

SPECIAL ISSUE



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KENYA REVENUE AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

KEY INFORMATION AND MANAGEMENT

(a) Background Information

Kenya Revenue Authority (KRA) is a statutory body established by an Act of Parliament, KRA Act Cap. 469 of 1995.

(b) Principal Activities

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.

MISSION Building Trust through Facilitation so as to foster Compliance with Tax and Customs Legislation.

VISION A Globally Trusted Revenue Agency Facilitating Tax and Customs Compliance.

CORE VALUES

- Trustworthy
- Ethical
- Competent
- Helpful

(c) Key Management

The Authority's day-to-day management is under the following key organs;

- Office of the Commissioner General,
- Domestic Taxes Department,
- Customs and Border Control Department,
- Corporate Support Services Department,
- Investigations and Enforcement Department,
- Strategy, Innovation and Risk Management Department,
- Legal Services and Board Coordination Department,
- Intelligence and Strategic Operations Department and,
- Kenya School of Revenue Administration (KESRA)

(d) Fiduciary Management

The key management personnel who held office during the financial period ended 30th June, 2019 and who had direct fiduciary responsibility were:

- | | |
|---|-------------------|
| - Commissioner General | John K. Njiraini. |
| - Domestic Taxes Department | Elizabeth Meyo. |
| - Customs and Border Control Department | Kevin Safari. |
| - Corporate Support Services Department | Ezekiel Saina. |
| - Investigations and Enforcement Department | David Yego. |
| - Strategy, Innovation and Risk Management Department | Mohamed Omar. |
| - Legal Services and Board Coordination Department | Paul Matuku. |

- Intelligence and Strategic Operations Department
 - Kenya School of Revenue Administration (KESRA)
 - Finance Division
 - Procurement Division
- Githii Mburu.
Fred Mugambi.
Josephat Omondi.
Grace Murichu

(e) Headquarters

Times Tower Building,
Haile Selassie Avenue,
P.O. Box 48240 – 00100, Nairobi, Kenya.

(f) Contacts

Telephone (254) 020-310900, 2810000, 315553
Email callcentre@kra.go.ke , cic@kra.go.ke
Website www.kra.go.ke

(g) Bankers

National Bank of Kenya Limited,
Harambee Avenue Branch,
P.O. Box 41862-00100 Nairobi, Kenya.

Kenya Commercial Bank Limited,
Haile Selassie Branch,
P.O. Box 58992-00200 Nairobi, Kenya.

Co-operative Bank of Kenya Limited,
Co-op House Branch,
P.O. Box 67881-00200 Nairobi, Kenya.

Housing Finance Group,
Rehani House,
P.O. Box 30088-00100 Nairobi, Kenya.

(h) Independent Auditors

Auditor General,
Kenya National Audit Office,

Anniversary Towers, University Way,
P.O. Box 30084,
GOP 00100,
Nairobi, Kenya.

(i) Principal Legal Advisor

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

BOARD OF DIRECTORS

1. AMB. DR. FRANCIS MUTHAURA, MBS, EGH

Amb. Dr. Muthaura is the Chairperson for the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as the Chairperson of the Board on 22nd May, 2018.

He holds a Bachelor of Arts Degree in Economics and Political Science and a Post Graduate Diploma in Diplomacy and International Relations from the University of Nairobi.

He was awarded Honorary Doctorate Degrees for Diplomacy and Public Service by Kenyatta University and the Kenya Methodist University of Kenya. He has served as a career diplomat, and held ambassadorial appointments to the European Union in Brussels and the Permanent representative to the United Nations in New York.

He is the founder Secretary General for East African Community; Permanent Secretary in the Ministries of: Information, Transport and Communications; Environment, Water and Natural Resources; Provincial Administration and Internal Security.

He served as the Head of Public Service and Secretary to the Cabinet for nine and half years before retiring from full time public service. He has previously served as a Chairman of the Lamu Port, South Sudan, Ethiopia Transport Corridor (LAPSSET) and BRITAM Holdings Limited.

2. ROSE WARUHIU (MRS.)

Hon. Mrs. Rose Waruhiu is a Member of the Board of Directors of Kenya Revenue Authority (KRA) on 21st October, 2016.

She holds a Bachelor of Arts (Economics) degree from Makerere University College, and postgraduate Certificate in Management of Higher Education from the University of Manchester. In 1990, she was appointed a Fellow at the Institute of Politics, Kennedy School of Government, Harvard University.

She worked as a senior Administrator in the University of Nairobi, early in her career, and later as a development Consultant in the private sector. She has worked as a consultant in the public sectors, undertaking assignments in policy formulation and documentation; public management; strategy development; planning and advocacy.

She has served as a Member in the Kenyan National Assembly and the East Africa Legislative Assembly. She served on the boards of Kenya Post Bank Board, Kenyatta National Hospital, the National Museums of Kenya and as Vice Chair of the Council of the Jomo Kenyatta University of Science and Technology.

She has held leadership positions in the Women's Organizations and Civil Society serving as Chair/Convener of several initiatives in the pro-democracy movement in Kenya. Within the women movement she was elected Chair of the University Women Association and Vice Chair of National Council of Women.

She has been Chairperson of the Finance, Administration and Procurement Committee and a Member of the Audit and Risk and Revenue, Strategy and Technology Committees of the Authority's Board of Directors.

3. PAUL ICHARIA

Mr. Paul Icharia is a Member of the Board of Directors of Kenya Revenue authority (KRA). He was first appointed as a member of the Board on 11th November 2016 and re-appointed for a further term of three (3) years on 11th November, 2019.

He holds a Bachelor of Science (BSc) Degree in Finance, from California State University, Sacramento USA and a Master of Business Administration (MBA) in Global Management from the University of Phoenix USA. He is a professional with extensive experience in Financial Services, Business Development and Social Services Development.

He has served in senior positions at the Royal Bank of Canada (RBC) and Citigroup in the United States of America.

He has been a Member of the Revenue, Strategy and Technology and Human Resources Committees of the Authority's Board of Directors respectively.

4. ENG. LEONARD ITHAU

Eng. Leonard Ithau is a Member of the Board of Directors of Kenya Revenue Authority (KRA). He was first appointed on 30th May, 2018 and subsequently re-appointed for a further term of three (3) years on 21st October, 2019.

He holds a Bachelor of Science Degree in Civil Engineering from the University of Nairobi and a Master of Science Degree in Construction Management from the University of Birmingham, England.

He has served in the public service at the Kenya Ports Authority (KPA) and as a Project Management Consultant to various private bodies in the Health, Port and Harbours/Rail, Roads, Telecommunications, Oil and Gas, Hospitality, Industrial/Commercial and Housing Sectors. He is currently the Executive Director of Quemec Limited.

He has over thirty five (35) years' experience in senior project advisory, design and construction management roles on major civil engineering, infrastructure and building works in Kenya and the broader South East Africa region.

He is a Registered Engineer with the Engineers Board of Kenya, a member of the Association for Project Management (UK) and the Institute of Directors (K).

He has been the Chairperson and Member of the Revenue, Strategy and Technology and Human Resources Committees of the Authority's Board of Directors respectively.

5. CHARLES MAKORI OMANGA

Mr. Charles Makori Omba is a Member of the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as a Member of the Board on 30th May, 2018 and re-appointed for a further term of three (3) years on 18th June, 2020.

He holds a Bachelor of Science Degree in Management Information Systems from USIU – Africa and Master of Business Administration from the University of Leicester, United Kingdom.

In his early career he served in the private sector as a Relationship and Product Manager at Citibank Kenya; Regional Head, Trade Finance (EA) and Head, Public Sector at the Barclays Bank of Kenya (now Absa Bank) and Head, Corporate Banking, CFC Stanbic Bank Limited. He is currently co-Managing Principal, Horizon Africa Capital Limited which is a financial advisory firm dealing in mergers and acquisitions in East Africa. As a non-executive director, he has also served in various boards in the financial services sector including banking and stock brokerage.

He is a member of the Institute of Certified Investment, Financial Analysts (ICIFA).

He has been a Member of the Finance, Administration and Procurement Committee of the Authority's Board of Directors.

6. MUKESH K R. SHAH

Mr. Mukesh K.R. Shah was appointed a Member of the Board with effect from 30th May, 2018.

He is a Director and founder of Strategic Consultants Limited, a practice that he established in 1992, which provides specialised consultancy services in the areas of strategic planning, high level advisory to family owned business, business revival and reconstruction and mergers and acquisitions to national and international clients.

He has worked with Price Waterhouse UK and Price Waterhouse Kenya for eighteen years (18) years and held the position of partner for over nine (9) years. At Price Waterhouse, he specialized in assurance, accounting and investigations. He was an authority in the audit of banks, financial institutions, oil companies, tour operators and hotels.

He holds directorships of private companies mainly in a professional capacity and is a non-executive Director of Carbacid Investments Limited, a company listed on the Nairobi Securities Exchange and NCBA Bank Plc, a leading bank in East Africa. He advises the Boards of various family owned businesses.

He is a Fellow of the Chartered Association of Certified Accountants (UK), Member of the Institute of Certified Public Accountants of Kenya and Institute of Certified Public Secretaries of Kenya.

He has been Chairperson and Member of the Audit and Risk and Revenue, Strategy and Technology Committees of the Authority's Board of Directors respectively.

7. SUSAN MUDHUNE (MRS.)

Mrs. Susan Mudhune is a Member of the Board of Kenya Revenue Authority (KRA). She was first appointed as a Member of the Board on 30th May, 2018 and re-appointed for a further term of three (3) years on 21st October, 2019.

