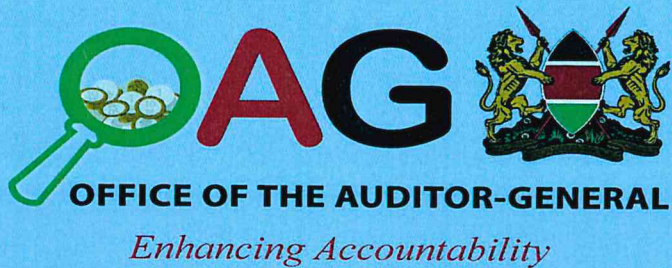


REPUBLIC OF KENYA



**REPORT**

**OF**

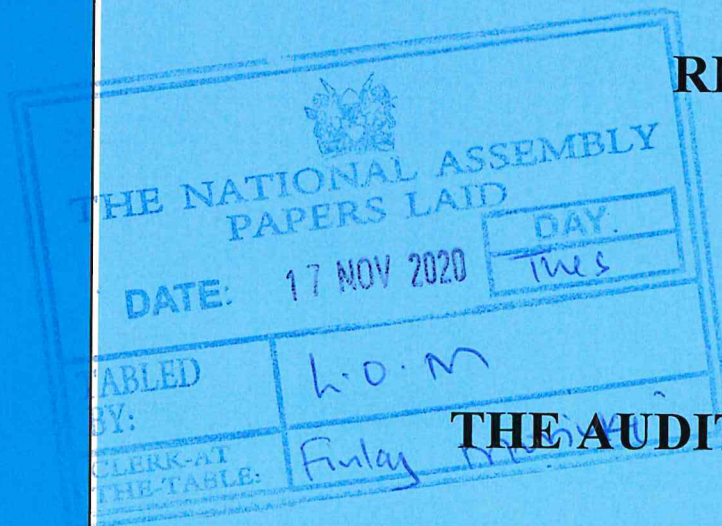
**THE AUDITOR-GENERAL**

**ON**

**REVENUE STATEMENTS**

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

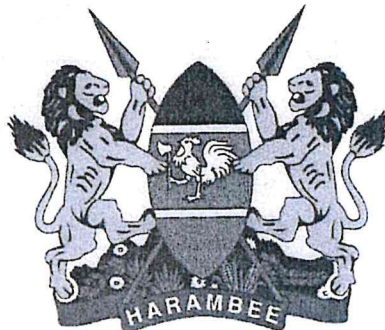
**MINISTRY OF DEFENCE**



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**RECEIVER OF REVENUE  
MINISTRY OF DEFENCE**

**AMENDED REVENUE STATEMENTS**

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

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







MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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**MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Kenya Defence Forces is under the Ministry of Defence at cabinet level, the Ministry is represented by the Cabinet Secretary for Ministry of Defence who is responsible for the general policy and strategic direction of the Ministry. The Ministry was appointed as a receiver on **26<sup>th</sup> July 2018**

**(b) Principal activities**

The receiver of revenue collects revenue from AMISON Grants. Revenue collected is remitted to the National Treasury and used for

**(c) Key Management**

The Ministry of Defence's day-to-day management is under the following key organs:

- Cabinet Secretary; AMB Raychelle Awuor Omamao, SC, EGH.
- Principal Secretary; Ibrahim Mohamud Mohamed, CBS.
- Senior Management;
  - **The Chief of the Defence Forces Gen.** Samson Mwathethe MGH, MBS, DCO 'ndc' (K) 'psc' (UK)
  - **Commander Kenya Army.** Lt. Gen. Walter Raria CBS, OGW 'ndc' (K) 'psc' (TZ)
  - **Commander Kenya Air Force.** Maj. Gen. F O Ogolla EBS, HSC, 'ndc' (K) 'psc' (FRA)
  - **Commander Kenya Navy.** Maj. Gen. Levi Franklin Mghalu MGH, MBS, 'ndc' (K) 'psc' (RSA)

