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KENYA REVENUE AUTHORITY – FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL AND REVENUE COLLECTION STATEMENT OF KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2013

Report on the Financial Statements

I have audited the accompanying financial statements of Kenya Revenue Authority (KRA) set out herein, which comprise the statement of financial position as at 30 June, 2013 and the statement of comprehensive income, statement of changes in equity, statement of cash flows and the Authority's Tax Collection Statement 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 14 and 8 of the Public Audit Act, 2003. 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 and Revenue Collection Statements

Management is responsible for the preparation and fair presentation of these financial and revenue collection statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial and revenue collection statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial and revenue collection statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

The management is further responsible for efficient and effective collection of taxes on behalf of the Government, in line with the Public Finance Management Act, 2012 and the Kenya Revenue Authority Act (Cap 469) of the Laws of Kenya.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial and revenue collection statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be Planned and performed to obtain reasonable assurance about whether the financial statements and revenue collection statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and revenue collection statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and revenue collection statement, 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 and revenue collection statement 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's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements and revenue collection statement.

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

Basis for Qualified Opinion

1.0 FINANCIAL STATEMENTS

1.1 Motor Running Expenses

The financial statements of the Authority as at 30 June 2013 reflect motor running expenses totalling KSh. 178,307,000, as disclosed in Note 6, out of which an amount of Ksh. 57,567,011 was paid to a firm for the supply of fuel for motor vehicles and generators. However, there was no evidence that any contract agreement, for a specific period of time, existed between the Authority and the firm. There was also no evidence that the

firm supplying the fuel was identified in line with Public Procurement and Disposal Act, 2005. In the absence of a contract agreement, it was not possible to confirm the propriety of the fuel expenses totalling KSh. 57,567,011 incurred for the year ended 30 June 2013.

1.2 Land without Title Deeds

The financial statements of the Authority reflect land and buildings with a net book value of KSh. 9,066,467,000 as at 30 June 2013, as disclosed in note 8(i). Included in the KSh. 9,066,467,000 are fifteen (15) parcels of land, in various parts of the country, valued at KSh. 373,000,000 with building valued at KSh. 829,050,000, which were transferred to the Authority by the Government at inception in 1995. Further, excluded from the net book value of KSh. 9,066,467,000 are three (3) parcels of land in Mombasa, Embu and Machakos Counties, which have not been valued and which were similarly transferred to the Authority by the Government in 1995. These eighteen (18) parcels of land do not have title deeds. The balance further excludes another parcel of land in Taveta County which also has not been valued and do not have a title deed, and another one in Shimoni, Kwale County, which is registered in the name of East Africa Common Services Authority. Although according to the management, these parcels of land are at various stages of registration with the Commissioner of Lands, it is not clear why it has taken management inordinately long time to obtain the ownership documents. In the circumstances, it has not been possible to confirm the ownership status of the 20 parcels of land, and that the property, plant and equipment balance of KSh. 12,154,722,000 is fairly stated as at 30 June 2013.

2.0 REVENUE STATEMENT

2.1 Customs Revenue Collection

2.1.1 Diversion of Transit Goods into the Local Market

During the year under review, the Authority collected Customs revenue of KSh. 220,307,000,000, as per the attached revenue statement. However, evidence available indicates that various goods which were imported from the regional market were delivered and received at the Consolidated Tea Transit Warehouse Number TMSA 138, in Mombasa. However, there were no exit reports or export certificates indicating that these goods, with a Bond in Force of KSh. 7,300,488 exited the country, as required under Section 104 (7) and 104 (16) of the East Africa Community Customs Management Regulations 2010. There was also no evidence that taxes payable on the diverted goods were paid to the Authority, and consequently, the Government may have lost revenue amounting to KSh. 7,300,488.

2.1.2 Uncancelled Security Bonds

Further, evidence available indicates that various transit goods with Bond in Force of KSh. 22,784,480.20 were imported through the port of Mombasa and cleared through the Consolidated Tea Transit Warehouse. However, there was no evidence that these transit goods were exported. Further, the bonds executed as security on these transit goods had not been cancelled and realized into revenue by the Authority, even after the twenty one days from the date of entry provided by regulations, had expired. The Government may have lost revenue totalling KSh. 22,784,480.20, in the form of the uncancelled and unrealized security bonds.