She holds a Bachelor of Arts (Education) Degree and a Master of Business Administration degree from the University of Nairobi.

She has served in various management positions in the local banking industry for over twenty (20) years, from which she retired in 2001.

She has served as a non-Executive Director in various Boards including Safaricom (K) Limited, a position she held for nine (9) years until 2019. She is a past Chairperson of the Board of Kenya Commercial Bank Group and the Kenya Girl Guides Association. She is currently a non Executive Director of Sanlam Kenya Limited, Carbacid Group Limited and chairs the board of Kenya Innovative Finance Facility For Water (KIFFWA) Foundation.

She is a Certified Corporate Governance trainer and a Member of Women Corporate Directors (Kenya Chapter) and Institute of Directors (Kenya).

8. COMMISSIONER-GENERAL, JOHN K. NJIRAINI

He was appointed Commissioner General of Kenya Revenue Authority on 3rd March, 2012. He served the Authority up to his retirement on 30th June, 2019.

He holds a Bachelor of Commerce (First Class Honours) and Master of Business Administration (MBA) degrees from the University of Nairobi.

He served as the Chief Executive of the Institute of Certified Public Accountants of Kenya (ICPAK) between 1996 and 2006. Mr. Njiraini also served as a Lecturer, Department of Accounting, at the University of Nairobi between 1984 to 1994 and in various audit capacities with Deloitte Haskins & Sells (now Deloitte) and Price Waterhouse (now PricewaterhouseCoopers).

He has also served in various Government Boards and Task Forces including the Permanent Public Service Remuneration Review Board, Local Authorities Transfer Fund Advisory Board, Registration of Accountants Board and the Pending Bills Closing Committee, among others.

9. POST BALANCE SHEET EVENT:

APPOINTMENT OF COMMISSIONER GENERAL, GITHII MBURU

Mr. Githii Mburu was appointed Commissioner General with effect from 1st July, 2019.

He holds a Bachelor of Commerce Degree (Accounting Option) from Kenyatta University and a Master of Science degree in Public Policy & Analysis from the Jomo Kenyatta University of Agriculture & Technology (JKUAT). He is also a Certified Public Accountant and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He served as the Commissioner for Intelligence & Strategic Operations (I&SO), where he led KRA in establishing and operationalising a formidable intelligence gathering and tax investigations infrastructure which has played a critical role in combating tax evasion and in enforcing KRA's Code of Conduct. He was instrumental in the collection and dissemination of intelligence. In his role as Head of Investigations, he led various tax evasion investigations that have greatly enhanced revenue collection and border security. He led the enforcement team against illicit trade under the Multi-Agency Task Force.

Prior to joining KRA, Mr. Mburu worked as Head of Technical Standards at the Institute of Certified Public Accountants of Kenya (ICPAK) and also worked with CFC Stanbic Bank.

EX OFFICIO MEMBERS

CABINET SECRETARY, THE NATIONAL TREASURY– MR. HENRY K. ROTICH, EGH

Mr. Henry K. Rotich, EGH was appointed Cabinet Secretary for the National Treasury on 15th May 2013. He holds Bachelor and Master's degree in Economics from the University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.

He had worked at the Treasury, Ministry of Finance and the Central Bank of Kenya. He had been earlier attached to the International Monetary Fund (IMF) local office in Nairobi.

He has also been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics.

CABINET SECRETARY, THE NATIONAL TREASURY– AMB. UKUR YATANI, EGH

Ambassador Ukur Yatani was appointed Acting Cabinet Secretary for the National Treasury on 24th July 2019. He holds a Master in Public Administration and Public Policy degree from the New York University in the UK.

He has served as District Officer (DO), a District Commissioner (DC) and a Member of Parliament for North Horr constituency. He also served in the Cabinet as the Assistant Minister, Ministry of Science and Technology.

He has also served as Kenya's Ambassador to Austria, with accreditation to Hungary and Slovakia and as Kenya's permanent representative to the United Nations in Vienna.

BERNARD NDUNG'U, MBS (ALTERNATE DIRECTOR TO THE CABINET SECRETARY, NATIONAL TREASURY)

He was appointed as a Member of the Board with effect from 15th September, 2014 as the alternate to the Cabinet Secretary, National Treasury.

He holds a Bachelor's Degree in Commerce from the University of Nairobi and a Master's Degree in Public Finance Management from the University of London. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He is currently the Director General, Accounting Services and Quality Assurance at the National Treasury.

He is also the Chairperson of the Public Sector Accounting Standards Board of Kenya and represents the Cabinet Secretary, National Treasury in the Boards of Kenya Revenue Authority (KRA), Kenya Accountants and Secretaries Examinations Board (KASNEB) and Kenya Medical Supplies Authority (KEMSA)

He has worked on a wide range of public and private finance management specialties having worked with accounting firms including PriceWaterhouseCoopers (PwC) and Ernst and Young (EY) prior to joining the National Treasury.

ATTORNEY-GENERAL – HON. PAUL KIHARA KARIUKI

He was admitted to the Bar in 1978 after completing his Post Graduate Diploma in Law at the Kenya School of Law, Nairobi. He practiced law at Ndung'u Njoroge and Kwach Advocates, Hamilton Harrison and Mathews Advocates as well as other legal establishments.

In 2003 he was appointed to serve as Principal and Chief Executive officer at Kenya School of Law. In the same year, he was appointed Judge of the High Court of Kenya where he served in both the Civil and Commercial Divisions for several years. Between 2009 and 2013, he served as the first Director at the Judiciary Training Institute, where he established operational systems for the technical arm of the Judiciary incorporating professional development for all Judges, Magistrates and Paralegal Staff of the Judiciary. He was appointed the President of the Court of Appeal in 2013 and the Attorney General of the Republic of Kenya in March, 2018.

As the President of the Court of Appeal he was instrumental in the decentralization of the court to Kisumu, Malindi and Nyeri Counties. He also led to the development of the blue print 10 point strategy for the transformation of the courts that culminated in the Court of Appeal Bill and the Strategic Plan of the Court of Appeal of Kenya.

He served as the Chancellor or the Honorary Legal Advisor for the Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and the Chairman of the Thomas Banados and Rotary International.

He is an esteemed member of the Law Society of Kenya, Commonwealth Lawyers Association and International Bar Association.

MS. MARYANN MUTHONI NJAU-KIMANI, OGW (ALTERNATE DIRECTOR TO THE ATTORNEY-GENERAL)

She is an advocate of the High Court of Kenya with over thirty (30) years' post admission experience in private and public law practice.

She holds a Bachelor of Laws (LLB) and a Master's degree in Business Administration from the University of Nairobi.

She is Senior Deputy Solicitor General and Secretary - Justice and Constitutional Affairs, the current Head of the State Department of Justice, Office of the Attorney General and Department of Justice.

She is an accredited mediator and Certified Justice Rapid Response, United Nations-Women Sexual and Gender Based Violence Justice Expert with management, financial, research, consultancy and training experience and skills.

MANAGEMENT TEAM

1. John Njiraini, CBS

He was appointed Commissioner General of Kenya Revenue Authority on 3rd March, 2012. He served the Authority up to his retirement on 30th June.

He holds a Bachelor of Commerce (First Class Honours) and Master of Business Administration (MBA) degrees from the University of Nairobi.

He served as the Chief Executive of the Institute of Certified Public Accountants of Kenya (ICPAK) between 1996 and 2006. Mr. Njiraini also served as a Lecturer, Department of Accounting, at the University of Nairobi between 1984 to 1994 and in various audit capacities with Deloitte Haskins & Sells (now Deloitte) and Price Waterhouse (now PricewaterhouseCoopers).

He has also served in various Government Boards and Task Forces including the Permanent Public Service Remuneration Review Board, Local Authorities Transfer Fund Advisory Board, Registration of Accountants Board and the Pending Bills Closing Committee, among others.

2. Githii Mburu

He was appointed Commissioner, Intelligence & Strategic Operations with effect from 3rd April, 2017, a position he served until his appointment as Commissioner General with effect from 1st July, 2019.

Mr. Mburu holds a Bachelor of Commerce degree (B. Com – Accounting) from Kenyatta University and a Master of Business Administration degree from Jomo Kenyatta University of Agriculture & Technology (JKUAT). He is a member of the Institute of Certified Public Accountants of Kenya.

3. Kevin Lewis Safari

Mr Safari was appointed as Commissioner, Customs & Border Control Department from 18th February, 2019.

He joined KRA in 1996 and has served in various positions in Internal Audit, Domestic Taxes and Customs and Border Control departments. He was instrumental in establishing the Customs Enforcement function in Customs & Border Control Department, the Medium Taxpayers Office and Account Management Divisions in Domestic Taxes Department. He held key positions at the Commissioner General's office and also served as the Regional Co-ordinator for Western and North Rift Regions.

Mr. Safari holds a Bachelor of Arts degree (BA – Econ. & Business Studies) from Kenyatta University and Master in Business Administration (MBA) degree from the University of Nairobi.

4. Elizabeth Odundo Meyo

Mrs Elizabeth Meyo was appointed the Commissioner, Domestic Taxes Department with effect from 5th April, 2019 for a period of eighteen months.

She joined KRA in 1996 as an Assistant Inspector I in the VAT Department and in 1997 has served in the Customs & Excise Department Accounts Division as a Senior Accountant, and also in the former VAT Department in different capacities, until the year 2004 when she was appointed Acting Deputy Commissioner for Strategy & Projects. In 2005, she was confirmed as Deputy Commissioner in Domestic Taxes Department where she headed different functions including Compliance Operations, Large Taxpayer Office, Regional Manager - Central region and Public Sector Division. Before her appointment as Commissioner, Mrs Meyo was head of the South of Nairobi Tax Service Office.

