



# **THE KENYA GAZETTE**

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**NAIROBI, 29th March, 2018**

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GAZETTE NOTICE NO. 3128

## **THE WILDLIFE CONSERVATION AND MANAGEMENT ACT**

(No. 47 of 2013)

### **TASKFORCE ON WILDLIFE UTILIZATION**

Kenya is a leading wildlife conservation nation, spearheading and hosting a number of global conservation initiatives. The Government is intent in guarding this position. Consumptive utilization of wildlife is regarded as a means by which deliberate mechanisms may be provided to grow and utilize wildlife stock in a sustainable manner that accrues benefits the country and communities hosting wildlife. Kenya has banned sport hunting and there is no intention in opening this debate.

Pursuant to section 4 (f), (g) and 72 (1), (2) of the Wildlife Conservation and Management Act, 2013, the Cabinet Secretary, Ministry of Tourism and Wildlife has established a Taskforce on Wildlife Utilization (Sustainable Wildlife Utilization) to assess and advice on modalities for implementing the provisions of the Act. This is in accordance with the obligations in Article 69 (1) (a) (d) and (h) of the Constitution of Kenya and the provisions of international conventions, treaties and protocols for which Kenya is a signatory to.

The Taskforce shall comprise of:

**John Waithaka (Dr.)**

*Chairperson*

#### *Members:*

**Peter Hetz (Dr.)**  
Wildlife Forum

**Executive Director, Laikipia**

**Ben Okita Ouma (Dr.)**

**Deputy Chair, African Rhino Specialist Group**

**Dr. David Western (Dr)**

**Patron, Africa Conservation Centre**

**Dr. Shadrack Ngene (Dr.)**

**Kenya Wildlife Service**

**Munira Bashir (Ms.)**

**Country Director, The Nature Conservancy**

**Stephen Manegene**

**Director, Wildlife Conservation**

**Caroline Kariuki (Ms.)**

**CEO, Kenya Private Sector Alliance**

**Holly T. Dublin (Dr.)**

**Senior Adviser IUCN Eastern and Southern Regional office**

#### *Joint Secretaries:*

**Ms Gladys Warigia**

**Lawyer, KWCA**

**Mr. Solomon Kyalo**

**Kenya Wildlife Service**

#### **1. Terms of reference of the Taskforce shall be to:**

- (a) Review policy and legislative framework relating to consumptive wildlife utilization including the Wildlife

Conservation and Management Act, 2013, their implications and impact;

- (b) Review the impact of relevant international conventions, treaties and on the implementation of consumptive wildlife utilization in Kenya;
- (c) Identify international restriction (if any) that may impact on sustainable consumption wildlife utilization in Kenya;
- (d) Determine the institutional and technical capacity for sustainable wildlife utilization;
- (e) Assess the statutory, institutional and regulatory regimes governing consumptive utilization and trade
- (f) Assess the potential and the economic benefits of consumptive wildlife utilization programs in contributing to improved food security, job creation and livelihood support;
- (g) Propose procedures, guidelines and conditions for licensing;
- (h) Propose recommendations; short term, medium term and long term interventions for sustainable wildlife utilization.

#### **2. In the Performance of its Mandate—**

- (a) The Task Force shall co-ordinate an inclusive stakeholder consultation process at all levels;
- (b) May with the approval of the Cabinet Secretary co-opt technical experts or any other resource provided that the co-opted members do not exceed one third of the Task Force;
- (c) May, with the approval of the Cabinet Secretary, engage the service of such consultants as may be found necessary for performance of its mandate;

#### **3. Term of Office—**

The term of office for the Task Force shall be 60 days from the date of publication of this notice; provided that the Taskforce shall submit to the Cabinet Secretary an interim report within 30 days.

#### **4. Reporting**

In the Performance of its mandate the Task Force shall be responsible to the Cabinet Secretary for Tourism and Wildlife.

#### **5. Secretariat**

The Secretariat of the Task Force shall be based at the Headquarters of the Ministry of Tourism and Wildlife.

Dated the 29th March, 2018.

**NAJIB BALALA,**  
*Cabinet Secretary for Tourism and Wildlife.*

GAZETTE NOTICE NO. 3129

## THE KENYA INFORMATION AND COMMUNICATIONS ACT

(Cap. 411A)

## APPLICATION FOR LICENCES

NOTICE is given that the following Applicants have, pursuant to the provisions of the Kenya Information and Communications Act (Cap. 411A), made applications to the Communications Authority of Kenya for the grant of the licences as below:-

Name	Licence Category
Rahma Broadcasting Limited, P.O. Box 16735-80100, Mombasa.	Commercial FM Radio Licence
Dontech Limited, P.O. Box 17987-00500, Nairobi.	Commercial FM Radio Licence
Fort Hall College Limited, P.O. Box 270-00621, Nairobi.	Commercial Free To Air Television Licence
Cable News Agency Limited, P.O. Box 4928-00100, Nairobi.	Commercial Free To Air Television Licence
Riverside Ministry, P.O. Box 53899-00200, Nairobi.	Commercial Free To Air Television Licence
Linkers International Limited, P.O. Box 666781-00100, Nairobi.	Commercial Free To Air Television Licence

The licences, if granted, will enable the applicants to operate and provide the services as indicated above. The grant of this license may affect public and local authorities, companies, persons or bodies of persons within the country.

The Authority wishes to notify the general public that any legal or natural person, or group of individuals, who are desirous of making any representation and/or any objection to the said applications, to do so vide a letter addressed to; The Director-General, Communications Authority of Kenya, CA Centre, Waiyaki Way, P.O. Box 14448-00800, Nairobi indicating the License Category on the cover enclosing it. The said representation and/or objection must be filed on or before expiry of thirty (30) days from the date of this notice and a copy of the same be forwarded to the Applicants.

Dated the 21st March, 2018.

MATANO M. NDARO,  
for Director-General.

GAZETTE NOTICE NO. 3130

## THE CONSTITUTION OF KENYA

## INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION ACT

(No. 9 of 2011)

## THE ELECTIONS ACT

(No. 24 of 2011)

## THE ELECTIONS (GENERAL) REGULATIONS, 2012

(L.N. 128/2012 and L.N. 72/2017)

## DECLARATION OF PERSON ELECTED AS MEMBER TO THE NATIONAL ASSEMBLY-KITUI WEST CONSTITUENCY.

IN EXERCISE of the powers conferred by Articles 88 (4), 93, 95, 97 (1) (a) and 101 (4) of the Constitution of Kenya, Section 4 of the Independent Electoral and Boundaries Commission Act, 2011, Sections 39 (1) and (1A) (i) of the Elections Act, 2011 and Regulations 83 (1) (a), (f) and (g) of the Elections (General) Regulations 2012, the Independent Electoral and Boundaries Commission declares that the person listed in the schedule hereunder was validly elected as Member to the National Assembly Member for Kitui West Constituency in the by-election held on the 26th March, 2018 and complied with the provisions of the Elections Act, 2011 and the Constitution.