2.1.3 Transit Goods Not Accounted for

In addition, evidence availed for audit review indicates that transit goods with a customs value of KSh. 8,696,960 were received into the Consolidated Tea Transit Warehouse Number TMSA 138, in Mombasa. However, there was no evidence that these goods, which attracted import duty of KShs. 524,708 and value Added Tax of KSh. 419,475, were exported to their respective destinations, contrary to Section 85 (3) of the East Africa Community Customs Management Act, 2005. The Government also may have lost revenue of KSh. 944,183 related to these transit goods which may have been diverted to the local market without payment of duty.

2.1.4 Diversion of Tax Exempt Jet Fuel into the Local Market

Records maintained in the Simba system 2005, together with those maintained in the Customs Oil Stocks Information Systems (COSIS), revealed a variance between the quantity of Jet fuel received at the Kenya Pipeline, Moi International Airport Mombasa and the quantity of fuel drawn as per the striking entries. This overdrawn fuel, whose total Bond in Force (B.I.F) was KSh. 19,734,562.55, had been imported for local use and was duty exempt. In addition, fuel with a B.I.F of KSh. 798,254,332 had no ex-warehouse entries in the Simba system and no documentary evidence to indicate that they formed part of the stock held at the time of the audit. Further, the Simba system reflected balances of stock with B.I.F of KSh. 50,042,754.96. However, no documentary evidence was availed confirming the existence of the stock balance. The Government may have lost revenue totalling KSh. 868,031,649.50 related to duty payable on fuel which may have been diverted to the local market without payment of duty.

2.1.5 Diversion of Transit Tea into the Local Market

Records maintained at the Tea Transit Warehouse (TTW) number TMSA 078 in Mombasa, and in the KRA Simba 2005 system indicate that tea with a total Bond in Force (BIF) of KShs. 22,028,676, imported from the regional market in transit to foreign markets, was delivered and received in the warehouse. However evidence that the tea, which was not in the warehouse at the time of this audit, was transferred to other TTWs or exported as exit reports or export certificates in support of the movement were not availed for audit verification.

Further, tea with a BIF of KSh. 10,793,691, which had been imported from the regional market in transit to foreign markets and warehoused at the TTW, was still outstanding in the register number 59, maintained by the warehouse operator. The customs duty on these warehoused goods has not been accounted for in the revenue statement for the year ended 30 June 2013. The Government may have lost revenue of KSh. 32,822,367 related to these transit goods which may have been diverted to the local market without payment of duty.

In the foregoing circumstances, it has not been possible to establish that customs revenue totalling KSh. 931, 883,167 was collected by the Authority and that the Revenue collection totalling KSh. 800,510,000,000 is fairly stated for the year ended 30 June 2013.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial and revenue collection statements present fairly, in all material respects, the financial position of the Authority as at 30 June, 2013 and of its financial performance in cash flows and the revenue collection summary for the year then ended, in accordance with International Financial Reporting Standards, Public Finance Management Act, 2012 and comply with Kenya Revenue Authority Act, (Cap 469) of the Laws of Kenya.

EDWARD R. O. OUOKO,
Auditor-General.

KENYA REVENUE AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
THE YEAR ENDED 30 JUNE, 2013

	Note	2012/2013 KSh. '000	2011/2012 KSh. '000
INCOME			
Agency Income	3	13,201,230	10,648,331
Other Income	4	1,517,295	1,277,358
		14,718,525	11,925,689
EXPENDITURE			
Staff Emoluments	5	9,674,621	8,417,755
Other Operating Expenses	6	3,393,863	3,057,303
Depreciation and Amortisation	7	620,268	571,993
		13,688,752	12,047,051
SURPLUS/(DEFICIT) FOR THE YEAR		1,029,773	(121,362)

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out herein.