Mrs Meyo holds a Master of Science degree in Finance from the University of Leicester, a Master of Laws (LLM) and a Bachelor of Laws degree from the University of Nairobi, a Post-Graduate Diploma in legal education from Kenya School of Law and a Post Graduate Diploma in Corporate Governance from KCA University. She is a Certified Public Accountant (CPA-K).

5. Ezekiel Saina, HSC

He was appointed Acting Commissioner, Corporate Support Services from 16th July, 2016. He was confirmed as the substantive Commissioner on 1st June, 2016 for a period of three (3) years and later extended by three months upto September 2019.

He holds a Bachelor of Science degree (BSC) from the University of Nairobi, a Master of Business Administration degree - (MBA) from Strathmore University, Post Graduate Diploma in Computer Science – (PGDIP Information Technology) from The University of Nairobi and a Certificate in Project Management.

6. Mohamed Mohamud (Dr.)

Mohamed Omar (Dr.) was appointed Commissioner, Strategy Innovation and Risk Management from 1st October, 2015. His contract was renewed on 1st October, 2018 for another term.

He has vast experience in Strategy and Policy, spanning academia and public sector. Before joining KRA, he was the Economic Pillar Director at the Kenya Vision 2030 Delivery Secretariat, where he was responsible for providing leadership and strategic direction to the implementation of the economic pillar flagship projects. Previously, Dr Omar also worked as a lecturer at the University of Nairobi.

Dr. Mohamud is a holder of Doctors degree of Philosophy from The University of Leeds – UK, Master of Business Administration degree – MBA (E-Business) from The University of Sheffield, UK and Bachelor of Science degree (BSC-Business & Economics) from Vaxjo University, Sweden.

7. Paul Muema Matuku

Mr. Matuku is the Commissioner of Legal Services and Board Coordination having been appointed on 15th May 2019.

He previously held the position of Deputy Commissioner of Legal Services (now Litigation). Mr. Matuku joined KRA in 1996 as a graduate trainee and has risen through the ranks to his current position as Commissioner of Legal Services and Board Coordination.

Mr. Matuku holds a Bachelors Degree in Law (LLB) from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law. He is a Certified Public Secretary and a Graduate Fellow of the University of Sydney, Graduate School of Government: Extractive Industries: Effective Governance, Taxation and Financial Management.

He is a member of the Law Society of Kenya, the East African Law Society and the Institute of Certified Secretaries, Kenya.

He was a member of the East African Revenue Authorities Technical Committee for six years where he chaired the Legal Affairs Sub-Committee.

He has been instrumental in the development and management of dispute resolution mechanisms in KRA having overseen the take-over of defense of KRA tax disputes from the Attorney General in the year 2000 and the development and roll out of a more robust Alternative Dispute Resolution mechanism in the year 2015. He has also been instrumental in the promulgation of the National Energy Policy, 2018; Petroleum Act, 2019 and the Model Production Sharing Contract.

8. David Yego

Mr. David K.S. Yego, was appointed Commissioner, Investigations & Enforcement Department from 22nd March, 2017.

He has over 15 years experience in senior management having risen through the ranks from Auditor 1, Internal Audit Department to the current position of Commissioner, Investigations and Enforcement Department. He has worked in various capacities in Customs and Border Control (C&BC) Department and Commissioner General's office.

Mr. Yego holds a Master's Degree in Business Administration (MBA) from the University of Nairobi, Bachelor's Degree in Mathematics and Economics from Kenyatta University and is also a Certified Public Accountant – CPA (K).

9. Fred Mugambi Mwirigi (Dr.)

Dr Fred Mugambi Mwirigi was appointed as Head of the Kenya School of Revenue Administration (KESRA) with effect from 15th May, 2019.

Prior to the appointment, he had served as the Deputy Commissioner in charge of Academic and Students Affairs at KESRA since April 2016.

Dr Mugambi was the founding director of JKUAT's Mombasa Campus, where he served for seven years. He taught at JKUAT for 11 years and rose to the level of senior lecturer. Prior to joining JKUAT, Dr Mugambi taught at the Kenya Methodist University. He also served as the chairman of a task force appointed by the Education Cabinet Secretary to select the Board of the Technical and Vocational Education and Training Authority (TVETA), under the Ministry of Education. Dr Mugambi has been involved in consultancy and training tasks for many national and international organisations across six countries. He has published 3 books and over 30 research papers.

Dr Mugambi holds a PhD in Entrepreneurship, and a Master of Science degree in Entrepreneurship from JKUAT, a Bachelor of Business Administration degree from Kenya Methodist University and a Diploma in Small Enterprise Management from Galilee International Management College, Israel.

10. Ruth Wachira

She was appointed Ag. Commissioner of Domestic Taxes from 30th September 2018 to 4th April, 2019.

She holds a Bachelor of Science degree – BSC. Dental Surgery and a Master of Business Administration (MBA) both from University of Nairobi. She is a Certified Public Accountant of Kenya – CPA (K) and a Certified Information Systems Auditor (CISA).

CHAIRMAN'S STATEMENT

Foreword

It is my pleasure to present the Annual Report and Financial Statements of the Kenya Revenue Authority for the Financial Year 2018/19. This is the first Annual Report prepared within the implementation period of the Authority's Seventh Corporate Plan (2018/2019 - 2020/2021). One of the fundamental drivers that will guide the 7th Corporate Plan is the transformation agenda. The key focus of this transformation agenda is to become more customer-focused with a view to enhancing compliance among the taxpayers.

The year 2018 was characterized by decelerated growth in the global economy though the Sub-Saharan Africa region remained on a recovery path. Despite the slow economic growth globally and in the region, Kenya recorded an improved growth. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In the 2019 World Bank's Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017.

OVERVIEW OF ECONOMIC PERFORMANCE IN 2018/19

Global Economy

The global economy experienced decelerated growth of 3.6% in 2018 compared to a 3.8% growth in 2017. The slowdown was as a result of the weakening growth rate in both the advanced and emerging market economies mainly due to the negative effects of trade tensions between the United States and China.

The Budget Policy Statement for 2019 shows that the Sub-Saharan Africa economy grew by 2.9% in 2018 up from 2.7% in 2017. The growth was largely attributed to favorable commodity prices, stable macroeconomic environment, ongoing infrastructure investments, and strong private sector consumption.

Kenya Economy

Based on the 2019 Budget Policy Statement, Kenyan economy remained resilient during the first three quarters of 2018. The economy registered an average growth of 6.0% after it grew by 5.8%, 6.2% and 6.0% during the first, second and third quarters of 2018, respectively. Economic growth for 2019 is projected to improve further to 6.2% partly supported by the increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector.

Growth in sectoral output was recorded across the major sectors of the economy. The 2019 Economic survey shows that the agricultural, manufacturing, transport and storage, tourism, information, and communication sectors all registered growth and expansion for the period under review. However, there was a decelerated growth in the construction sector during the period under review. Growth in agricultural value added products, at constant prices increased to 6.6% in 2018 from 1.8% in 2017 partly attributed to the favorable weather conditions for both crop and livestock.

Similarly, manufacturing sector registered a growth of 4.2% compared to a revised growth of 0.5% recorded in 2017. This was partly attributed to agro-processing activities and production of beverages that recovered from considerable declines in 2017. Formal employment in the manufacturing sector grew by 1.4% during 2018 to 307,592 persons accounting for 11.1% of the total formal employment.

During the review period, transport and storage sector expanded by about 8.8% compared to 7.2% it recorded in 2017. The growth was partly due to the increased activity in railway transport that has been performing well since the introduction of the Standard Gauge Railway (SGR) train services. In addition, the sectoral growth was supported by the increased water transport activities, with the number of throughput and the volume of container traffic handled at the port of Mombasa increasing from 2.2% and 9.6%, respectively, in 2018.

There was also an expanded growth in the information and communication sector. The value of Information and Communication Technology expanded by about 12.9% in 2018 to record KSh. 390.2 billion up from KSh. 345.6 billion in 2017. The growth was driven by growth in the digital economy. The total number of mobile transceivers grew by 16.9 from 184,149 in 2017 to 215,276 in 2018. Similarly, the number of fourth generation (4G) technology mobile transceivers also grew by about 93% from 3,873 in 2017 to 7,469 in 2018.

Revenue Performance

During the financial year 2018/19, KRA collected KSh. 1,580 billion against a target of KSh. 1,643 billion. This represents a performance rate of 96.2% and revenue growth of 11.3% over KSh. 1,419 billion collected in financial year 2017/18.

Exchequer Revenue

KRA collected a total of KSh. 1,477 billion against a target of KSh. 1,553 billion translating to a performance rate of 95.1%.

Agency Revenue

KSh. 103.1 billion was collected as Agency revenue against a target of KSh. 89.7 billion translating to a performance rate of 114.9%.

FUTURE OUTLOOK

Globally

The global economic growth is projected to slow down to 3.5% in 2019 from an estimate of 3.7% in 2018. This slowdown will primarily be as a result of weakening growth rate in both the advanced and emerging market economies mainly due to the negative effects of trade tensions between the United States and China.

