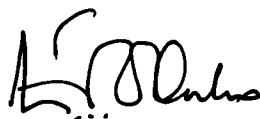
Those charged with governance are responsible for overseeing the Ministry's revenue reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statement

My responsibility is to conduct an audit of the Ministry's revenue statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Ministry of Land and Physical Planning 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.



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

Nairobi


16 March 2018

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
 REVENUE STATEMENTS
 FOR FINANCIAL YEAR ENDED, 30th, JUNE, 2017


IV. STATEMENT OF REVENUES AND TRANSFERS

	Note	2016-2017 Kshs	2015-2016 Ksh
TAX REVENUES			
Taxes on Property	1	78,720,154.00	35,940,314.00
Other Taxes	2	<u>10,492,389.00</u>	<u>25,736,396.00</u>
TOTAL TAX RECEIPTS		89,212,543.00	61,676,710.00
NON TAX REVENUES			
Property Income	3	902,364,581.50	1,418,358,561.70
Sale of Goods and Services	4	<u>718,956,844.85</u>	<u>480,445,203.10</u>
TOTAL NON TAX RECEIPTS		1,621,321,526.35	1,898,803,764.90
TOTAL REVENUE COLLECTED		1,710,534,069.35	1,960,480,474.90
Transfers To Exchequer Account by The Ministry		(830,429,072.40)	(779,471,911.15)
Land Rent collected by KRA on behalf of Ministry		(880,104,996.50)	(1,181,008,563.75)
BALANCE BROUGHT FORWARD	5(a)	NIL	NIL
BALANCE CARRIED FORWARD	5(b)	<u>NIL</u>	<u>NIL</u>

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on _____ 2017 and signed by:



 Principal Secretary



 Principal Accounts Controller

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
 REVENUE STATEMENTS
 FOR FINANCIAL YEAR ENDED, 30th, JUNE, 2017

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs
Tax Revenue					
Taxes on Property	108,229,668.00	-	108,229,668.00	78,720,154.00	-29,509,514.00
Other Taxes	-	-	-	10,492,389.00	-
Total Tax Revenue	108,229,668.00	-	108,229,668.00	89,212,543.00	-19,017,125.00
Non Tax Revenue					
Property Income	1,897,437,408.00	-	1,897,437,408.00	902,364,581.50	-995,072,826.50
Sale of Goods and Services	945,112,905.00	-	945,112,905.00	718,956,844.85	-226,156,060.15
Total Non Tax Revenue	2,842,550,313.00	-	2,842,550,313.00	1,621,321,426.35	-1,221,228,886.65
Total Revenue	2,950,779,981.00	-	2,950,779,981.00	1,710,533,969.35	(1,240,246,011.65)

(a) The decrease in tax revenue and non tax revenue in property revenue collections.

- i. Decreased land transactions were attributed by the political environment prevailing during the election period and
- ii. Over estimation of the items under sale of Goods and Services.

VII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry. The accounting policies adopted have been consistently applied to all the years presented.

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

2. Recognition of Revenue

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

3. Budget

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

4. Comparative Figures

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

5. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2017.

6. Revenue in Arrears

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

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

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
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1. TAXES ON PROPERTY

	Revenue Estimates 2016/2017	Actual Collection 2016/2017
	Kshs	Kshs
Immovable Property (Stand Premium on Town Plots)	108,229,668.00	78,720,154.00
Total Revenue on Property	108,229,668.00	78,720,154.00
Balance brought forward	-	-
Transfers to the Exchequer account by the Ministry		(78,720,154.00)
Balance carried forward	-	-

The variance was due to decreased land transactions, this was attributed to the political environment prevailing during the election period.

The above revenue statement was approved on _____ 2017 and signed by:



Principal Secretary



Principal Accounts Controller

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
 REVENUE STATEMENTS
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2. OTHER TAXES

	Revenue Estimates 2016/2017	Actual collection 2016/2017
Stamp Duty	-	10,492,389.00
Total Revenue Other Taxes	-	10,492,389.00
Balance brought forward	-	-
Transfers to the Exchequer account by the Ministry	-	(10,492,389.00)
Balance carried forward	-	-

The Receiver of revenue of stamp duty is the PS National Treasury. The above amount appears for purpose of disclosure.

The above revenue statement was approved on _____ 2017 and signed by:



Principal Secretary



Principal Accounts Controller

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
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 FOR FINANCIAL YEAR ENDED, 30th, JUNE, 2017

3. PROPERTY INCOME

	Revenue Estimates 2016/2017	Actual collection 2016/2017
Rent of Land	1,897,437,408	902,364,581.50
Total Property Income	1,897,437,408	902,364,581.50
Balance brought forward	-	-
Amount collected by KRA to treasury	-	(880,104,996.50)
Transfers to the Exchequer account by the Ministry	-	(22,259,585.00)
Balance carried forward	-	-

The variance was due to decreased land transactions, this was attributed to the political environment prevailing during the election period.

The above revenue statement was approved on _____ 2017 and signed by:



Principal Secretary



Principal Accounts Controller


RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
 REVENUE STATEMENTS
 FOR FINANCIAL YEAR ENDED, 30th, JUNE, 2017

4. SALE OF GOODS AND SERVICES

	Revenue Estimates 2016/2017	Actual collection 2016/2017
Land Valuation Fees	8,297,244.00	5,141,156.00
Land Adjudication and Case Fees	42,000.00	34,810.00
Land Registration Fees	24,095,004.00	21,803,521.00
Conveyance Fees	2,813,016.00	6,185,820.00
Other Land Revenue	97,575,464.00	685,791,537.85
Sale of freehold interest in Agricultural Land	81,472.00	0
Sale of Goods and Fee for Services	812,208,705.00	0
Balance brought forward	-	-
Total Revenue Sale of Goods and Services	945,112,905.00	718,956,844.85
Transfers to the Exchequer account by the Ministry	-	(718,956,844.85)
Balance brought forward	-	-

The decrease in land valuation fees, Land Adjudication and cases fees and Land Registration was attributed to political environment during the election year.

The above revenue statement was approved on _____ 2017 and signed by:


 Principal Secretary



Principal Accounts Controller

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
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 FOR FINANCIAL YEAR ENDED, 30th, JUNE, 2017

5. BALANCES CARRIED FORWARD

a) Balance brought forward subsequently transferred	<i>Date transferred</i>
Amount	
1.NIL	1 July NIL
b) Balance brought forward yet to be transferred	
1.NIL	

a. BALANCES BROUGHT FORWARD

There were nil balances brought forward for the year ended 30 June 2016.

b. BALANCES CARRIED FORWARD

There were no balances carried forward for the year ended 30 June 2017 since the revenue account is a zero balancing account, where everyday revenue banked is transferred to the exchequer through a standing order by Treasury to Central Bank of Kenya.

RECEIVER OF REVENUE – MINISTRY OF LAND AND PHYSICAL PLANNING
 REVENUE STATEMENTS
 FOR FINANCIAL YEAR ENDED, 30th, JUNE, 2017

APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE THE YEAR ENENDED 30TH JUNE, 2017.

Name of person / organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver	Reasons for waiver/ variation	The law in terms of which the variation was granted
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

There were no waivers and variations of taxes, fees or charges granted by the Receiver of Revenue for the year ended 30th June, 2017.

(PFM ACT section 82 sub section 4, 5)