KENYA REVENUE AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2012/2013 Kshs '000	2011/2012 Kshs '000
Non-Current Assets			
Property, Plant and Equipment	8	12,154,722	9,819,283
Intangible Assets	9	36,158	9,212
Amount due from Treasury	11	3,142,677	2,000,907
Security Deposits	12	1,981,892	1,898,295
		17,315,449	13,727,697
Current Assets			
Debtors	10	707,875	428,431
Cash and Bank Balances	13	3,025,385	1,813,652
		3,733,260	2,242,083
Current Liabilities			
Creditors	14	641,876	351,512
Provisions	15	1,274,039	654,176
		1,915,915	1,005,688
Net Current Assets		1,817,345	1,236,395
Net Assets		19,132,794	14,964,091
Represented by:			
Non Current Liabilities			
Contribution to Govt Pension Fund	16	27,034	27,079
Equity			
Contribution by the Treasury	17	12,892,992	11,455,096
Accumulated Fund		1,563,405	548,270
Revaluation Reserve	8	4,389,229	2,640,185
Designated Fund	18	260,134	293,462
		19,105,760	14,937,013
		19,132,794	14,964,092

The financial statements set out herein were approved by the Board of Directors on 29th October, 2013 and were signed on its behalf by:

Major (Rtd) Marsden Madoka, E.G.H.,
Chairman.

J. K. Njiraini, MBS,
Commissioner-General.

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Statements set out herein.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Contribution by Treasury KSh '000	Accumulated Fund KSh '000	Revaluation Reserve KSh '000	Designated Fund KSh '000	Total Fund KSh '000
1st July, 2012		10,403,305	669,632	2,709,664	94,300	13,876,901
Contribution for the year		1,051,791	-	-	-	1,051,791
Charge for the year		-	-	(69,479)	-	(69,479)
Deficit for the Year		-	(121,362)	-	-	(121,362)
Net Funds Received		-	-	-	199,162	199,162
At 30th June 2012		11,455,096	548,270	2,640,185	293,462	14,937,013
Prior Period Adjustment	19	459,335	(14,639)	1,845,590	-	2,290,286
At 1 July 2012 (Restated)		11,914,431	533,632	4,485,775	293,462	17,227,300
Prior Period Adjustment	11	-	-	-	-	-
Contribution for the year	17	978,561	-	-	-	978,561
Charge for the year		-	-	(96,546)	-	(96,546)
Deficit for the year		-	1,029,773	-	-	1,029,773
Revaluation in the year	8	-	-	-	-	-
Net fund Movement	18	-	-	-	(33,328)	(33,328)
At 30th June 2013		12,892,992	1,563,405	4,389,229	260,134	19,105,760

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Financial Statements set out herein.

KENYA REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2012/2013 KSh. '000	2011/2012 KSh. '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (Deficit) for the year		1,029,773	(121,362)
Non- cash movements			
Depreciation	8	599,886	567,387
Amortisation	9	20,382	4,606
Loss/(Gain) on disposal of Assets		2,132	(2,474)
Increase in Security Deposits	12	(83,597)	(206,120)
(Increase)/Decrease in Debtors		(1,421,214)	743,982
Increase/(Decrease) in Creditors		910,182	(337,465)
Net cash flows from operating activities		1,057,544	648,554
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(793,702)	(767,172)
Proceeds from sale of Property, Plant and Equipment		2,658	3,868
Net cash flows from investing activities		(791,044)	(763,304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution by the Treasury	17	978,561	1,051,791
Decrease/(Increase) in designated Funds	18	(33,328)	199,162
Net cash flows from financing activities		945,233	1,250,953
Net Increase In Cash And Cash Equivalents		1,211,733	1,136,203
Cash and cash equivalents at 1st July 2012		1,813,652	677,449
Cash And Cash Equivalents At 30th June 2013	13	3,025,385	1,813,652

The Statement of Cashflows is to be read in conjunction with the notes to and forming part of the Financial Statements set out herein.