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary.	AMB Raychelle Awuor Omamao, SC, EGH
2	Principal Secretary.	Ibrahim Mohamud Mohamed, CBS.
3	The Chief of the Defence Forces Gen.	Samson Mwathethe MGH, MBS, DCO 'ndc' (K) 'psc' (UK)
4	Commander Kenya Army.	Lt. Gen. Walter Raria CBS, OGW 'ndc' (K) 'psc' (TZ)
5	Commander Kenya Air Force.	Maj. Gen. F O Ogolla EBS, HSC, 'ndc' (K) 'psc' (FRA)
6	Commander Kenya Navy.	Maj. Gen. Levi Franklin Mghalu MGH, MBS, 'ndc' (K) 'psc' (RSA)





**MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**(e) Ministry Headquarters**

P.O. Box 40668-00100  
Ulinzi House  
Lenana Road.  
Nairobi, KENYA

**(f) Ministry Contacts**

Telephone: (254) 020-2721100  
E-mail: [ps@mod.go.ke](mailto:ps@mod.go.ke)  
Website: [www.mod.go.ke](http://www.mod.go.ke)

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

Telephone: (254) 2227461/ 2251355  
E-mail: [communications@ag.go.ke](mailto:communications@ag.go.ke)  
Website: [www.go.ke](http://www.go.ke)

**(i) Bankers**

Telephone: (254) 202860000  
E-mail: [comms@centralbank.go.ke](mailto:comms@centralbank.go.ke)  
Website: [www.centralbank.go.ke](http://www.centralbank.go.ke)





**MINISTRY OF DEFENCE- REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES**

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

The Principal Secretary in charge of the Ministry of Defence is responsible for the preparation and presentation of the Ministry revenue account, which gives 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, 2019. 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 Ministry of Defence; (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 of Defence accepts responsibility for the Ministry of revenue accounts, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the Ministry revenue account gives a true and fair view of the state of Ministry of revenue transactions during the financial year ended June 30, 2019, and of the Ministry of Defence financial position as at that date. The Principal Secretary in charge of the Ministry of Defence further confirms the completeness of the accounting records maintained for the Ministry revenue, which have been relied upon in the preparation of the Ministry revenue account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the Ministry of Defence confirms that the Ministry of Defence has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry of Defence'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 revenue's accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the Revenue Statements**

The revenue statements were approved and signed by the Principal Secretary on 10.01. 2020.



Principal Secretary  
**IBRAHIM MOHAMUD MOHAMED, CBS**



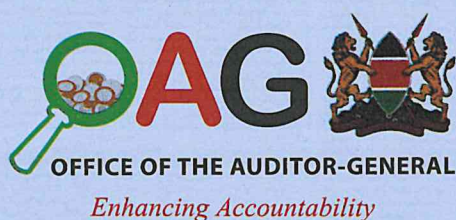
Principal Accountant  
**CPA ELECTINA WASIKE**  
ICPAK NO. 3674





# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2019 - MINISTRY OF DEFENCE**

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### **REPORT ON THE REVENUE STATEMENTS**

#### **Opinion**

I have audited the accompanying revenue statements of Ministry of Defence set out on pages 6 to 12, which comprise the statement of arrears of revenue as at 30 June, 2019 and the statement of revenue and transfers for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the revenue statements present fairly, in all material respects, the nil arrears of revenue of the Ministry of Defence as at 30 June, 2019, and of its revenue performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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



## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

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 revenue 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these revenue statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the revenue statements, Management is responsible for assessing the ability of the Ministry of Defence to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless



Management is aware the intention to terminate the Ministry of Defence or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the revenue statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the revenue 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 revenue statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these revenue statements.