## SCHEDULE

Surname	Other Names	County Code	County Name	Const Code	Constituency Name	Party Code	Political Party Name	Abbrev	Symbol	Votes garnered in figures	Votes garnered in words
Nyenze	Edith Vethi	015	Kitui	070	Kitui West	012	Wiper Democratic Movement-Kenya	WDM-K	Umbrella	14,372	Fourteen Thousand Three Hundred and Seventy Two

Dated the 29th March, 2018.

W.W. CHEBUKATI,  
Chairperson,  
Independent Electoral and Boundaries Commission.

GAZETTE NOTICE NO. 3131

## KENYA REVENUE AUTHORITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016

## REPORT OF THE AUDITOR-GENERAL ON KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

## Report on the Financial Statements

I have audited the accompanying financial statements of Kenya Revenue Authority set out on herein, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.



### Management's Responsibility for the Financial Statements

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

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

### Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### Basis for Qualified Opinion

#### 1. Land Without Title Deeds

As similarly reported in 2014/15, the statement of financial position as at 30th June, 2016, reflects land and building with a net book value of KSh. 9,004,562,000.00 as disclosed in Note 8 (1). Included in the balance of KSh. 9,004,562,000.00 are seventeen (17) parcels of land without title deeds valued at KSh. 378,000,000.00 which were transferred to the Authority by the Government in 1995. Under the circumstances, it has not been possible to confirm ownership status of these seventeen (17) parcels of land and whether property, plant and equipment balance of KSh. 15,631,210,000.00 as at 30 June 2016 is fairly stated.

#### 2. Cash and Bank

The cash and bank balance of KSh. 10,052,218,000.00 reflected in the statement of financial position as at 30 June 2016 and disclosed in Note 13 to the financial statements includes cash at hand, cash at bank, fixed deposits and Government Treasury Bills of KShs.467,000.00, KShs.275,770,000.00, KShs.5,008,878,000.70 and KShs.4,767,104,000.00 respectively. The cash and bank balance of KShs.10,052,218,000.00 is understated by KShs.5,593,645.23 as shown below:

	<i>Books of Accounts (KSh.)</i>	<i>Financial Statements (KSh.)</i>
Cash and Bank Balances		10,052,218,000.00
Cash-at -Hand	505,073.20	
Cash at Bank	281,324,477.33	
Fixed Deposits	5,008,878,319.70	
Treasury Bills	4,767,103,775.00	10,057,811,645.23
Understated Amounts		5,593,645.23

Consequently, the cash and bank balances of KSh. 10,052,218,000.00 reflected in the financial statements cannot be ascertained.

#### 3. Interest Income

The interest income balance of KSh. 834,982,000.00 reflected in the statement of financial performance for the year ended 30th June, 2016 differs with the ledger balance of KSh. 824,353,467.10 by KSh. 10,628,532.90. Further, the interest income balance of KSh. 834,982,000.00 excludes interest earned from fixed deposits at National Bank of Kenya Limited whose cash balance at the end of the year on 30 June 2016 was KSh. 61,541,000.50. The difference of KSh.10,628,532 between the interest income ledger balance and the financial statement balance and the exclusion of interest earned on fixed deposit at National Bank of Kenya has not been explained.

#### 4. Miscellaneous Income

The statements of financial performance for the year ended 30 June 2016 reflects other income of KSh. 314,901,000 which includes miscellaneous income balance of KSh. 141,113,000.00 as disclosed in Note 4 to the financial statements which however, excludes income generated from sale of revenue stamp collected through the Kenya Revenue Authority main bank account amounting to KSh. 13,541,567.00. Consequently, the miscellaneous income reflected in financial statements is understated by a similar amount.

#### 5. Other Incomes

The other income balance of KSh. 314,901,000.00 reflected in the statement of financial performance and disclosed in Note 4 (b) to the financial statement includes rental income of KSh. 28,180,000.00 earned from various rental properties owned by the Authority. Included in the value of property is a property at Wilson Airport whose rent income of KSh. 6,941,523.20 was not included in the property rental income for the year. Therefore the other income balance of KSh 314,901,000.00 is understated by a similar amount.

#### 6. Operating Expenses

The operating expenses of KSh. 980,537,000.00 reflected in the statements of financial performance for the year ended 30th June, 2016 includes bank charges expenses of KSh. 101,364,000.00 as disclosed in Note 6 to the financial statements. The bank charges include commission of KSh. 85,694,550.00 charged by commercial banks for rendering revenue collection services as shown below. This is against the provisions of service-level agreements signed between the financial institutions and the Authority that prohibit the imposition of any charges, commission or any other costs by the agent bank for any services rendered to the Authority for the purpose of collection of revenue.

<i>Bank</i>	<i>Date SLA Signed</i>	<i>Commission Charge (KSh.)</i>
National Bank	4/8/2014	58,480,400.00
Cooperative Bank	13/10/2014	7,387,350.00
Kenya Commercial Bank	(date not indicated)	19,826,800.00
<b>Total</b>		<b>85,694,550.00</b>

No explanation has been provided as to why commercial banks were levying the charges contrary to the signed service-level agreement.

## 7. Maintenance Expenses

Maintenance expenses of KSh. 430,052,000.00 reflected in the statement of financial performance for the year and disclosed in Note 7 to the financial statements includes KSh. 149,946,501.00 scanner maintenance expense inclusive of taxes paid to Avic International Limited. The Authority paid Avic International Limited the whole contract sum of KSh. 149,946,501.00 without deducting and retaining withholding tax and value added tax (VAT) of KSh. 18,743,107.00 and KShs.23,991,178.00 respectively. No explanation has been provided why the Authority failed to withhold and retain taxes amounting to KShs.42,734,285.00 as required by tax laws and regulations.

## Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Revenue Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Revenue Authority Act, Cap 469 of the Laws of Kenya.

## Other Matter

## 1. Excise Goods Management System (EGMS)

Review of various procurement contracts revealed that the Authority entered into a contract agreement with SICPA Security Solutions SA Prilly to print, supply and deliver security revenue stamps complete with track, trace and an integrated production accounting system over a period of five (5) years at a cost of KSh. 4,552,516,226.00 (Euro 42,471,464.00). However, the following issues have not been explained and thus remain outstanding as at 30th June, 2016.

- (a) The contract is silent on the ownership of the equipments that have already been delivered at a cost of KSh. 2,372,336,000.00 (Euros 22,130,000.00). As a result, the Authority has not capitalized the cost of the assets into their books.
- (b) The Authority in its financial statements ended 30 June 2016 has not disclose under trade creditors the outstanding debt of KSh. 770,000,000.00 (Euros 7 million) owed to SICPA for the supply of the equipments as at 30th June, 2016.
- (c) The Authority maintains an Excise fund account (No. 602030) with Central Bank of Kenya to which revenue from sale of stamps is deposited as per legal notice No.10 of 18 January, 2013. However, the Authority has not disclosed in the financial statements the Excise Fund account balance of KSh. 167,942,772.95 as at 30th June, 2016.
- (d) The financial statements reflect a balance of KSh. 899,787,000.00 of work in progress in Excise Goods Management System as at 30th June, 2016. Included in the balance is unsupported entry journal voucher No.064 of KSh. 242,880,986.10. The balance of KSh. 899,787,000.00 cannot therefore be ascertained.
- (e) The procurement of printing, supply and delivery of security revenue stamps complete with track and trace and integrated production accounting system from SICPA Security Solutions SA Prilly for KSh. 4,552,516,226.00 was single sourced without any justification. This is contrary to the Public Procurement and Disposal Act, 2015 and the Authority therefore may not have received value-for-money on the contract.