However, in sub-Saharan Africa growth is expected to improve from 2.9% in 2018 to 3.5% in 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. Further, growth in the East African Community (EAC) region is estimated to improve from 5.9% in 2018 to 6.3% in 2019 supported by a stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

Kenya

Kenya's real GDP is estimated to have expanded by about 6.3% in 2018 compared to a revised growth of 4.9% in 2017. This growth is attributed to among other factors, increased agricultural production, sustained growth in the transportation, accelerated manufacturing activities and vibrant service sector activities. However, the growth for 2019 looks less optimistic on account of delayed long rains and depressed rainfall in most parts of the country. Nevertheless, the World Bank macroeconomic outlook estimates the economy to grow by 5.7% in the year 2019, 0.1% point below IMF projection.

Appreciation

On behalf of the entire Board of Directors, I wish to thank all the taxpayers who complied with their tax obligations and our strategic stakeholders who have partnered with us in our transformation journey to enhance revenue mobilization and more efficient customer service. We are optimistic that with your continued support, KRA will continue to effectively carry out its mandate and mobilize the much-needed resources to finance Government expenditure. I also wish to extend my appreciation to the management and staff of the Authority for their continued hard work, commitment and dedication which enabled KRA to increase revenue collection thereby registering growth of 11.3% despite the challenging macroeconomic conditions in the country.

In my capacity as the Chairman of the Board, I wish to take this opportunity, on behalf of other Board members, to thank H. E. The President, the National Government, the National Treasury and Planning Ministry, Counties, and Parliament for the invaluable support we continue to receive from them in the performance of our duties.

In conclusion, I wish to express my sincere appreciation to my fellow Board Members for their unwavering support and hard work during the year. It is my firm belief that the team will steer the Authority to an even better Performance in the 2019/2020 financial year.

AMB. (DR.) FRANCIS MUTHAURA, EGH
Chairman.

COMMISSIONER GENERAL'S STATEMENT

1. Introduction

It gives me great pleasure to present to you the highlights of the Kenya Revenue Authority performance for FY 2018/19. This was the first financial year in the 7th Corporate Plan themed as "Revenue Mobilization through Transformation, Data-Driven decision-making, and Tax Base

expansion". KRA's contribution will be mapped out through revenue mobilization with a view to raising the Revenue/GDP ratio from 18.3% recorded during the 2017/18 financial year to 19.2% by the 2020/21 financial year.

2. Operating Environment

Kenya's GDP growth rate was estimated at 6.3% in 2018 compared to a forecast of 6.1% based on the 2019 Budget Policy Statement. The GDP growth is expected to rise to 6.2% in 2019.

Key elements of the macro-economic environment included the following:

- The overall rate of inflation increased from 4.3% in June 2018 to 5.7% in June 2019.
- The foreign exchange market has remained relatively stable. The exchange rate of Kenya Shilling to US Dollar averaged at 101.1 during the Financial Year compared to 102.4 for the FY 2017/18.
- The FOB value of total exports decreased by 13% from KSh.. 53.8 billion in June 2018 to KSh.. 46.4 billion in June 2019. On the other hand, the CIF value of imports increased marginally from KSh.. 134.5 billion in June 2018 to KSh.. 134.6 billion in June 2019.
- The average yield rate for 91-day Treasury bill rate declined from 7.83% in June 2018 to 6.90% in June 2019 indicating a general decline in interest rates in the economy.
- The Nairobi Securities Exchange (NSE) 20 share index decreased from 3,286 points in June 2018 to 2,834 points in December 2018 and 2633 points in June 2019.

3. Revenue Performance

Cumulative revenue collections (July 2018 - June 2019) stood at KSh.. 1, 580 billion against a target of KSh..1,643 billion, a performance rate of 96.2% and a growth of 11.3% as presented in the Table 1 below.

Table 1: Revenue Collection (KSh. Billion)

Department	Actual 2018/19	Target 2018/19	Performance Rate (%)	Actual 2017/18	Growth Over 2017/18 (%)
Customs Services	525.34	522.78	100.5	470.07	11.8%
Domestic Taxes	1,050.42	1,116.4	94.1	945.94	11.0 %
Road Transport	4.30	4.01	107.4	3.37	27.8 %
TOTAL	1,580.06	1,643.2	96.2	1,419.37	11.3 %

3.1. Customs and Border Control Department

Total exchequer and agency customs collections during FY 2018/19 amounted to KSh..525.34 billion against a target of KSh..522.78 billion translating to a performance rate of 100.5% and a growth of 11.8% over FY 2017/18. Net import duty grew by 12% to KSh.. 105.2 billion while net excise duty grew by 6% to KSh.. 88.5 billion. Annual collections in Petroleum Taxes amounted to KSh.. 170.9 billion while Trade Taxes amounted to KSh.. 334.6 billion recording a growth of 16.3% and 9.3%, respectively, over FY 2017/18.

3.2. Domestic Taxes Department

Total domestic exchequer and agency collections during FY 2018/19 amounted to KSh.. 1,050.42 billion against a target of KSh..1,116.4 billion translating to a performance rate of 94.1% and a growth of 11.0% over FY 2017/18.

Direct domestic taxes collected during the financial year amounted to KSh.. 701.8 billion representing a growth of 8.7% over FY 2017/18. Direct domestic taxes included: PAYE-56%; Corporate Taxes-24%, withholding taxes-15%, and the remaining 5% comprised of individual taxes, Turn-Over-Tax, Capital Gains Tax and Rental Income Tax.

Indirect taxes collected during the Financial Year amounted to KSh.. 348.2 billion representing a growth of 16.2% over FY 2017/18. This growth in indirect taxes was mainly driven by a 60.8% growth in excise duty on airtime from KSh.. 15.6 billion to KSh.. 25.1 billion and 42.4% growth of excise tax on money transfer from KSh..15.9 billion in 2017/18 to KSh.. 22.6 billion in 2018/19.

3.3. Transport Department

Transport revenue for the 2018/19 FY was KSh.. 4.30 billion and accounted for 0.27% of the total collections during the year. The collection was a 27.8% growth compared to KSh.. 3.37 billion collected in 2017/18 FY.

4. REVENUE ADMINISTRATION TRANSFORMATION

KRA continues to scale up reforms that will transform the organization to be fully integrated and customer-focused. The key reform initiatives implemented during the financial year are detailed below:

4.1. iTax System Improvement

This is a web-based system that offers services including electronic registration of taxpayers, electronic filing, self-service ledger accounts, electronic receipting of tax payments and back office functions for Domestic Taxes Department. During this financial year, key improvements on the iTax system included:

- Delivery of Debt module.
- Invoice auto reconciliation module.
- Implementation of online customer support framework.
- Personal Identification Number Business Process Reengineering (PIN BPR) completed.

4.2. New Data Centre (NDC)

This project aims at implementing an enterprise risk management framework that will build resilience for business processes recovery and resumption in case of a disaster. The project will also improve IT operational efficiency and reliability. The New Data Centre facility, which is complete, will enhance availability, continuity and response times of business systems. Progress made so far include:

- Systems migration, testing and changeover.
- Integration with iTax and payment gateway.

- Prioritization of systems migration order completed. Migrations include iSupport, Corporate Website and Integrated Customs Management System (iCMS).

4.3. *Integrated Customs Management System (iCMS)*

The Integrated Customs Management System (iCMS) is an integrated system that consolidates all customs procedures for the clearance of cargo and border control. The aim of the iCMS project is to automate all Customs processes while adopting best technology practices for facilitation of trade by integrating the different systems used for Customs processes in the Authority.

The system has two-way integration with the iTax system which enables data sharing on importers to monitor domestic tax declarations. The progress made in implementation of iCMS includes:

- 80% completion of the development work (including integrations with stakeholder systems). Go live for Air achieved in April 2019 with go live for Sea and Air scheduled for July 2019).
- One year pilot for Air completed.

4.4. *iSupport System*

The KRA iSupport system is an Enterprise Resource Planning (ERP), whose aim is to replace the standalone systems by integrating their functions into a single automated system that runs off a single database. The system is expected to facilitate management of corporate operational performance to improve KRA's performance and employee productivity through the following solutions:-

- Providing timely and accurate information to support efficient tax administration operations, planning and reporting for the KRA;
- Stimulating integration of financial and operational activities through streamlined and efficient workflows and documents management;
- Building centralised service capability;
- Providing better business insight and
- Tracking key operational performance indicators on a real time basis for prompt management decision making.

The iSupport system implementation is complete and the rolled out modules include Travel Management, Payroll, Performance Management, Medical Management, e-Recruitment, and Assets Disposal.

4.5. *Tax Invoice Management System (TIMS)*

KRA is in the process of developing Tax Invoice Management System (TIMS) to safeguard tax revenue against electronic sales suppression while allowing for real-time tax collections at traders' tills. The TIMS implementation aims at addressing the challenge posed by the rapidly changing business environment requiring the use of electronic sales systems and digital payments. Under the VAT enhancement strategy, the need for ensuring simplicity and accuracy in input, output, credit VAT information and reconciliation between filed returns and payments is paramount. Once TIMS is fully implemented, KRA will be able to operationalize real-time VAT collections to enhance compliance for mobile and electronic business transactions. TIMS will also enhance capability for reporting projections on VAT collections.

The implementation of TIMS will ensure;

- Real time validation of invoices at the trader tills prior to issuance to the customer and KRA tax system.
- Standardization of tax invoices and receipts for compliance with tax legislation.
- Simplification of return filing in order to enhance voluntary compliance.
- Improve accuracy of VAT data for transactional purchases and sales information.