NOTES TO THE FINANCIAL STATEMENTS

1. ESTABLISHMENT

Kenya Revenue Authority was established by an Act of Parliament, The Kenya Revenue Authority Act, and CAP 469. The Authority's objectives are the assessment and collection of revenue, administration, enforcement of laws relating to and accounting for revenue collected under the Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are prepared under the historical cost basis of accounting as modified by the revaluation of certain items of property, plant and equipment and fair value adjustments to investments. They are presented in Kenya Shillings (KSh.) rounded to the nearest thousand shillings and comply with the International Financial Reporting Standards (IFRS).

(b) Income 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.

(ii) Other Income

Interest Income is recognised on a time basis at the effective interest rate applied on the principal amounts outstanding:-

Rental income is recognised on accrual basis.

Other incomes are recognised when earned.

(c) Development funding and asset Contributions by the Treasury

Contributions 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.

(d) 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.

(e) 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.

(f) 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.

(g) Retirement Benefits Obligations

The Authority operates a hybrid pension scheme with a defined benefit section and a defined contribution section for the permanent and pensionable employees. The pension costs relating to this scheme are assessed in accordance with the advice of a qualified actuary. The assets of the scheme are held in a separate trustee-administered fund. The cost of providing pension and other post-retirement benefits for employees is charged to the income and expenditure account.

(h) 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.

(i) Accrued Leave Days Provision

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

(j) Inventories

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

3. AGENCY INCOME

	2012/2013 KSh '000	2011/2012 KSh '000
Agency Income	13,201,230	10,648,331
Bonus	-	-
	13,201,230	10,648,331

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

4. OTHER INCOME

	2012/2013 KSh '000	2011/2012 KSh '000
Road Maintenance Levy Commission	500,032	483,673
Petroleum Development Levy Income	34,030	31,898
Sale of Number Plates	322,862	287,497
Sale of Tamper Proof Seals	16,843	37,563
Public Overtime	2,395	3,942
Document Processing Fees	32,994	29,400
Aviation Revenue Commission	71,778	63,557
Air Passenger Service Charge Commission	125,611	69,203
Sugar Development Levy Commission	43,796	43,186
Interest Income	186,484	107,599
Staff Housing Rental Income	50,646	47,139
Property Rental Income	8,075	10,570
(Loss) / Gain on disposal of Fixed Assets	-2,132	2,474
Insurance Deductions Commission	3,761	3,254

Miscellaneous Income **	120,121	56,403
	1,517,295	1,277,358

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

5. STAFF EMOLUMENTS

	2012/2013	2011/2012
	KSh. '000	KSh '000
Salaries and Allowances	9,485,940	8,355,604
Staff Leave Days Provision	188,681	62,153
	9,674,621	8,417,756

6. OTHER OPERATING EXPENSES

	2012/2013	2011/2012
	KSh '000	KSh '000
Travelling and Accommodation	487,184	384,090
Utilities	299,711	369,845
Staff Welfare	26,405	9,460
Medical Expenses	592,656	406,424
Printing and Stationery	74,508	129,536
Rent and Rates	122,042	100,314
Consultancy	45,509	237,248
Tax Payer Education	59,761	56,345
Computer Expenses	212,151	119,595
Training Expenses	112,504	137,186
Motor Running Expenses	178,307	166,618
Building repairs and maintenance	26,465	22,453
Scanner Expenses*	167,916	622
Office Running Expenses	179,438	165,128
Advertising and Public Relations	32,125	38,598
Insurance Expenses	55,789	69,499
Secretarial Expenses	7,835	40,882
Board Expenses*	26,119	33,437
Official Entertainment	14,319	18,855
Uniforms and Laundry Expenses	617	7,950
Consumable Stores	22,288	6,195
Materials and Supplies	387,938	235,620
Bank Charges	1,229	1,007
Security Expenses	238,221	271,082
Motor Boat Repairs	9,756	15,659
Container Sealing Expenses	7,821	-
Laboratory Expenses	5,250	13,656
	3,393,863	3,057,303

6.1 SCANNER EXPENSES

	2012/2013	2011/2012
	KSh '000	KSh '000
Annual Maintenance Contract	167,916	-
Routine Maintenance Expenses	-	622
	167,916	622