## 2. Capital/Development Grants

Examination of KRA records established that the Authority received from the National Treasury KSh. 1,254,930,000.00 as development budget support against an approved budgetary request of KSh. 1,090,930,000.00 for the projects listed below. The excess receipts amounting to KSh.164,000,000.00 have not been supported by either a supplementary budget or request from the Authority and it is not clear therefore why KSh.164,000,000.00 was issued to the Authority and the projects it intended to finance. Further it is observed that the financial statement do not disclose the changes between the original and final budget contrary to IPSAS 24:29 that requires such a disclosure.

			KSh.
Receipts from National Treasury			1,254,930,000.00
<i>Projects Approved</i>	<i>Initial Budget (KSh.)</i>	<i>Revised Budget (KSh.)</i>	
Real Estate	55,000,000.00	55,000,000.00	
ERP Systems	100,000,000.00	100,000,000.00	
Co-ordinated Boarder Control	374,270,000.00	374,270,000.00	
Alternate Data Centre	160,000,000.00	160,000,000.00	
KESRA Modernization	66,660,000.00	66,660,000.00	
Itax Rollout and Taxpayer Support	125,000,000.00	125,000,000.00	
Customer Relationship Management	130,000,000.00	130,000,000.00	
Motor Vehicles	80,000,000.00	80,000,000.00	1,090,930,000.00
Receipts over and above the Budget			164,000,000.00

## 3. Financial Budget

The financial budget was prepared on a cash basis of accounting while the financial statements are prepared on accrual basis of accounting. The Authority has not prepared a reconciling statement contrary to paragraph 47 of International Public Sector Accounting Standards 24. Further, as indicated in the table below, it was observed that the Authority reported over expenditures on various items during the year without giving explanations for the material variances.

Components	Budget Amount (KSh.)	Actual Expenditure (KSh.)	Variance	% age Variances
Transport and other Allowances	812,484,000.00	1,345,701,000.00	(533,217,000.00)	66
Training Expenses	68,058,000.00	253,014,000.00	(184,956,000.00)	272
Travelling and Accommodation	713,371,000.00	972,142,000.00	(258,771,000.00)	36
Rent and Rates	315,500,000.00	276,845,000.00	38,655,000.00	36
Advertisements	145,167,000.00	314,705,000.00	(169,538,000.00)	117
Tax Payer Education	72,698,000.00	110,131,000.00	(37,433,000.00)	51
Office Equipment	30,000,000.00	82,039,000.00	(52,039,000.00)	173
Office Furniture	30,000,000.00	67,455,000.00	(37,455,000.00)	125
Building Repairs	1,372,000.00	225,733,000.00	(224,361,000.00)	16353
Computer Expenses	561,278,000.00	436,418,000.00	124,860,000.00	14

EDWARD R. O. OUKO,  
Auditor-General.

KENYA REVENUE AUTHORITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE, 2016

	Note	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
REVENUE			
Revenue from non- exchange transactions	23	136,611	136,611
Deferred grant income amortisation			
Revenue from exchange transactions			
Agency Income	3	15,358,009	15,058,009
Commissions Income	4 (a)	1,199,599	911,307
Interest Income		834,982	711,271
Sale of Number Plates		-	-
Other Income	4 (b)	314,901	226,637
<b>TOTAL REVENUE</b>		<b>17,844,102</b>	<b>17,043,835</b>
EXPENDITURE			
Administrative Expenses	5	15,727,699	14,338,927
Operating Expenses	6	980,537	886,454
Maintenance Expenses	7	430,052	268,191
<b>TOTAL EXPENDITURE</b>		<b>17,138,288</b>	<b>15,493,572</b>
Other gains/(losses)			
(Loss) / Gain on sale of assets		(36,270)	4,243
<b>SURPLUS FOR THE YEAR</b>		<b>669,544</b>	<b>1,554,506</b>

The notes set out hereto form an integral part of the Financial Statements.

KENYA REVENUE AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30th JUNE, 2016

	Note	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Assets			
Current Assets			
Cash and Bank Balances	13	10,052,218	8,701,434
Debtors and Receivables	10	506,549	472,568
		10,558,767	9,174,002
Non-Current Assets			
Property, Plant and Equipment	8	15,631,210	12,607,320
Intangible Assets	9	7,850	59,753
Amount due from Treasury	11	2,131,332	2,123,899
Security Deposits	12	2,333,596	2,257,966
Total Assets		20,103,988	17,048,938
		<b>30,662,755</b>	<b>26,222,940</b>
Liabilities			
Current Liabilities			
Creditors and Payables	14	2,729,301	2,975,481
Leave Pay and Gratuity Provisions	15	1,121,430	1,080,434
Deferred Income Amortisation	23	82,085	121,271
		3,932,816	4,177,186
Non Current Liabilities			
Contribution to Govt Pension Fund	16	25,616	26,435
Designated Fund	18	204,949	230,465
Deferred Grants Income	23	-	97,425
		230,565	354,325
<b>Total Liabilities</b>		<b>4,163,381</b>	<b>4,531,511</b>
<b>Net Assets</b>		<b>26,499,374</b>	<b>21,691,429</b>
Capital grants by the Treasury	17	17,595,182	13,360,236
Accumulated Fund		4,804,598	4,135,055
Revaluation Reserve		4,099,593	4,196,138
		26,499,373	21,691,429
<b>Total net assets and liabilities</b>		<b>30,662,755</b>	<b>26,222,940</b>

The financial statements set out herein were signed on behalf of the Board of Directors by;

J. K. Njiraini, MBS  
Commissioner-General.

Dr. Edward Sambili, CBS  
Chairman.



The notes set out hereto form an integral part of the Financial Statements.