In addition to the audit of the revenue statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the revenue 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 revenue statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

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

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

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

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

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



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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

02 November, 2020




**MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**


**III. STATEMENT OF REVENUE AND TRANSFERS**

	Note	2018/2019 Kshs	2017/2018 Kshs
<b>NON TAX REVENUES</b>			
UN/ AMISON Reimbursement	1	4,655,965,468.00	00
Other Receipts	2	595,439,295.00	00
<b>TOTAL REVENUE COLLECTED</b>		<b>5,251,404,763.00</b>	<b>000</b>
<b>TRANSFERS TO EXCHEQUER ACCOUNT</b>		5,251,404,763.00	00
<b>BALANCE BROUGHT FORWARD</b>	3	NIL	00
<b>BALANCE CARRIED FORWARD</b>	4	<b>NIL</b>	<b>000</b>

The comparative column has zero figures. This is because financial year 2017/2018 and prior years, the P/S Ministry of Defence was not an appointed receiver of revenue. P/S Treasury was the appointed receiver of revenue. All revenue collected were being transmitted to the P/S National Treasury who used to prepare the revenue statement.

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 10.01.2020 and signed by:

  
Principal Secretary  
**IBRAHIM MOHAMUD MOHAMED, CBS**  
(Ref: PFM ACT section 82,2(a))

  
Principal Accountant  
**CPA ELECTINA WASIKE**  
ICPAK NO. 3674



**MINISTRY OF DEFENCE- REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2019	Amount in arrears for the immediate previous year to 30 June 2018	Amount in arrears for the current year to June 30, 2019	Total arrears as at 30 June 2019	Measures taken to recover the arrears	Assessment to the recoverability of arrears
<b>Non Tax Revenues</b>						
Other Receipts	NIL	-	-	-	N/A	
<b>Total arrears</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

There were no arrears of revenue.



Principal Secretary  
**IBRAHIM MOHAMUD MOHAMED, CBS**

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



Principal Accountant  
**CPA ELECTINA WASIKE**  
ICPAK NO. 3674





**MINISTRY OF DEFENCE- REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**V. SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of Compliance and Basis of Preparation**

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

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

**2. Recognition of Revenue**

The Ministry of Defence 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. Cash and cash equivalents**

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

**5. Revenue in Arrears**

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



**MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**6. Comparative Figures**

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

**7. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2019.





MINISTRY OF DEFENCE- REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE TO THE ACCOUNTS:

1. UN/ AMISON REIMBURSEMENT TO GOK

	Original Estimates	Revised Estimates	Actual	% Realized
UN/ AMISOM	6,500,000,000.00	6,500,000,000.00	4,655,965,468.00	71%
Transfers to the Exchequer account			4,655,965,468.00	100%
Balance carried forward			Nil	0

The actual revenue collected is as stated above and was all surrendered to Exchequer.

The above revenue statement was approved on 10.11.2020 and signed by:



Principal Secretary  
IBRAHIM MOHAMUD MOHAMED, CBS



Principal Accountant  
CPA ELECTINA WASIKE  
ICPAK NO. 3674



MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

2. OTHER RECEIPTS

	Original Estimates	Revised Estimates	Actual	% Realized
Others	N/A	N/A	595,439,295.00	
Total Revenue	0	0	595,439,295.00	
Balance brought forward	0	0	0	
Transfers to the Exchequer account	0	0	595,439,295.00	
Balance carried forward	0	0	0	

The actual revenue collected is as stated above and was all surrendered to Exchequer.

The above revenue statement was approved on 10.01.2020 and signed by:



Principal Secretary  
IBRAHIM MOHAMUD MOHAMED, CBS



Principal Accountant  
CPA ELECTINA WASIKE  
ICPAK NO. 3674





MINISTRY OF DEFENCE  
REVENUE STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

3. BALANCES CARRIED FORWARD

<u>Balance brought forward subsequently transferred</u>	<u>Date transferred</u>
Amount	
1. 00	N/A
2. 00	N/A
N/A	
<u>Balance brought forward yet to be transferred</u>	
1. 00	
2. 00	
N/A	
N/A	



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

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

(PFMACT section 82 sub section 4, 5)