6.2 BOARD EXPENSES

	2012/2013	2011/2012
	KSh '000	KSh '000
Monthly Directors' fees	11,918	13,461
Sitting Allowances and Honararia	12,002	17,794
Accommodation and Travel Expenses	2,199	2,182
	26,119	33,437

7. DEPRECIATION AND AMORTISATION

	2012/2013	2011/2012
	KSh '000	KSh '000
Depreciation charge on Fixed Assets	599,886	567,387
Amortisation of Intangible Assets	20,382	4,606
	620,268	571,993

8. PROPERTY, PLANT AND EQUIPMENT.

(i)

	Land and Buildings KSh '000	Plant And Machinery KSh '000	Motor Vehicles KSh '000	Computers KSh '000	Motor Boats KSh '000	Wip KSh '000	Total KSh '000	
2012/2013								
COST/VALUATION								
1 Jul 2012	7,360,800	2,204,375	585,424	767,494	1,381,275	612,040	14,219,838	
Additions	-	-	40,446	212,291	89,062	-	746,375	
Disposals	-	-	(47,894)	-	-	(7,572)	(55,466)	
Prior Period Adj.	2,359,056	-	-	-	-	-	2,359,056	
Transfer of WIP	1,847	-	-	8,238	139,489	(149,574)	-	
30th June 2013	9,721,703	2,204,375	577,976	988,023	1,609,826	604,468	17,269,802	
Depreciation								
1 Jul 2012	368,034	1,414,544	485,243	531,639	1,335,398	265,698	4,400,556	
Charge for Year	121,886	193,084	23,920	82,656	104,793	73,547	599,886	
Dep. on Rev	96,546	-	-	-	-	-	96,546	
Prior Period Adj.	68,770	-	-	-	-	-	68,770	
Disposals	-	-	(43,105)	-	-	(7,572)	(50,677)	
30th June 2013	655,236	1,607,628	466,058	614,295	1,440,191	331,673	5,115,081	
Netbook Value								
30th June 2013	9,066,467	596,747	111,918	373,728	169,635	272,795	12,154,722	
2011 / 2012								
	Land and Buildings KSh '000	Plant and Machinery KSh '000	Motor Vehicles KSh '000	Office Equipment KSh '000	Computers KSh '000	Motor Boats KSh '000	Wip KSh '000	Total KSh '000
1 Jul 2011	7,360,800	2,204,375	567,324	700,854	1,329,740	612,040	703,731	13,478,864
Additions	-	-	30,206	66,640	51,810	-	604,699	753,354
Disposals	-	-	(12,105)	-	(275)	-	-	(12,380)
30 June 2012	7,360,800	2,204,375	585,424	767,494	1,381,275	612,040	1,308,430	14,219,838
Depreciation								
1 Jul 2011	184,014	1,164,454	472,633	472,093	1,289,331	192,151	-	3,774,676
Charge for Year	114,541	250,090	23,505	59,546	46,159	73,547	-	567,387
Dep. on Rev	69,479	-	-	-	-	-	-	69,479
Disposals	-	-	(10,895)	-	(92)	-	-	(10,986)
30 June 2012	368,034	1,414,544	485,243	531,639	1,335,398	265,698	-	4,400,556
Netbook Value								
30th June 2012	6,992,766	789,831	100,181	235,855	45,877	346,342	1,308,430	9,819,283

(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 leasehold land was revalued to KSh. 2,359,056 in 2011 and a prior period adjustment has been made to recognise the new values.

The Authority is yet to receive title documents for some 18 pieces of leasehold land received Government which have buildings with carrying values of KSh. 829,050,000. 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. 445,085,418 with a residual value of KSh. 44,508,541, Motor Boats whose cost is KSh. 16,091,088, Computers whose cost is KSh. 1,295,447,390, Office Equipment of KSh. 149,880,184, Laboratory Equipment KSh. 10,126,160, Plant and Machinery KSh. 659,703,883 and Furniture and Fittings of KSh. 159,761,684 whose book value is nil. The total notional depreciation charge for the assets is KSh. 632,292,988 (2012- KSh. 554,529,156). Most of these assets are in use by the Authority.