KENYA REVENUE AUTHORITY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30th JUNE, 2016

Note	Capital Grants by Treasury (KSh. '000)	Accumulated Fund (KSh. '000)	Revaluation Reserve (KSh. '000)	Total Fund (KSh. '000)
1st July, 2014	12,948,236	2,580,549	4,292,684	19,821,469
Contribution for the year	411,999	-	-	411,999
Charge for the year	-	-	(96,546)	(96,546)
Surplus for the year	-	1,555,199	-	1,555,199
<b>At 30th June, 2015</b>	<b>13,360,236</b>	<b>4,135,748</b>	<b>4,196,139</b>	<b>21,692,122</b>
Prior year adjustment	23	-	(693)	(693)
1 July 2015	13,360,235	4,135,054	4,196,139	21,691,428
Prior Period Adjustment	11	-	-	-
Contribution for the year	17	4,234,947	-	4,234,947
Charge for the year	-	-	(96,545)	(96,545)
Surplus for the year	-	669,544	-	669,544
<b>At 30th June, 2016</b>	<b>17,595,182</b>	<b>4,804,598</b>	<b>4,099,594</b>	<b>26,499,374</b>

The notes set out hereto form an integral part of the Financial Statements

KENYA REVENUE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30th JUNE, 2016

Note	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Cash Flows From Operating Activities		
Surplus for the year	669,544	1,554,506
Non-cash movements		
Depreciation	8	1,072,230
Amortisation	9	63,679
Increase in Amortisation of Deferred Income	23	(136,611)
Loss/(Gain) on disposal of Assets		36,270
Increase in Security Deposits	12	(75,630)
Increase in Debtors and receivables		(41,415)
(Decrease) / Increase in Creditors and payables		(206,004)
Net cash flows from operating activities	1,382,063	2,392,290
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	8	(4,229,434)
Purchase of Intangible Assets		(11,776)
Proceeds from sale of Property, Plant and Equipment		500
Net cash flows from investing activities	(4,240,710)	(1,214,805)
Cash Flows From Financing Activities		
Contribution by the Treasury	17	4,234,947
Decrease in designated Funds	18	(25,516)
Net cash flows from financing activities	4,209,431	401,484
Net Increase in Cash and Cash Equivalents	1,350,784	1,578,969
Cash and cash equivalents at 1 July	8,701,434	7,122,465
<b>Cash And Cash Equivalents At 30 June</b>	<b>13</b>	<b>10,052,218</b>

The notes set out hereto form an integral part of the Financial Statements.

KENYA REVENUE AUTHORITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30th JUNE, 2016

	<i>Final Budget 2015/2016 (KSh. '000)</i>	<i>Actual Comparable Basis 2015/2016 (KSh. '000)</i>	<i>Performance Difference 2015/2016 (KSh. '000)</i>
<b>INCOME:</b>			
Agency fees	15,358,009	15,358,009	-
Road Maintenance levy	828,109	903,556	75,447
Sale of Tamper- Proof seals	8,039	13,085	5,047
Petroleum Development levy	27,900	39,334	11,434
NTSA Agency Commission	20,354	7,930	-12,423
Document Processing Fees	44,017	48,960	4,943
Interest income	654,667	834,982	180,315
Transit Toll	11,000	13,353	2,353
Rent receivable	16,984	28,180	11,195
Public Overtime	3,294	5,239	1,944
Institutional houses - rent	64,686	78,325	13,639
Aviation Revenue	82,220	82,439	219
Sugar Levy	34,000	30,865	-3,135
Air Passenger Service charge	150,000	131,403	-18,597
Miscellaneous Income	44,064	131,699	87,635
Deferred Income Amortisation	-	136,611	136,611
<b>Total Operational Income</b>	<b>17,347,342</b>	<b>17,843,969</b>	<b>496,627</b>
<b>STAFF COSTS</b>			
Basic pay	8,671,674	7,403,467	1,268,208
Other Allowances	4,310,721	3,610,738	699,983
<b>Total Staff Salaries and Allowances</b>	<b>12,982,395</b>	<b>11,014,204</b>	<b>1,968,191</b>
<b>Operational Expenses</b>			
Staff Welfare Expenses	53,651	43,746	9,905
Medical Expenses	603,960	547,553	56,407
Training Expenses	366,558	253,014	113,545
Uniform and Laundry Expenses	191,268	956	190,312
Travel and Accommodation	975,682	971,833	3,849
Transfer Allowance	95,000	75,326	19,675
Utilities Expenses	365,177	357,642	7,535
Building Repairs and maintenance	179,062	225,733	-46,671
Motor Running Expenses	284,657	134,612	150,045
Motor boat running Expenses	18,219	8,512	9,707
Scanner Expenses	380,000	195,806	184,194
Rents and Rates	315,500	276,845	38,655
Computer Expenses	561,278	436,418	124,860
Security Expenses	403,552	384,315	19,237
Insurance Expenses	101,966	75,309	26,657
Advertisements and Public Relations Expenses	226,867	314,705	-87,838
Taxpayers Education	203,673	110,131	93,541
Consultancy	254,410	42,592	211,818
Secretarial Expenses	64,500	36,267	28,233
Directors Expenses	65,000	25,688	39,312
Bank Charges	146,703	101,364	45,339
Corp' strategy and review conf' exp	161,413	85,751	75,663
Office Running Expenses	240,453	218,613	21,840
Printing and Stationery Expenses	34,064	34,801	-738
Consumable Stores Expenses	30,578	24,988	5,590
Materials and Supplies Expenses	3,590	2,058	1,532
Enforcement Expenses	60,005	-	60,005
Laboratory Expenses	14,300	3,597	10,703
Depreciation Expenses	-	1,135,908	-1,135,908
<b>Total Operational Expenses</b>	<b>6,401,086</b>	<b>6,124,084</b>	<b>277,002</b>
<b>Total Recurrent Expenses</b>	<b>19,383,481</b>	<b>17,138,288</b>	<b>2,245,193</b>
<b>Surplus for the Period</b>	<b>(2,036,139)</b>	<b>705,681</b>	<b>(1,748,566)</b>

*Notes:*

1. Travelling and Accommodation expenses include commitments amounting to KSh. 9.687 million in FY 2014/2015, also KSh. 40 million for training related travels was budgeted under training funds
2. The variance in Advertising and Publicity is attributable to the iTax. Rollout activities budgeted under the iTax project (KSh. 125 million).
3. Building and maintenance and Consumable stores expenses amounting to KSh. 84.3 million were commitments made from the FY 2014/2015 budget.
4. Printing and Stationery includes commitments of KSh. 1,197 million that relate to the FY of 2015/2016

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## (a) Revenue Recognition

## (i) Agency Income

In accordance with the Kenya Revenue Authority Act CAP 469, income to the Authority is "such amounts not exceeding 2% as may be determined by the Minister each financial year" of the total estimated revenue to be collected by the Authority on behalf of the Exchequer. In addition, the Authority is entitled to a Bonus of 3% of the surplus revenue collected above the estimates and also earns income from other activities. Agency Income is recognised

## (ii) Revenue from exchange transactions

*Finance Revenue*

Finance revenue comprises interest receivable from fixed deposits and security deposits. Finance revenue is recognised as it accrues in profit or loss, using the effective yield method.

*Rental income*

Rental income is recognised on a straight line basis over the lease term.

*Commission revenue*

Commission income comprises agency fees charged on collections on behalf of regulatory bodies.

*Other operating income*

Other income is recognised when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.

*Interest income*

Interest income is derived from short term placements held in approved commercial banks.

(b) Development funding and capital grants by the Treasury Grants by the Treasury in form of assets or funding for acquisition of major assets or development projects are recognized as a financing reserve when received. No repayment of the financing is expected by the Authority.

(c) Property, Plant and Equipment All categories of property, plant and equipment are stated at cost or valuation less accumulated depreciation and annual impairment losses. Depreciation is calculated to write off the cost or valuation of each asset to its residual value where applicable, over the expected useful life of the asset in equal instalments. A full year's depreciation is charged in the year of purchase but no charge is made in the year of disposal.