4.6. *Integrated Scanner Management Solution (iScan)*

The integrated scanner management solution (iScan) seeks to enhance security of containers on transit, improve reliability and reduce the risks faced by the inspection staff. The objective of this project is to provide a centralized integrated scanner management solution with real time processing, inspection information collection, inspection data management and advanced analysis capability. The following interventions have been undertaken:

- Establishment of a centralised command centre and scanner integration.
- Installation and operationalization of additional 9 scanners – this aims at operationalizing scanners at Kapenguria and Kilindini port (G-section), operationalizing 10 baggage (mobile) scanners from the Chinese government; procuring scanners (SGR component), relocating the Inland Container Depot (ICD) scanner to Malaba and constructing scanner shed.
- CCTV Integration – this involves CCTV Integration for 22 Container Freight Station (CFS) and Inland Container Depot.

4.7. *Data Warehouse and Business Intelligence (DWBI) Solution*

KRA is implementing the Data Warehouse and Business Intelligence (DWBI) Project. The main objective of the project is to enable KRA's Transformation to an efficient Data and Intelligence driven Tax Administration. The DWBI solution will enable KRA to aggregate relevant data from both internal and external sources for enhanced information on taxpayers thereby facilitating evidence based decision making. The Business Intelligence component will provide useful insights from the aggregated data for efficiency through enhanced Tax Administration Strategies.

In addition, the DWBI is expected to deliver the following benefits;

1. Fact based decision making: Linking data from multiple KRA systems to enable better reporting, analysis and knowledge based decision making;
2. Enhanced tax compliance by enabling single view of the taxpayer and providing access to strategic third party data; and
3. Enhanced operational efficiency by enabling fast and easy access to data and information; increase KRA's capacity to detect fraud by providing tools to detect trends and patterns.

The DWBI Project is being implemented in 3 phases as follows;

Phase 1 Deliverables;

1. Centralized data repository (Data warehouse) & Integrations
2. Risk Analysis module
3. Case Management module

The capabilities delivered by the completed Phase 1 of the DWBI include ability to read and upload third Party Data, Case Selection, Taxpayer risk based Profiling, and Workflow automation.

Phase 2 Deliverables

1. Business Intelligence
2. Reports
3. Dashboards

This phase is 40% completed.

Phase 3 Deliverable

Advanced Analytics

5. KEY ACHIEVEMENTS IN THE FINANCIAL YEAR 2018/19

The key achievements during the FY 2018/19 include:

5.1 *Broadening the tax base*

During the 2018/19 FY, active taxpayers increased to 4.65 million by the end of the third quarter. From July 2018 to April 2019, 32,333 landlords were recruited into the tax net of which 26,042 was through Block Management System (BMS) and 6,291 through the use of third party data.

The launch of iScan from 1st October 2018 led to improved voluntary compliance as there was no case for Gross mis-declarations from November, 2018 to May 2019. Further, compliance in terms of proper declarations increased from 86% (Before the launch of iScan) to 97% (After the launch of iScan).

KRA continued to leverage on government automation where various third-party systems (NTSA-TIMS, e-ProMIS, NHIF, NSSF and IFMIS including IFMIS County Compliance) were

identified to further drive recruitment. KRA's integration with these systems is at different levels of implementation with PPRA fully integrated.

5.2 *Revamped debt program*

During the Financial Year, the debt module on the iTax system was fully utilized. It facilitated a single view of all taxpayers' transactions and improved debt collection. To fast-track the debt recovery process timelines for hard-core cases, operation of debt enforcement was decentralised to all regional offices with effect from 1st January 2019.

During the year, KRA implemented Data Analytics to enhance debt collections by focusing on key priority debts that are easier to recover as follows: Current debts cases (i.e. 0-6 Months), debts emanating from agency taxes (i.e. VAT, PAYE, WHT and Excise) and debts with high values for each of the TSOs. The total debt collections for the period July- May, 2019 was KSh.. 36,054 Million.

5.3 *Creation of a Tax Dispute Resolution (TDR) Division*

During the FY 2018/19, a full-fledged TDR division was created and resourced. There was also recruitment of independent experts to handle disputes. There was also the roll out of restructured tax objections process as well as regular engagements with the stakeholders.

5.4 *Enhancing integrity*

KRA aspired to attain a Corruption Perception Index of 10% by 2021 through a raft of interventions including creation of awareness for the stakeholders, system reviews and automation and efficient inter-agency collaboration. During the financial year, 5,599 individuals were sensitized, 158 individuals were prosecuted, and collaboration with two agencies achieved.

6. HUMAN RESOURCE REVIEW

6.1 *Senior Staff Changes*

Mr. John Njiraini's contract ended on 30th June, 2019 as the KRA Commissioner General with Mr. James Githii Mburu being appointed to take over as the new Commissioner General with effect from 1st July, 2019. Mr. Kevin Lewis Safari was appointed as Commissioner, Customs and Border Control Department from 18th February, 2019 while Mrs. Elizabeth Odundo Meyo was appointed Commissioner, Domestic Taxes Department from 5th April, 2019. Mr. Paul Muema Matuku was appointed as the Commissioner, Legal Services and Board Co-ordination and Dr. Fred Mugambi Mwirigi was appointed as Head of KESRA, both appointments taking effect from 15th May, 2019.

6.2 *Staff Complement as at 30.06.2019*

<i>Department</i>	<i>Count</i>	<i>Percentage (%)</i>
Corporate Support Services	1,260	15.98%
Customs and Border Control	2,101	26.65%
Domestic Taxes Department	2,755	34.94%
Intelligence and Strategic Operations	127	1.61%
Internal Audit Department	39	0.49%
Investigations and Enforcement	240	3.04%
Kenya School of Revenue Administration	130	1.65%
Legal Services and Board Coordination	141	1.79%
Marketing and Communication	797	10.11%
Strategy, Innovation and Risk Management	268	3.40%
CG/1	27	0.34%
Transformation Leadership Office		
GRAND TOTAL	7,885	100.00%

6.3 *Staff Motivational and Welfare Programs*

In the financial year 2018/19, KRA addressed staff motivation by implementing various welfare activities that include wellness programs, health talks, health hikes, Alcohol and Drug abuse prevention programs. The authority has also provided motivational benefits which include Mortgage as well as car and laptop loans for staff.

6.4 Competency Development

KRA facilitated delivery of 24 technical and cross cutting programs for 594 staff and 41 Continuous Professional Development programs for 254 staff at a total cost of 34,779,506. This was possible through re-allocation from Departments and reimbursement from National Industrial Training Authority (NITA).

6.5 Human Resource Projects

During the year, KRA undertook a Job Evaluation exercise through a consultant. The exercise also included validation of all Job descriptions in the Authority.

7. FUTURE OUTLOOK

The Treasury revenue target for the financial year 2018/19 is KSh.. 1.94 trillion. From this set target, KSh.. **1.85** trillion (95.2%) is Exchequer revenues while KSh.. 92.2 billion (4.8%) is the agency revenue. The National Treasury target represents a growth of 22.7% over the revenue collection in FY 2018/19 (KSh.. 1.58 trillion).

Over the medium term, the 2019 Budget Policy Statement projects economic growth to rise gradually to 7.0% per annum due to investments in strategic areas under the “Big Four Agenda”, these include job creation through the manufacturing sector, achieving the universal health coverage, ensuring food security and improved nutrition as well as providing affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth. FY 2019/20 marks the second year of the implementation of the 7th Corporate Plan for the FY2018/19 to 2020/21. It is expected that full implementation the plan initiatives will lead to the following outcomes:

- (a) enhanced revenue through improved compliance,
- (b) improved business climate with respect to taxation and trading across borders,
- (c) data and intelligence driven organization, and
- (d) Public confidence in the integrity, professionalism, competence and customer focus of our staff.

8. CONCLUSION

In conclusion, I would like to thank our taxpayers and all stakeholders for the show of patriotism and unwavering support which has enabled us register success and achievement of our strategic goals. I also acknowledge and thank the Board of Directors, Management and staff of KRA for their hard work which has enabled KRA to effectively implement its mandate as the principal revenue collector for the Government of Kenya. This dedication and commitment has led to the achievement of a revenue growth of 11.3% over FY 2017/18, despite the challenging economic conditions. Lastly, I would like to thank the National Treasury for the strong support accorded to KRA throughout the year.

I am confident that together and guided by our common vision of being *A Globally Trusted Revenue Agency facilitating Tax and Customs Compliance*, KRA is headed for greater heights.

GITHII MBURU

Commissioner-General.

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the structure and process used to direct and manage the business affairs of the Authority to enhance prosperity, corporate performance and accounting. The Board of Directors is the governing body of the Authority. It formulates policy and charts out the road map for goal attainment, including plans of action.

The Board of Directors is responsible for the governance of the Authority and is accountable to the Cabinet Secretary, National Treasury to ensure compliance with the Kenya Revenue Authority Act, best practice and business ethics. The Directors attach great importance to the need to conduct business and operations of the Authority with integrity, professionalism and in accordance with generally accepted international corporate governance practice.

The Board’s responsibilities are broadly set out in Section 6 (6) of the Kenya Revenue Act CAP 469 of the Laws of Kenya, and include:

- (a) Review and approval of the policy of the Authority;
- (b) Monitoring of the performance of the Authority in carrying out its functions; and
- (c) Discipline and control of all of the Authority’s staff, appointed under the Act.

Board Meetings

The Board meets on a monthly basis to review Management performance, including revenue collection, operational issues and future planning. The Directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational, revenue and compliance issues. All the Directors are independent of Management and free from any business relationship that could materially interfere with the exercise of their independent judgment. The Board held 15 Meetings during the period under review.

Board Committees

The Board had four (4) standing Committees during the year, which met regularly under the Terms of Reference set out by the Board.