(iv) Capital Work In Progress

	2012/2013 KSh '000	2011/2012 KSh '000
Common Cash Receipting System	63,691	58,062
Electronic cargo system	77,612	77,612
Integrated Tax Management System	684,686	552,806
Customs Revenue Accounting Module	4,664	4,664
Support Departments ERP System	5,276	5,276
Valuations Database system	17,791	8,332
Langata Staff Houses Renovation	594,436	452,104
Renovation of Training Institute (KESRA)	119,065	-
Renovation of JKIA Offices	5,212	-
Partitioning of Eldoret Offices	-	1,546
Times Tower Ventilation	-	300
World Bank Funded Projects	-	119,571
Gymnasium Equipment	-	8,238
LAN Installation (World Bank)	-	19,919

	2012/2013	2011/2012
	KSh '000	KSh '000
	1,563,433	1,308,430

Electronic Cargo Tracking System: - Implementation of the ECTS stalled due to a court injunction issued following an application made by the Kenya Transport Association (KTA). The case was withdrawn in October 2013 and implementation of the project is set to continue.

ERP System: - The delay in the implementation has been caused by delay in the delivery of some modules of the system by the Vendors.

Customs Revenue Accounting Module: - Implementation was temporarily suspended to enable the review of changed user requirements and to enable its proper integration with the ongoing reengineering of the SIMBA system.

9. INTANGIBLE ASSETS

	2012/2013	2011/2012
	KSh '000	KSh '000
COST		
1 July	183,085	169,267
Additions	47,328	13,818
30th June	230,413	183,085
AMORTISATION		
1 July	173,873	169,267
for the year	20,382	4,606
30th June	194,255	173,873
NET BOOK VALUE		
30th June	36,158	9,212

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, (2012- KSh. 169,267,025).

10. DEBTORS

	2012/2013	2011/2012
	KSh '000	KSh '000
Trade Debtors		
Other Agency debtors	230,240	161,822
Rent Receivable	-	897
Interest Receivable	8,033	863
	238,274	163,582
Other Debtors		
Staff Debtors	90,180	68,482
Prepayments	8,256	27,262
Other Debtors	371,166	169,104
	469,602	264,848
Debtors Total	707,875	428,431

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

	2012/2013	2011/2012
	KSh '000	KSh '000
1 July	2,000,907	2,912,847
Accrued in the year	13,201,230	10,648,331
Bonus earned	-	-
Amount received in the year	(12,059,459)	(11,560,271)
30th June	3,142,677	2,000,907

The amount represents outstanding agency commission, bonuses earned and payments on behalf of the Treasury. The Treasury has repaid the past debts up to a total of KSh. 2, 708,030,000 over the years 2004 to 2010. However, the debt has increased due to 3% bonus earned on surplus collections in years 2004, 2005, 2007 2008, 2009, 2010 and 2011 as provided for in the KRA Act Section 16.

12. SECURITY DEPOSITS

	2012/2013	2011/2012
	KSh '000	KSh '000
Savings and Loan (K) Limited	1,466,727	1,395,473
Housing Finance	364,909	352,442
National Bank of Kenya Ltd	150,256	150,381
	1,981,892	1,898,295

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.

13 CASH AND BANK BALANCES

	2012/2013	2011/2012
	KSh '000	KSh '000
Cash in Hand	355	786
Cash at Bank	566,974	324,647
Fixed Deposits	2,458,056	1,488,219
	3,025,385	1,813,652

The fixed deposits are made up of one month deposits in commercial banks. The maturity period for the deposits is between July and August 2013. The deposits are further analysed as follows:-

	2012/2013 KSh '000	2011/2012 KSh '000
National Bank of Kenya	1,221,914	763,598
Co-operative Bank of Kenya	1,221,774	708,008
World Bank project Account - NBK	14,368	16,613
	2,458,056	1,488,219

14. CREDITORS

	2012/2013 KSh '000	2011/2012 KSh '000
Trade Payables	302,729	224,792
Staff Creditors	306,945	16,637
Payroll Deduction Creditors	22,002	40,192
Taxes	10,201	69,891
	641,876	351,512

Trade payables represent the outstanding payments to suppliers. 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.