The estimated useful life is as follows —

Plant and Machinery	8 years
Equipment/Furniture/Fittings	8 years
Boats	8 years
Motor Vehicles	5 years (with a 10% residual value)
Computers	3 years
Computer Software	3 Years
Buildings	40 years
Leasehold land	Over the remaining lease period

Gains or losses on property, plant and equipment are determined by reference to their carrying value and are taken into account in determining the surplus / (deficit) for the year.

## (d) Intangible Assets

Intangible assets consist of various computer software systems purchased for use by the Authority. The Authority recognises Intangible Assets acquired separately at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over their useful lives as estimated by management from time to time.

## (e) Cash and Cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and short-term deposits held with banks.

## (a) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Kenya Shillings at the rate ruling on that date. The resulting foreign exchange gains and losses are recognized on a net basis, differences are dealt with in the income and expenditure statement in the financial year in which they arise.

## Employee benefits costs

## (i) Retirement benefit obligations

The Authority operates as hybrid pension scheme with a defined contribution plan for the permanent and pensionable employees. Payments to the scheme are recognised as an expense when employees have rendered service entitling them to the contributions. The scheme is funded by contributions from both the entity and employees. The entity and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.



*(ii) Other entitlements*

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date.

*(b) Inventories*

All consumable stocks held for use in operations are expensed on purchase

*(c) Receivables*

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counter party or when there is a default or delinquency in payment according to agreed terms. When a receivable is considered uncollectible it is written off. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance. Changes in the carrying amount of the allowance account are recognized in the Statement of Financial Performance.

*(d) Payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

*(e) Provisions*

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

*(f) Budget information*

The annual budget is prepared on Activity basis, that is, activities are identified and costs and expenditure associated to the same.

*(g) Nature and Purpose of Reserves*

The Authority creates and maintains reserves in terms of specific requirements. The Authority has created Capital Grants from the National Treasury reserves to represent the National Treasury's input by directly funding capital development for the Authority.

The Revaluation reserves represent revaluation on land and buildings by the Authority.

*(h) Related Parties*

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

*(i) Critical Accounting Estimates and Judgements in applying the Authority's accounting policies*

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

*Critical accounting judgments in applying the Authority's policies**Impairment losses*

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

*Plant and equipment*

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

*Contingent liabilities*

The directors evaluate the status of any exposures on a regular basis to assess the probability of the entity incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

## REVENUE FROM NON EXCHANGE TRANSACTIONS

	2015/2016 (KSh. '000)	2014/2015 (KSh. 000)
Amortisation of grants deferred Income	136,611	136,611
	<u>136,611</u>	<u>136,611</u>

Deferred incomes are the inflows of economic benefits or services received/receivable from assets donated to the Authority from the World Bank.

## Revenue From Exchange Transactions

*a. Agency Income*

	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Agency Income	15,358,009	15,058,009
	<b>15,358,009</b>	<b>15,058,009</b>

The Agency Income and Bonus are provided in accordance with the provisions of the Kenya Revenue Authority Act, Cap. 469.

## 4. Revenue From Exchange Transactions

*a. Commissions Income*

	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Road Maintenance Levy Commission	903,556	617,791
Aviation Revenue Commission	82,439	71,296
Air Passenger Service Charge Commission	131,403	132,384
Sugar Development Levy Commission	30,865	30,166
Insurance Deductions Commission	4,071	3,920
National Transport and Safety Authority Commission	7,930	19,408
PDL and IDF Income	39,334	36,343
	<b>1,199,599</b>	<b>911,307</b>

*Other Incomes*

	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Sale of Tamperproof Seals	13,085	4,522
Public Overtime	5,239	2,363
Document Processing Fees	48,960	43,074
Staff Housing / Rental Income	78,325	73,791
Property Rental Income	28,180	16,039
Miscellaneous Income **	141,113	86,848
	<b>314,901</b>	<b>226,637</b>

\*\* Miscellaneous income consists of income from sale of tender documents, revenue stamps, staff identity cards, PSV Badges, training school activities, road transit toll collections and gains on foreign exchange.

## 5. ADMINISTRATIVE COSTS

*a. Staff and Employee Costs*

	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Salaries and Allowances	11,048,533	10,246,316
Medical Expenses	547,553	529,348
Provision for Staff Leave	(85,446)	(90,739)
Provision for Staff Contract Gratuity	126,442	166,846
	<b>11,637,082</b>	<b>10,851,771</b>

*Other Administrative Costs*

	2015/2016 (KSh. '000)	2014/2015 (KSh. '000)
Travelling and Accommodation	971,833	720,116
Utilities	357,642	355,799
Staff Welfare	43,746	39,012
Printing and Stationery	34,801	70,351
Consultancy	42,592	56,040
Computer Expenses	436,418	314,151
Training	253,014	258,145
Office Running Expenses	218,613	223,756
Insurances	75,309	63,800
Board Expenses	25,688	34,236
Entertainment	85,751	106,307
Consumable Stores	24,988	17,012
Security Expenses	384,315	347,864
Depreciation Charge	1,072,230	830,284
Amortisation of Intangible Assets	63,679	50,284
	<b>4,090,617</b>	<b>3,487,156</b>
<b>Total Administrative Costs</b>	<b>15,727,699</b>	<b>14,338,927</b>

*b. Board Expenses*

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Monthly Directors' fees	10,258	13,671
Sitting Allowances and Honararia	13,227	17,629
Accommodation and Travel Expenses	2,203	2,936
	<b>25,688</b>	<b>34,236</b>

## 6. Operating Expenses

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Rent and Rates	276,845	211,577
Taxpayer Education	110,131	85,915
Motor Running Expenses	134,612	166,881
Advertising and Public Relations	314,705	162,199
Secretarial Expenses	36,267	25,150
Uniforms and laundry	956	885
Materials and Supplies	2,059	83,889
Bank Charges	101,364	136,450
Containers and Sealing Expenses	-	8,496
Laboratory Expenses	3,597	5,012
	<b>980,537</b>	<b>886,454</b>

## 7. Maintenance Expenses

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Building Repair and Maintenance	225,733	109,423
Scanner Maintenance	195,806	149,223
Motor Boat Expenses	8,512	9,546
	<b>430,052</b>	<b>268,191</b>

## 7 (a) Scanner expenses

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Annual Maintenance Contract	159,444	149,167
Routine Maintenance Expenses	36,362	56
	<b>195,806</b>	<b>149,223</b>

## 8. Property, Plant and Equipment.

(i)