Human Resources Committee

The Committee is responsible for monitoring and appraising the performance of Senior Management, reviewing of human resource policies, approval of remuneration policy for employees and making recommendations on Senior Management appointments to the Board. The Committee met monthly and its Members were:

Susan Mudhune (Ms.),
Leonard Ithau,
Paul Icharia and
Commissioner-General.

Finance, Administration and Procurement Committee

The Committee is responsible for review of the Authority’s annual budget, Procurement and Disposal Plans and related policies. The Committee met monthly and its Members were:

Rose Waruhiu (Ms.),
Charles Omanga,
Cabinet Secretary, National Treasury and
Commissioner-General.

Audit and Risk Committee

The Committee is responsible for review of audit reports, compliance with relevant laws, procedure and standards, quality of financial reporting and oversight on internal control and risk, among others. The Committee assists the Board in discharging its supervisory and good corporate governance responsibilities. The Committee met monthly and its Members were:

Mukesh Shah,
Rose Waruhiu (Ms.),
The Attorney-General and
Cabinet Secretary, National Treasury.

Revenue, Strategy and Technology Committee

The Committee is responsible for review of the Authority's strategic implementation of the Corporate Plan and Reform Programme. It also serves as a forum to encourage continuous research and review of tax policy proposals; regulatory framework and revenue collection. The Committee met monthly and the Members were:

Leonard Ithau,
Mukesh Shah,
Rose Waruhiu (Ms.),
Susan Mudhune (Ms.),
Paul Icharia,
The Attorney-General,
Cabinet Secretary – National Treasury and
Commissioner-General

Board of Trustees

The Authority has a Staff Pension Scheme which is supervised, managed and administered by a Board of Trustees. The Authority, as sponsor of the Scheme, is represented by the following Board Members:

KRA Board Representation

Paul Icharia (Chairman),
Susan Mudhune (Ms.) and
Commissioner-General

Board Matters

Attendance to board meetings by members	In the Financial Year 2018/2019, there were twelve (12) Board Meetings and six (6) Special Board Meetings attended by Members.	
	<i>Meeting</i>	<i>No. of Directors</i>
	268th Board Meeting–10th July, 2018	9
	Special Board Meeting–16th August, 2018	8
	269th Board Meeting–30th August, 2018	6
	270th Board Meeting–27th September, 2018	7
	271st Board Meeting–25th October, 2018	8
	272nd Board Meeting–29th November, 2018	7
	273rd Board Meeting–20th December, 2018	9
	274th Board Meeting–24th January, 2019	7
	Special Board meeting–5th February 2019	7
	Special Board Meeting–7th February, 2019	9
	Special Board Meeting–12th February, 2019	6
	275th Board Meeting–14th February, 2019	9
	276th Board Meeting–15th March, 2019	7
	277th Board Meeting–11th April, 2019	9
	Special Board Meeting–3rd May, 2019	8
	278th Board Meeting–16th May, 2019	9
	279th Board Meeting–13th June, 2019	5
	Special Board meeting–27th June, 2019	8
Board Succession plan	As per the Kenya Revenue Authority Act Section 6 (2) (a) and Section 6 (2) (e) Appointment is by the President (for the Board Chairman) and Cabinet Secretary, The National Treasury (for Members) Expiry of term is usually communicated to The National Treasury at least three (3) months before expiry of Term	
Board Charter	There is an approved Board Charter. The Board Charter is currently under review.	
Appointment and removal of directors	Sections 7 and 8 of the Kenya Revenue Authority Act and section 7 of the State Corporations Act section 7 stipulates the process of appointing and removal of members to the Board of Directors.	
Roles and functions of the Board	Sections 6 (6) of the Kenya Revenue Authority Act and Chapter one (1) of the Mwongozo	

	Code of Governance stipulates the roles and functions of the Board of Directors.			
Board Induction and Training	An internal induction was carried out on 8th June, 2018 upon their appointment. Five (5) out of Nine (9) Directors have attended the Mwongozo Code of Governance Training.			
Board and Member performance	Board Evaluation for the FY 2018/2019 was carried out on 4th July, 2019 and facilitated by the State Corporations Advisory Committee. The results were as follows:			
	<i>Name</i>	<i>Position</i>	<i>Raw Score</i>	<i>% Score</i>
	Amb. Dr. Francis Muthaura	Chairman	4.8654	97.31
	John Njiraini	Chief Executive Officer	4.2741	85.48
	Eng. Leonard Ithau	Member	4.8033	96.07
	Mrs. Rose Waruhiu	Member	4.6636	93.27
	Susan Mudhune (Mrs.)	Member	4.5842	91.68
	Mukeshchandra Kanjir R. Shah	Member	4.8617	97.23
	Charles Omanga	Member	4.5940	91.88
	Paul Muchiri Icharia	Member	4.6834	93.67
	Maryann Njau Kimani (Ms.)	Member	4.6660	93.32
	Bernard Ndung'u	Member	4.8364	96.73
	Corporate Board Members Overall Performance		4.4999	90.00%
Conflict of interest	Conflict of interest is declared in all Board and Board Committee Meetings and recorded as part of the proceedings.			
Board remuneration	Board remuneration is specified per the relevant Government Circulars, i.e; Sitting Allowance: Letter dated 11th February, 2011 Ref ZZ MOF 131/04 Per Diem Allowance: Internal Memo from DC-HR dated 7th June, 2018. Monthly Allowance: 11th February, 2011 Ref ZZ MOF 131/04			
Ethics and conduct	This is provided for under the Board Charter under section (a) which quotes Policies and Acts that the board members as public officers are subject to.			
Governance Audit	The Governance Audit has not taken place. The State Corporations Advisory Committee (SCAC) vide their letter Ref No. OP/SCAC.9/175A dated 20 th February, 2020 indicated that the SCAC was in the process of accrediting Governance Auditors and they would share the list once the process was complete. The Authority awaits further guidance.			

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

Introduction

Corporate Social Responsibility (CSR) is a commitment that is undertaken by organizations globally to contribute to the development of the economy of any country. This is done to improve the well-being of the communities around the organization.

The goal of the Kenya Revenue Authority CSR is to achieve an endearing, sustainable and meaningful partnership with the publics that it interacts with to enhance focus on KRA's core values.

KRA has sustainably supported strategic initiatives that are in line with the Sustainable Development Goals (SDGs) and linked to Vision 2030, which emphasizes on Education, Environment, Health and Sports Marketing.

In this regard, KRA achieved the following milestones in CSR activities during the financial year 2018/2019:

Health Pillar Initiatives

During 2018/2019 financial year, KRA focused its Taxpayers Month CSR (TPM CSR) initiatives on Health pillar. Through the KRA regional offices, KRA renovated pediatric wards at Kisumu Level 5 hospital, Mwingi Level 5 hospital, Naivasha Level 5 hospital and Laikipia Level 5 hospital. We also constructed a hospital wing (with three rooms) at Bokole level 2 hospital in Mombasa.

In support of the fight against cancer, KRA participated at the Faraja white water rafting annual fundraising event at Tana River, Sagana, Muranga. KRA emerged 4th overall at the challenge.

Environmental Pillar Initiatives

On Environment, KRA involved staff to plant trees as per the presidential directive on National Tree. The staff managed to plant about 10,000 trees.

Sports Marketing Pillar Initiatives

On Sports Marketing, KRA focused on Golf with the aim of improving partnership with taxpayers. KRA sponsored/co-sponsored eight (8) golf tournaments at Ruiru Golf Club, Railways Golf Club, Nakuru Golf Club, upstream oil and gas golf tournament at Karen Golf tournament, ICPAK golf tournament at Muthaiga and Qatar Airways Golf tournament at Karen Golf. Over 50 Staff golfers participated in these tournaments.

Ushuru FC continued to play at the National Super League. The team played 38 matches across the country and finished position four.

KRA Choir performance

The KRA Choir performance was exemplary. The choir performed at various internal and external functions. External functions were at the invitation of Permanent Presidential Music Commission. They performed at Busia during Madaraka Day.

Conclusion

In conclusion, staff involvement and stakeholders' engagement in CSR helped to improve the overall relationship and image of KRA. In this particular financial year, KRA involved staff directly by participating at the KRA jungle run & national tree planting. Staff also participated at the Madoka Half Marathon, Beyond Zero Marathon and Stanchart Marathon. KRA staff golfers were also facilitated in all KRA sponsored/co-sponsored tournament.

GITHII MBURU
Commissioner-General

REPORT OF THE BOARD DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June, 2019 which show the state of Kenya Revenue Authority's affairs.

Principal Activities

The principal activities of the Authority continue to be assessment and collection of revenue, administration, enforcement of laws relating to and accounting for revenue collected under the relevant Acts.

Results

The results of the Authority for the year ended June, 2019 are set out on pages 41 to 71.

Directors

The Members of the Board who served during the year are shown on page 4 to 13.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Date the 9th December, 2019

By Order of the Board

Board Secretary.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenya Revenue Authority Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The KRA Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Authority's financial statements were approved by the Board on 9th 2019 and signed on its behalf by:

GITHII MBURU
Commissioner-General.

AMB. DR. FRANCIS K. MUTHAURA, MBS, EGH
Chairman.

REPORT OF THE AUDITOR-GENERAL ON KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Revenue Authority set out on pages 41 to 71, which comprise of the statement of financial position as at 30 June, 2019 and the statement of financial performance, statement of cash flows, statement of changes in net assets, statement of comparison of budget and actual amounts for the year then ended, and the summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Revenue Authority as at 30 June, 2019, 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, 1995.