15. PROVISIONS

	2012/2013 KSh '000	2011/2012 KSh '000
Staff Leave Days Provision	763,687	575,006
General Provisions	510,352	79,170
	1,274,039	654,176

The general provisions relate to utilities and staff medical expenses.

16. CONTRIBUTION TO GOVERNMENT PENSION FUND

	2012/2013 KSh '000	2011/2012 KSh '000
1 July	27,079	27,259
Payment to the Treasury in the year	(45)	(180)
30th June	27,034	27,079

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. CONTRIBUTION BY THE TREASURY

	2012/2013 KSh '000	2011/2012 KSh '000
1st July	11,455,096	10,403,305
Border Stations and KESRA Rehabilitation	441,270	270,000
Systems Security Software and Biometric System	53,730	15,000
Funds for Integrated Tax Management System	45,000	100,000
Excise Management System	416,666	-
Simba Upgrade and CSD reforms	-	155,000
RTD Reforms and Modernisation	-	50,000
MTO Offices and Psychometric Assessment Center	-	63,500
Support Departments ERP System	-	31,500
Information Technology Service Management Tools	-	290,000
Leasehold Land (Reinstatement)	459,335	-
World bank funded projects	21,895	76,791
30th June	12,892,992	11,455,096

The amounts represent assets and asset 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. The key projects include an Integrated Tax Management System (ITMS) for management of Domestic taxes, upgrading the Simba system in Customs Services Department and ICT service management tools. The funds will also be used in the rehabilitation of the Authority's Training Institute and border stations.

The World Bank funded project comprises of laboratory equipment received in the year. The reinstatement of Leasehold land comprises of land donated by the Government in 1996 which had been written off now recognised as an asset.

18. DESIGNATED FUNDS

	Legal Claim Fund KSh '000	World Bank Funds (Eattf) KSh '000	Total KSh '000
1 July 2012:	264,615	28,846	293,462
Funds Received:	-	-	-
Interest Earned:	-	125	125
Amount Spent:	(30,989)	(2,464)	(33,453)
Transfer to Equity Contribution	-	-	-
30th June 2013:	233,627	26,507	260,134

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

The World Bank funds are disbursements to the local account for the East African Trade and Transportation Facilitation Project Fund (EATTF), provided to improve the infrastructure for monitoring movement of goods for facilitation of trade in East Africa.

19. PRIOR PERIOD ADJUSTMENT

The Authority has recognised leasehold land as a finance Lease in the Statement of Financial Position. The leasehold land had been omitted from the statement as it was received from the Government at no purchase consideration. The land had been valued at KSh. 459 million in 1996 (KRA's Inception) and was subsequently re-valued in 2011 at KSh. 2,359 million.

	2012/2013 KSh. '000	2011/2012 KSh '000
Leasehold Land		
Value - 1996	459,335	459,335
Revaluation - 2011	1,899,721	1,899,721
Total	2,359,056	2,359,056
Amortisation		
Prior Period Amortisation	68,770	34,385
For the year	34,385	34,385
Total	103,156	68,770
30th June	2,255,900	2,290,286

20. RETIREMENT BENEFIT COSTS

During the year ended 30th June 2012, KSh. 1,045,768 Million (2011 KSh. 971,717 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 2012, was KShs.7.817 Billion (2011, KSh. 6.708 Billion) while the present value of past service liabilities at that date was KSh. 7.739 Billion (2011 KSh. 6.549 Billion).

21. CAPITAL COMMITMENTS

	2012/2013 KSh '000	2011/2012 KSh '000
Approved and contracted	1,075,672	1,102,753
Approved and not contracted	108,938	322,640
	1,184,610	1,425,393

22. RECURRENT COMMITMENTS

	2012/2013 KSh '000	2011/2012 KSh '000
30th June	128,801	532,233

The above represents items and activities approved and contracted but not yet delivered.

23. EMPLOYEES

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

	2012/2013	2011/2012
30th June	4,783	4,633

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. 2,109,332,745 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.

26. CURRENCY

The Financial Statements are presented in Kenya Shillings (KSh '000).