	Land Building	Plant and Machinery	Motor Vehicle	Office Equipments and Furniture	Computers	Motor Boats	WIP	Total
	(KSh '000)		(KSh '000)	(KSh '000)	(KSh '000)	(KSh '000)	(KSh '000)	(KSh '000)
VALUATION								
1st July, 2015	10,497,150	2,204,375	602,322	1,135,070	2,164,528	604,467	2,269,337	19,477,249
Additions	-	1,241,099	280,304	149,494	126,699	-	2,431,839	4,229,435
Disposal	(41,300)	-	(6,320)	-	-	-	-	(47,620)
Transfer of WIP	-	-	-	-	-	-	-	-
<b>30th June, 2016</b>	<b>10,455,850</b>	<b>3,445,474</b>	<b>876,306</b>	<b>1,284,564</b>	<b>2,291,227</b>	<b>604,467</b>	<b>4,701,176</b>	<b>23,659,064</b>
DEPRECIATION								
1 July 2015	1,205,496	1,993,796	487,182	789,233	1,915,455	478,766	-	6,869,929
Charge for the Year	154,409	347,893	170,215	99,032	227,134	73,547	-	1,072,230
Depreciation on Revaluation	96,545	-	-	-	-	-	-	96,545
Disposal	(5,163)	-	(5,688)	-	-	-	-	(10,851)
<b>30th June, 2016</b>	<b>1,451,288</b>	<b>2,341,689</b>	<b>651,709</b>	<b>888,265</b>	<b>2,142,589</b>	<b>552,313</b>	<b>-</b>	<b>8,027,853</b>
NET BOOK VALUES:								
30th June, 2016	9,004,562	1,103,786	224,597	396,299	148,638	52,154	4,701,176	15,631,210
1st July, 2014	10,452,982	2,204,375	611,728	1,040,616	1,972,007	604,467	1,396,119	18,282,295
Additions	44,168	-	16,966	94,454	136,370.72	-	929,368.61	1,221,327
Disposal	-	-	(26,373)	-	-	-	-	(26,373)
Transfer of WIP	-	-	-	-	56,151	-	(56,150.60)	-
<b>30th June, 2015</b>	<b>10,497,150</b>	<b>2,204,375</b>	<b>602,322</b>	<b>1,135,070</b>	<b>2,164,528</b>	<b>604,467</b>	<b>2,269,337</b>	<b>19,477,249</b>
DEPRECIATION								
1st July, 2014	919,616	1,800,712	488,062	699,214	1,654,371	405,219	-	5,967,194
Charge for the Year	189,335	193,084	23,215	90,019	261,084	73,547	-	830,284
Depreciation on Revaluation	96,545	-	-	-	-	-	-	96,545
Disposal	-	-	(24,094)	-	-	-	-	(24,094)
30th June, 2015	1,205,496	1,993,796	487,182	789,233	1,915,455	478,766	-	6,869,929
NET BOOK VALUES:								
<b>30th June, 2015</b>	<b>9,291,654</b>	<b>210,579</b>	<b>115,139</b>	<b>345,837</b>	<b>249,073</b>	<b>125,701</b>	<b>2,269,337</b>	<b>12,607,320</b>



## (ii) Land and buildings

The Authority received several leasehold properties (land and buildings) from the government at inception in 1995. The Authority was not required to pay for the property hence did not incur any cost on the same. To recognize the property in its books, the Authority did a professional valuation of the land and building in 1996 and the values were adopted in the Authority's statement of financial position. This was done by recognizing land and buildings assets in the statement of Financial Position.

The Authority is yet to receive title documents for some 17 pieces of leasehold land received Government. These properties are at various stages of registration with the Commissioner of Lands. Another title deed is in the name of East African Common Services Authority (EACSA) and the process transfer of the title is ongoing. The Authority also bought one parcel of land in Taveta in 2010 for construction of a border station and is in the process of obtaining the title.

## (iii) Fully depreciated assets

Included in the assets are fully depreciated assets comprising of Motor Vehicles whose original cost was KSh. 467,031,310 with a residual value of KSh. 46,703,131, Motor Boats whose cost is KSh. 16,091,088, Computers whose cost is KSh. 1,609,826,830, Office Equipment of KSh. 208,016,028, Laboratory Equipment KSh. 21,377,450, Plant and Machinery KSh. 659,703,884 and Furniture and Fittings of KSh. 260,822,049 whose book value is nil. The total notional depreciation charge for the assets is KSh. 757,965,667 (2015- KSh. 673,827,383). Most of these assets are in use by the Authority.

## (iv) Capital Work In Progress

	2015/2016 (KSh '000)	2014/2015 (KSh. '000)
Intergrated Tax Management System	1,409,297	1,075,616
Valuations Database system (Phase I)	24,365	24,365
Simba Transformation Project	81,559	41,183
Biometric Security System (Times Towers)	122,504	122,504
Exciseable Goods Management System (EGMS)	899,787	899,787
Electronic Cargo Tracking System (Phase I)	77,612	77,612
Customs Revenue Accounting Module	4,664	4,664
SAP ERP System for Support Services	254,673	-
Renovation of JKLA Offices	8,386	8,386
Renovation of Border Stations	7,284	7,284
Datawarehouse and Business Intelligence	2,909	2,661
FOSS ERP System for Support Services	5,276	5,276
Diaster Recovery Management System	12,448	-
Business Contunity Management System	35,140	-
One Stop Border Posts	1,755,274	-
	<b>4,701,176</b>	<b>2,269,337</b>

## 9. Intangible Assets

Cost	(KSh '000)	(KSh '000)
1st July	333,938	333,938
Additions	11,776	-
<b>30th June</b>	<b>345,713</b>	<b>333,938</b>
Amortisation		
1st July	274,184	223,900
for the year	63,679	50,284
<b>30th June</b>	<b>337,863</b>	<b>274,184</b>
Net Book Value		
<b>30th June</b>	<b>7,850</b>	<b>59,753</b>

The intangible assets are made up of different computer software in use by the Authority. Included in the Intangible Assets are fully amortised assets whose original cost was KSh. 169,267,025, (2014- KSh. 169,267,025).

## 10. Debtors and Receivables

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Trade Debtors		
Other Agency debtors	214,478	218,953
Rent Receivable	23,084	3,712
Interest Receivable	42,692	34,877
	<b>280,254</b>	<b>257,543</b>
Other Debtors		
Staff Debtors	81,245	118,621
Prepayments	18,844	10,217
Other Debtors	126,207	86,187
	<b>226,296</b>	<b>215,025</b>
<b>Debtors Total</b>	<b>506,549</b>	<b>472,568</b>

Other agency debtors represent outstanding commission on collection of revenues on behalf of other organisations. Staff debtors mainly comprise of outstanding travel imprests, loans for acquisition of laptops and medical advances.

## 11. Amount Due From Treasury

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
1st July	2,123,899	2,123,899.00
Accrued in the year	15,365,441	15,058,009
Amount received in the year	(15,358,009)	(15,058,009)
<b>30th June</b>	<b>2,131,332</b>	<b>2,123,899</b>

The amount represents outstanding agency commission, bonuses earned and payments made on behalf of the Treasury.

## 12. Security Deposits

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Savings and Loan (K) Ltd	1,552,005	1,508,463
Housing Finance	603,138	571,612
National Bank of Kenya Ltd	158,452	157,891
Higher Educations Loans Board	20,000	20,000
	<b>2,333,596</b>	<b>2,257,966</b>

The deposits with Savings and Loans and Housing Finance are placed as security against staff mortgage advances, while the National bank deposits are placements against staff car loans. Deposits with HELB are placements against college fees issued to staff for further studies.