Basis for Qualified Opinion

Uncollected Rental Income

The statement of financial performance for the year ended 30 June, 2019 reflects other incomes balance of KSh. 501,689,000 which as disclosed in Note 4(b) to the financial statements includes rental income totalling KSh. 166,547,000. However, the rental income of KSh.166,547,000 does not include uncollected rent totalling KSh.126,171,000 as detailed below:

<i>Estate</i>	<i>Amount (KSh.)</i>
Soweto, Miritini I, Migadini, Buxton, Nyerere, Miritini II, Changamwe	2,652,000
Oceanic - Kizingo	27,495,000
Busia Border	636,000
Miritini Estate	84,240,000
Robert Ouko	11,148,000
TOTAL	126,171,000

Management has attributed non-collection of the rental income to disputes in ownership of land which the Authority is seeking the approval of the Board of Directors for engagement of an Inter-Ministerial Committee to resolve the ownership disputes.

Under the circumstances, the completeness and accuracy of the rental income balance of KSh.166,547,000 as at 30 June, 2019 could not be confirmed.

Basis for Opinion

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

Emphasis of Matter

Land without Title Documents

The statement of financial position reflects a balance of KSh.30,785,938,000 under property, plant and equipment which as disclosed under Note 8 to the financial statements, includes fourteen (14) pieces of leasehold land which the Authority is yet to receive title documents. The properties, with a net book value of KSh.1,043,252,262 as detailed below, are said to be at various stages of registration with The National Land Commission even though the issue of title documents have been outstanding for a long period of time.

<i>Description</i>	<i>Location</i>	<i>Acreage</i>	<i>Net Book Value (KSh.)</i>	<i>Remarks</i>
Block 6/171	Kisumu (Robert Ouko)	0.3483 Ha.	2,019,231	Residential flats
Lwakhakha Border Station	Lwakhakha	8.066 Ha.	9,302,083	Vacant
LR No. 32587	Malaba	4.225 Ha.	39,166,667	Office block and Staff Canteen
Namanga 323/86/1	Namanga	0.225 Ha.	14,684,211	Office block
MN/1/9593 and 9592	Mombasa (KRA Training Institute)	0.6372 Ha.	420,000,000	Vacant
MN/1/9594, MN/1/9784, MN/1/9785, MN/1/9786, MN/1/9787, MN/1/9788, MN/1/9789, MN/1/9790, MN/1/9791, MN/1/9792, MN/1/9793, MN/1/9794, MN/1/9795	Mombasa (KRA Training Institute)	13.2 Acres	235,000,000	Vacant
MN/1/3090,3091,3092,3093,3094,2395 and MN/1/6230	Mombasa (Bamburi)	9.556 Ha.	105,726,316	20 Residential houses
MI/XXXVI/686,593,685,779	Mombasa (Oceanic-Kizingo)	0.166 Ha.	146,875,000	24 Residential units
No.MN/III/8807 Formerly plot No. MN/III/293	Mtwapa	0.4048 Ha.	5,875,000	Residential Blocks
Kilifi	Kilifi	0.046 Ha.	6,854,166	Office block, Residential Houses, and former VAT Offices
Lunga-Lunga	Horohoro	4.0 Ha.	26,400,000	Office block
Namanga One Stop Border Post (OSBP)	Namanga	4.0 Ha.	14,642,857	Office Block
Block 4/87 Robert Ouko Estate	Kisumu	2.662 Ha.	2,019,231	Residential units
Busia - OSBP	Busia	0.40 Ha.	14,687,500	Office blocks
Total Net Book Value			1,043,252,262	

Further information indicates that the transfer process for a title deed currently in the name of East Africa Common Services Authority is on-going. In addition, the Authority was allocated five (5) plots of land in Halugho, Amuma, Gerille, Elwak, and Diffu which has been gazetted as border entry points as detailed below:

<i>Location</i>	<i>Acreage</i>	<i>Remarks</i>
Diffu Site - Wajir County	7.0 acres	Proposed site for One Stop Border Point
Gerille Site - Wajir County	1.3 acres	Proposed site for One Stop Border Point
Amuma Site - Garissa County	7.6 acres	Proposed site for One Stop Border Point
Halugho Site - Garissa County	1.3 acres	Proposed site for One Stop Border Point
Elwak Site - Mandera County	30 acres	Proposed site for One Stop Border Point

The five (5) plots have not been valued and are therefore excluded from the property, plant and equipment balance of KSh.30,785,938,000.

Under the circumstances, the completeness and accuracy of the property, plant and equipment balance of KSh.30,785,938,000 as at 30 June, 2019 could not be confirmed. Further, in the absence of title documents, it has not been possible to ascertain that all the above properties and improvements thereon belong to the Authority.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with International Standard of Supreme Audit Institution (ISSAI) 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Kenya Revenue Authority financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit was planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

Nairobi
2 December, 2020

NANCY GATHUNGU,
Auditor-General.

KENYA REVENUE AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

		2018/2019	2017/2018
			(Restated)
	Note	KSh.'000	KSh.'000
REVENUE			
Revenue from non- exchange transactions			
Deferred grant income amortisation	2	324,635	324,635
Revenue from exchange transactions			
Agency Income	3	18,304,747	17,651,754
Commissions Income	4(a)	1,994,196	1,847,003
Interest Income		320,246	348,804
Other Income	4(b)	568,484	558,682
TOTAL REVENUE		21,512,308	20,730,878
EXPENDITURE			
Administrative Expenses	5	20,100,456	19,541,768
Operating Expenses	6	1,232,928	1,262,468
Maintenance Expenses	7	258,636	318,937
TOTAL EXPENDITURE		21,592,020	21,123,173
Other gains/(losses)			
Gain/(Loss) on sale of assets		2,225	(323)
SURPLUS/(DEFICIT) FOR THE YEAR		(77,487)	(392,618)

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		2018/2019	2017/2018
			(Restated)
	Note	KSh. '000	KSh. '000
Assets			
Current Assets			
Cash and Bank Balances	13	7,791,963	7,892,677
Stocks	14	86,083	126,635
Receivables	10	410,019	459,310
		8,288,065	8,478,622
Non-Current Assets			
Property, Plant and Equipment	8	30,785,938	33,593,353

		2018/2019	2017/2018
			(Restated)
	<i>Note</i>	KSh. '000	KSh. '000
Intangible Assets	9	2,755,149	4,256
Amount due from Treasury	11	3,015,678	1,295,877
Security Deposits	12	2,487,810	2,434,671
		39,044,575	37,328,157
<i>Total Assets</i>		<i>47,332,640</i>	<i>45,806,779</i>
<i>Liabilities</i>			
<i>Current Liabilities</i>			
Payables	15	2,476,130	1,566,110
Leave Pay and Gratuity Provision	16	2,164,790	1,968,198
Deferred Income Amortisation	24	324,635	324,635
		4,965,555	3,858,943
<i>Non Current Liabilities</i>			
Contribution to Government Pension Fund	17	6,724	7,324
Designated Fund	18	575,994	36,784
		582,718	44,108
<i>Total Liabilities</i>		<i>5,548,273</i>	<i>3,903,051</i>
<i>Net Assets</i>		<i>41,784,367</i>	<i>41,903,728</i>
Capital grants by the Treasury	19	17,935,410	17,309,410
Deferred Grants Income	24	2,941,437	3,266,072
Accumulated Fund		3,668,609	3,746,097
Revaluation Reserve		17,238,911	17,582,149
		41,784,367	41,903,728
<i>Total Net Assets and Liabilities</i>		<i>47,332,640</i>	<i>45,806,779</i>

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

JOSEPHAT OMONDI,
Head of Finance, ICPAK Member No. 3473

GITHII MBURU
Commissioner-General

AMB. DR. FRANCIS K. MUTHAURA, MBS, EGH
Chairman

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

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

		<i>Capital Grants by</i>	<i>Deferred Grants</i>	<i>Accumulated</i>	<i>Revaluation</i>	<i>Total</i>
		<i>Treasury</i>	<i>Income</i>	<i>Fund</i>	<i>Reserve</i>	<i>Fund</i>
	NOTE	KSh.'000	KSh.'000	KSh.'000	KSh.'000	KSh.'000
1 July 2017 as reported		16,996,410	2,518,434	3,458,119	17,842,447	40,815,410
Prior year adjustment		-	-	680,596	-	680,596
1 July 2017 as restated		16,996,410	2,518,434	4,138,715	17,842,447	41,496,006
Contribution for the year		313,000	1,219,148	-	-	1,532,148
Charge for the year		-	(324,635)	-	(260,297)	(584,932)
Deficit for the year		-	-	(392,618)	-	(392,618)
Current Year prtion of Deffered Income		-	(146,875)	-	-	(146,875)
At 30 June 2018 (Restated)		17,309,410	3,266,072	3,746,097	17,582,150	41,903,732
1 July 2018		17,309,410	3,266,072	3,746,097	17,582,150	41,903,729
Contribution for the year	18	626,000	-	-	-	626,000
Deficit for the year		-	-	(77,487)	-	(77,487)
Charge for the year	24	-	(324,635)	-	(343,238)	(667,873)
At 30 June 2019		17,935,410	2,941,437	3,668,609	17,238,911	41,784,367

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018/2019	2017/2018
			(Restated)
		KSh. '000	KSh. '000
<i>Cash Flows from Operating Activities</i>	<i>Note</i>		
Deficit for the year		(77,487)	(392,618)
Non- cash movements			
Depreciation	8	833,805	731,996
Amortisation of Intangible Assets	9	131,258	8,181