KENYA REVENUE AUTHORITY
REVENUE COLLECTION BY DEPARTMENT

Note	2012/2013		2011/2012	
	Actual KSh 'Million'	Target KSh 'Million'	Actual KSh 'Million'	Target KSh 'Million'
EXCHEQUER REVENUE COLLECTION				
Customs Services Department	220,307	263,192	210,454	218,868
Domestic Taxes Department	536,820	576,201	458,433	475,574
Road Transport Department	2,407	5,976	2,210	2,430
SUB-TOTAL	759,534	845,369	671,097	696,872
AGENCY TAXES COLLECTION				
Customs Services Department	38,409	33,518	33,804	33,936
Domestic Taxes Department	1,923	1,799	1,902	1,966
Road Transport Department	643	552	853	876
SUB-TOTAL	40,975	35,869	36,559	36,778
GROSS TOTAL	800,510	881,238	707,656	733,652

Notes:

Included in Road Transport Exchequer revenue (Target and Actual) is an amount of KSh. 23,670,800 (KSh. 296,500,902 in 2011/2012) collected by districts relating to court fines, liquor licences and other collections which were banked in the Registrar of Motor Vehicles account but had no supporting schedules.

These have been swept to the exchequer through the traffic revenue account.

Agency Taxes comprises of the following—

(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) Road Transport Department—Sale of number plates, TLB application fees, Driving test fees, vehicle inspection fees among others.

REVENUE COLLECTION MOVEMENT SCHEDULE

	2012/2013				2011/2012			
	CSD	DTD	RTD	TOTAL	CSD	DTD	RTD	TOTAL
	KSh 'Million'	KSh 'Million'	KSh 'Million'	KSh 'Million'	KSh 'Million'	KSh 'Million'	KSh 'Million'	KSh 'Million'
EXCHEQUER								
Cash in Transit brought forward— 1 July	1,088	404	45	1,537	725	188	34	947
Cash from commercial banks/adjustment		-138		-138				
Add: Collections for the year	220,307	536,820	2,407	759,534	210,454	458,433	3,063	671,950
Total amounts to be credited in CBK in the year	221,395	537,086	2,452	760,933	211,179	458,621	3,097	672,897
Less: Transfers to CBK	219,995	536,862	2,640	759,497	210,091	458,217	2,693	671,001
: Transfers Banks/Principals			414	414			359	359
Total transfers within the year	219,995	536,862	3,054	759,911	210,091	458,217	3,052	671,360
Cash in Transit 30th June	1,400	224	-602	1,022	1,088	404	45	1,537
AGENCY								
Cash in Transit brought forward— 1 July	815			815				
Cash from commercial banks/adjustment	293							
Add: Collections for the year	38,409	1,923	643	40,975	33,804	1,902	853	36,559
Total amounts to be credited in CBK in the year	39,517	1,923	643	41,790	33,804	1,902	853	36,559
Less: Transfers to CBK	32,933	1,894		34,827	29,647	1,902	853	32,402
: Transfers Banks/Principals	5,845			5,845	3,342			3,342
Total transfers within the year	38,778	1,894		40,672	32,989	1,902	853	35,744
Cash in Transit 30th June	739	29	643	1,118	815			815
TOTAL								
Cash in Transit brought forward— 1 July	1,903	404	45	2,352	725	188	34	947
Cash from commercial banks/adjustment	293	-138		155				
Add: Collections for the year	258,717	538,743	3,050	800,510	244,258	460,335	3,916	708,509
Total amounts to be credited in CBK in the year	260,913	539,009	3,095	803,017	244,983	460,523	3,950	709,456
Less: Transfers to CBK	252,928	538,756	2,640	794,324	239,738	460,119	3,546	703,403
: Transfers Banks/Principals	5,845		414	6,259	3,342		359	3,701
Total transfers within the year	258,773	538,756	3,054	800,583	243,080	460,119	3,905	707,104
Cash in Transit 30th June	2,140	253	41	2,434	1,903	404	45	2,352

NB: Both Exchequer and Agency Revenue for RTD are banked in the Exchequer Account.