## 13. Cash and Bank Balances

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Cash in Hand	467	269
Cash at Bank	275,770	534,168
Fixed Deposits	5,008,878	8,166,997
Government Treasury Bills	4,767,104	-
	<b>10,052,218</b>	<b>8,701,434</b>

The fixed deposits are made up of one month deposits in the commercial banks shown below. The maturity period for the deposits is between July and August, 2016.

## Fixed Deposits

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
National Bank of Kenya	762,675	3,565,824
Co-operative Bank of Kenya	1,973,204	4,601,174
Kenya Commercial Bank	2,211,458	-
KESRA - National Bank of Kenya	61,541	-
	<b>5,008,878</b>	<b>8,166,997</b>

Treasury Bills are placements in Central Bank of Kenya with maturity period between July to September 2016. The placements are analysed as follows—

## Government Treasury Bills

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
91 Day Treasury Bills	2,412,978	-
182 Day Treasury Bills	2,354,126	-
	<b>4,767,104</b>	<b>-</b>

## 14. Creditors and other Payables

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Trade Creditors and Accounts Payable	1,870,158	2,172,020
Staff Creditors	714,453	717,658
Payroll Deduction Creditors	56,738	40,263
Taxes	87,952	45,540
	<b>2,729,301</b>	<b>2,975,481</b>

Trade creditors and accounts payables represent the outstanding payments to suppliers and other parties. Payroll deductions include outstanding amounts for statutory deductions, loans Saccos and others. Staff creditors comprise of unpaid staff bonus, outstanding payments due to staff and funds for staff welfare associations.

Included in Accounts Payable is a balance of KSh. 212.7 Million (analysed below) from sale of Excise Stamps for payment to the suppliers of the Stamps.

## Excise Stamps Fund Account

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Balance B/F	380,688	235,013
Total Receipts	1,083,844	841,537
Total Payments	1,251,817	695,862
<b>Balance C/F</b>	<b>212,715</b>	<b>380,688</b>

There was a total of KSh. 771 Million payable to the stamps manufacturer for stamps and software.

## 15. Leave Pay and Contract Gratuity Provisions

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Leave Pay Provision	828,142	913,588
Contract Gratuity Provision	293,288	166,846
<b>Total</b>	<b>1,121,430</b>	<b>1,080,434</b>

Leave pay provision is in respect to leave days earned by staff members but were not taken as at 30.06.2016. Contract gratuity provision is in respect of gratuity accrued for staff on contract for the period to 30.06.2016.

## 16. Contribution to Government Pension Fund

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
1 July	26,435	26,991
Payment to the Treasury in the year	(819)	(556)
<b>30th June</b>	<b>25,616</b>	<b>26,435</b>

This amount relates to contributions made to the Government pension during the nine-month secondment period from October 1995 to June 1996 for pensionable staff who were transferred from the

Treasury to the Authority. The amount falls due for payment on retirement of an officer and is then transferred to the Treasury to facilitate processing of the pension.

## 17. Capital / Development Grants By The National Treasury and Donors

## a. Capital / Development Grants By The National Treasury

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
1st July	13,360,236	12,948,236
Real Estate	55,000	-
ERP system	100,000	-
Cordinated Border Management	353,240	-
KESRA	66,660	-
New Data Centre	160,000	-
Customer Relationship Management	130,000	-
TaxPayer Base Expansion Consultancy	250,000	-
Multi Agency Investigation	140,000	-
One Stop Border Stations	1,755,274	-
Border Stations and KESRA Rehabilitation	-	200,000
Funds for Integrated Tax Management System	-	212,000
<b>30th June</b>	<b>16,370,410</b>	<b>13,360,236</b>

The amounts represent assets and funds provided by the Treasury. The Treasury separately funds the major reform and modernization programmes undertaken by the Authority in all departments for revenue enhancement and efficient service delivery.

## b. Capital / Development Grants by Donors

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Scanners (donated by China Government)	1,224,772	-
<b>30th June</b>	<b>1,224,772</b>	<b>-</b>

The amounts represent assets and funds provided by Donors both directly or through the National Treasury towards reform and modernization programmes undertaken by the Authority in all departments for revenue enhancement and efficient service delivery.

## 18. Designated Funds (Insert Comparative)

	Legal Claim Fund (KSh '000)
1st July, 2015	230,465
Amount Spent	(25,516)
<b>30th June, 2016</b>	<b>204,949</b>

The legal claim funds are received from the Treasury for settling legal awards against the Authority in revenue related court cases.



## 19. Retirement Benefit Costs

During the year ended 30th June 2015, KSh. 1,025.4 Million (2014 KSh. 1,071.8 Million) was paid as contributions to the staff pensions scheme. The scheme changed from a defined benefit plan to a Hybrid scheme with a defined benefit section and a defined contribution section with effect from 1 July, 2005. Under the defined benefit scheme, the employer contribution on actuarial advice was maintained at 13.2% per member while a rate of 14% was adopted for the defined contribution scheme. Employees contribute 7.5% of their salaries for both sections of the scheme. The value placed on the existing final assets per the last valuation of 30th June, 2015, was KSh. 15.215 Billion (2014, KSh. 13.662 Billion) while the present value of past service liabilities at that date was KSh. 13.808 Billion (2014 KSh. 12.326 Billion).

## 20. Capital Commitments

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
Approved and contracted	162,911	1,361,576
Approved and not contracted	208,902	3,040,918
	<b>371,814</b>	<b>4,402,494</b>

## 21. Recurrent Commitments

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
<b>30th June</b>	<b>1,183,207</b>	<b>1,079,055</b>

## 22. Employees

The number of employees at the end of the year was;

	2015/2016	2014/2015
<b>30th June</b>	<b>4,680</b>	<b>4,658</b>

## DEFERRED GRANT INCOME RECONCILIATION

These relate to grants from the World Bank under the Government of Kenya for projects to facilitate efficient and effective collection of taxes.

## (a) Deferred grant income reconciliation

	2015/2016 (KSh '000)	2014/2015 (KSh '000)
At 1st July as restated	218,695	355,306
Received in the year	-	-
Amortisation	136,611	136,611
<b>At 30th June</b>	<b>82,085</b>	<b>218,695</b>

## (b) Deferred grant income amortisation

Grant income to be amortised within one year	82,085	136,611
Grant income to be amortised after one year	-	218,695
<b>At the end of the period</b>	<b>82,085</b>	<b>355,306</b>

## RELATED PARTIES

The Government of Kenya is the principal shareholder in Kenya Revenue Authority.

During the year, the following transactions were carried out with related parties as analysed as follows —

## (a) Transaction

## (i) Government of Kenya

	2015/2016	2014/2015
Capital Grants	4,234,947	412,000
Agency Income	15,358,009	15,058,009
	<b>19,592,956</b>	<b>15,470,009</b>

## (ii) Key management compensation

	2015/2016	2014/2015
Salaries and other short - term employment benefits	69,600	78,414
	<b>69,600</b>	<b>78,414</b>

## (iii) Directors' remuneration

	2015/2016	2014/2015
Fees and other Emoluments (note 5)	25,688	34,236
	<b>25,688</b>	<b>34,236</b>

## (b) Balances

Due (to)/from related parties

	2015/2016	2014/2015
Amount due from Treasury (note 11)	2,131,332	2,123,899
Contribution to Government pension fund (note 16)	(25,616)	(26,435)
	<b>2,105,716</b>	<b>2,097,464</b>

### 23. Financial Risk And Capital Management

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Authority's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as agency and other receivables.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk is made up as follows:

	Fully Performing (KSh '000)	Past Due (KSh '000)	Impaired (KSh '000)
At 30th June, 2016			
Receivables	506,549	-	-
Bank Balances	10,052,218	-	-
At 30th June, 2015			
Receivables	472,568	-	-
Bank Balances	8,701,434	-	-

The credit risk associated with these receivables is minimal hence no allowance for uncollectible amounts has been recognised in the financial statements.

#### (ii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit Committee.

The Authority's Corporate Risk Department is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

#### (a) Foreign currency risk

The Authority has transactional currency exposures. Such exposure arises from foreign denominated bank balances.

The carrying amount of the Authority's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KSh (KShs '000)	Others (KShs '000)	Total (KShs '000)
At 30th June, 2016			
Financial assets (Bank balances)	144,078	-	144,078
Liabilities			
Payables	-	-	-
Net foreign currency liability	144,078	-	144,078

#### (b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from fixed and security deposits. This exposes the Authority to cash flow interest rate risk.

#### Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

#### Sensitivity analysis

The Authority analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by five percentage (5% as a decrease/increase of KSh. 43,277,000 (2015: KSh. 35,457,000)).

#### (iii) Price risk

The Authority does not hold investments that would be subject to price risk; hence this risk not relevant.

### 24. Contingent Liabilities

These include—

- An amount of KSh. 2 million included in utility deposits representing a bank guarantee to Kenya Power and Lighting for Times Tower power supply.
- An amount of KSh 1,297,759 representing a guarantee to Telkom Kenya Limited for supply of telephone facilities in the Times Tower building.
- Pending legal cases and court awards against the Authority estimated at KSh. 4,454,051,492 at the financial year end. The Treasury is expected to meet the cost of settling the awards should they materialize.

### 25. Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

KENYA REVENUE AUTHORITY  
REVENUE COLLECTION BY DEPARTMENT

	Note	Actual KSh 'million'	2015/2016 Target KSh 'million'	Actual KSh 'million'	2014/2015 Target KSh 'million'
<b>EXCHEQUER REVENUE COLLECTION</b>					
Customs Services Department		325,272	329,533	309,935	325,977
Domestic Taxes Department		808,702	832,105	705,718	738,762
National Transport and Safety Authority		2,859	3,751	1,747	3,010
Treasury Revenue	a	10,754	-	3,425	-
<b>SUB-TOTAL</b>		<b>1,147,586</b>	<b>1,165,390</b>	<b>1,020,826</b>	<b>1,067,749</b>
<b>AGENCY TAXES COLLECTION</b>					
Customs Services Department	b	60,731	43,959	45,132	35,026
Domestic Taxes Department	c	1,543	2,211	1,508	2,251
National Transport and Safety Authority	d	1,052	1,060	2,199	863
<b>SUB-TOTAL</b>		<b>63,326</b>	<b>47,230</b>	<b>48,840</b>	<b>38,140</b>
<b>GROSS TOTAL</b>		<b>1,210,912</b>	<b>1,212,620</b>	<b>1,069,666</b>	<b>1,105,890</b>

**Notes:**

- (a) Treasury Undertakings Revenue is in respect of the VAT on the imports and local supplies for the Standards Gauge Railway (SGR) Project to be settled by The National Treasury
- (b) Customs Services Department – Road Maintenance Levy, Aviation Revenue, Petroleum Development Levy, Sugar Levy, Transit Toll among others.
- (c) Domestic Taxes Department – Sugar development levy, Land Rates, and Kenya Bureau of standard (KEBS) levy.
- (d) National Transport and Safety Authority – Sale of number plates, TLB application fees, Driving test fees, vehicle inspection fees among others.
- (e) The Exchequer figure includes the amount collected for the Railway Development Levy (RDL) Fund amounting to KSh. 17,279.369562 (2015- KSh. 18,940 million).

## REVENUE COLLECTION MOVEMENT SCHEDULE

	2015/2016				2014/2015			
	CSD	DTD	RTD	TOTAL	CSD	DTD	RTD	TOTAL
	KSh 'million'	KSh'million'	KSh 'million'	KSh 'million'	KSh 'million'	KSh 'million'	KSh 'million'	KSh 'million'
<b>EXCHEQUER</b>								
Cash in Transit brought forward – 1st July	-	19	5,836	898	6,715	-	-	-
Cash from commercial banks/adjustment				-				-
Add: Collections for the year	325,272	808,702	2,859	1,136,833	309,932	705,718	3,946	1,019,596
Total amounts to be credited in CBK in the year	325,253	814,538	3,757	1,143,548	309,932	705,718	3,946	1,019,596
Less: Transfers to CBK	318,778	812,007	3,131	1,133,916	309,951	699,882	3,048	1,012,881
Transfers Banks/Principals	-	-	-	-	-	-	-	-
Total transfers within the year	318,778	812,007	3,131	1,133,916	309,951	699,882	3,048	1,012,881
Cash in Transit 30th June	6,475	2,531	626	9,632	-	19	5,836	898
<b>AGENCY</b>								
Cash in Transit brought forward – 1st July	-	382	-	77	-	-	-	-
Cash from commercial banks/adjustment				-				-
Add: Collections for the year	60,731	1,543	1,052	63,326	45,133	1,508	-	46,641
Total amounts to be credited in CBK in the year	60,349	1,466	1,052	62,867	45,133	1,508	-	46,641
Less: Transfers to CBK	49,704	1,778	1,684	53,166	35,456	1,585	-	37,041
Transfers Banks/Principals	10,478	-	-	10,478	10,059	-	-	10,059
Total transfers within the year	60,182	1,778	1,684	63,644	45,515	1,585	-	47,100
Cash in Transit 30th June	167	-	312	-	382	-	77	-
<b>TOTAL</b>								
Cash in Transit brought forward – 1st July	-	401	5,759	898	6,256	-	-	-
Cash from commercial banks/adjustment				-				-
Add: Collections for the year	386,003	810,245	3,911	1,200,159	355,065	707,226	3,946	1,066,237
Total amounts to be credited in CBK in the year	385,602	816,004	4,809	1,206,415	355,065	707,226	3,946	1,066,237
Less: Transfers to CBK	368,482	813,785	4,815	1,187,082	345,407	701,467	3,048	1,049,922
Transfers Banks/Principals	10,478	-	-	10,478	10,059	-	-	10,059
Total transfers within the year	378,960	813,785	4,815	1,197,560	355,466	701,467	3,048	1,059,981
Cash in Transit 30th June	6,642	2,219	-	6	8,855	401	5,759	898