		2018/2019	2017/2018
			(Restated)
		KSh. '000	KSh. '000
(Decrease)/Increase in Amortisation of Deferred Income	25	(324,635)	146,876
(Gain)/Loss on disposal of Assets		(2,225)	323
Increase in Security Deposits	12	(53,139)	(48,549)
Decrease/(Increase) in Stocks	14	40,552	(5,737)
Prior Period Adjustment		-	680,596
(Increase)/Decrease in Debtors and receivables	10 & 11	(1,491,310)	2,242,060
Increase in Creditors, payables and Provisions	15 & 16	270,509	97,666
Net cash flows from operating activities		(672,672)	3,460,794
<i>Cash Flows From Investing Activities</i>			
Purchase of Property, Plant and Equipment	8	(1,262,145)	(3,358,544)
Purchase of Intangible Assets		-	-
Proceeds from sale of Property, Plant and Equipment		12,593	3,210
Net cash flows from investing activities		(1,249,552)	(3,355,334)
<i>Cash Flows From Financing Activities</i>			
Increase in Contribution by the Treasury and Donors	19	625,999	1,060,639
Decrease in designated Funds	18	539,210	(25,464)
Net cash flows from financing activities		1,165,209	1,035,175
<i>Net (Decrease)/Increase In Cash And Cash Equivalents</i>		(757,015)	1,140,635
Cash and cash equivalents at 1 July		7,892,677	6,752,042
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	7,135,662	7,892,677

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments Additions	Final Budget	Actual Comparable Basis	Performance Difference
			2018/2019	2018/2019	2018/2019
	KSh. '000	KSh. '000	KSh. '000	KSh. '000	KSh. '000
<i>Income :</i>					
Agency fees	15,474,232	3,140,894	18,615,125	18,304,747	-310,378.15
Road Maintenance Levy	2,019,702	-	2,019,702	1,563,239	-456,463.67
Sale of Tamper- Proof seals	10,475	-	10,475	11,814	1,338.80
Petroleum Development levy	49,638	-	49,638	43,307	-6,331.04
NTSA Agency Commission	6,331	-	6,331	9,372	3,040.73
Document Processing Fees	40,731	-	40,731	28,637	-12,093.41
Interest income	263,165	-	263,165	320,246	57,081.42
Transit Toll	17,543	-	17,543	16,794	-748.74
Rent receivable	22,496	-	22,496	26,372	3,876.08
Public Overtime	3,904	-	3,904	3,523	-381.23
Institutional houses - rent	127,823	-	127,823	140,175	12,351.92
Aviation Revenue	109,110	-	109,110	118,380	9,270.03
Sugar Levy			-	10,232	10,231.62
Air Passenger Service charge	242,243	-	242,243	246,144	3,900.81
KESRA Income	326,800	-	326,800	259,342	-67,458.29
Miscellaneous Income	36,017	-	36,017	34,052	-1,965.31
Other AIA			-	53,524	53,523.68
Deferred Income Amortisation			-	324,635	324,635.09
Total Operational Income	18,750,210	3,140,894	21,891,103	21,514,534	-376,569.65
Total Staff Salaries and Allowances	16,009,528	(839,770)	15,169,758	14,788,108	381,649.89
<i>Operational Expenses:</i>					
Staff Welfare Expenses	27,156	12,720	39,876	55,529	-15,653.43
Medical Expenses	515,000	380,000	895,000	990,133	-95,132.97
Training Expenses	81,281	30,811	112,092	99,301	12,791.70
Uniform and Laundry Expenses	8,331	1,410	9,741	3,565	6,175.92
Travel and Accommodation	413,754	31,294	445,048	546,456	-101,408.20
Utilities Expenses	505,019	18,836	523,855	443,978	79,877.63
Building Repairs and maintenance	76,101	26,100	102,201	74,568	27,632.85
Motor Running Expenses	237,121	38,038	275,158	213,759	61,399.58
Motor boat running Expenses	8,297	-	8,297	10,157	-1,860.03
Scanner Expenses	221,512	66,050	287,562	173,911	113,651.09
Rents and Rates	610,288	174,480	784,768	766,810	17,957.11
Computer Software	809,824	50,500	860,324	777,565	82,759.58
Computer Expenses	20,597	9,179	29,775	-	29,775.36
Security Expenses	385,336	28,128	413,464	383,334	30,130.13
Insurance Expenses	73,372	-	73,372	67,118	6,254.62

	<i>Original Budget</i>	<i>Adjustments Additions</i>	<i>Final Budget</i>	<i>Actual Comparable Basis</i>	<i>Performance Difference</i>
			2018/2019	2018/2019	2018/2019
	KSh. '000	KSh. '000	KSh. '000	KSh. '000	KSh. '000
Publicity and Advertising	102,091	32,500	134,591	129,712	4,878.64
Taxpayers Education	312,740	-	312,740	62,156	250,584.27
Consultancy	152,836	58,500	211,336	243,642	-32,305.92
Legal and Secretarial Expenses	19,478	-	19,478	7,676	11,802.62
Directors' Expenses	32,128	8,226	40,354	40,600	-245.65
Bank Charges	18,038	300	18,338	45,921	-27,583.85
Conference Expenses	226,016	11,925	237,941	190,617	47,324.16
Office Running Expenses	271,503	68,954	340,457	344,597	-4,139.78
Printing and Stationery Expenses	9,690	20,423	30,114	78,329	-48,215.15
Consumable Stores Expenses	-	-	-	-	0.00
Materials and Supplies Expenses	1,387,529	-	1,387,529	-	-
Enforcement Expenses	566,078	670	566,748	86,089	480,659.18
Laboratory Expenses	6,179	-	6,179	3,330	2,848.95
Depreciation Expenses	-	-	-	965,062	-965,062.48
Total Operational Expenses	7,097,296	1,069,042	8,166,339	6,803,913	-25,104.05
Total Recurrent Expenses	23,106,824	229,272	23,336,096	21,592,021	356,545.84
Deficit For The Period	(4,356,614)	2,911,621	(1,444,993)	(77,488)	-733,115.49

Notes:

- (a) Increase in operational incomes is attributable to deferred income amortised, KESRA income and Road Maintenance Levy.
There was a reduction of interest income due to capping of interest rates and less deposits held with commercial banks.
- (b) The variance in staff costs is due to performance bonus budgeted but not paid
- (c) The budget included roll over funding from the previous financial year for pending bills related to scanners, enforcement expenses and computer software
- (d) The adjustments to the budget are due to additional funding from the National Treasury

NOTES TO THE FINANCIAL STATEMENTS

1. *Statement of Compliance and Basis of Preparation*

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1 (o).

The financial statements have been prepared and presented in Kenya Shillings which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (KSh.. 000).

The financial statements have been prepared in accordance with the PFM Act, the Kenya Revenue Authority Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

ADOPTION OF NEW AND REVISED STANDARDS

- (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations. The provisions of this standard do not apply to the Authority.
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- (ii) Relevant new standards and amendments to published standards but not yet effective for the year ended 30 June 2019

<i>Standard</i>	<i>Impact</i>
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

<i>Standard</i>	<i>Impact</i>
	Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

(iii) *Early adoption of standards*

The Authority did not early – adopt any new or amended standards in year 2019.

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 on fixed and security deposits. The revenue is recognised as it accrues in using the effective yield method. Interest income is derived from short term placements held in approved commercial banks.

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 made on behalf of other 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 reliably measured.

(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.

(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) Employee benefits costs

(i) Retirement benefit obligations

The Authority operates an hybrid pension scheme with a defined contribution plan for the permanent and pensionable employees. Payments to the scheme by the Authority 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 the employees. The entity and all 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 outstanding leave at the reporting date.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the weighted average price. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

(i) 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.

(j) 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), otherwise 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.

(k) 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.

(l) Budget information

The original budget for FY 2018-2019 was approved by the KRA Board of Directors on 27th August 2018. An additional funding of 3.141 Billion was received from the National Treasury to fund Revenue Enhancement Initiatives. The additional funding was incorporated in the original Adjusted Budget FY2018-19 and a Revised Budget prepared, presented to and approved by the Board on 14th February 2019. A further budget review to address urgent priority needs was presented to the Board on 16th May 2019 and approved.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Statement of Comparison of Budget and Actual Amounts of these financial statements.

(m) 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 the surplus arising from the revaluation of the Authority's Property, Plant and Equipment.

(n) 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.

(o) 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.

2. REVENUE FROM NON EXCHANGE TRANSACTIONS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Amortization of grants deferred Income	324,635	324,635
	<u>324,635</u>	<u>324,635</u>

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

3. REVENUE FROM EXCHANGE TRANSACTIONS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Agency Income	18,304,747	17,651,754
	<u>18,304,747</u>	<u>17,651,754</u>

The Agency Income is provided for in accordance with the provisions of the Kenya Revenue Authority Act CAP 469 Section 16.

4. REVENUE FROM EXCHANGE TRANSACTIONS

(a) Commissions Income

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Road Maintenance Levy Commission	1,563,239	1,473,360
Aviation Revenue Commission	118,380	96,609
Air Passenger Service Charge Commission	246,144	208,280
KEBS & Sugar Levy Agency Income	10,232	9,857
Road Transit Toll	16,794	15,327
National Transport & Safety Authority Commission	9,372	9,889
Import Declaration Fees	-	7,176
Petroleum Development Levy	43,307	38,156
KAA Concession Fees	2,690	1,327
Petroleum Regulatory Levy	21,749	8,833
Merchant Shipping Service Levy	29,084	24,686
	<u>2,060,991</u>	<u>1,893,500</u>

(b) Other Incomes

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Sale of Tamperproof Seals	11,814	12,934
Public Overtime	3,523	3,972
Document Processing Fees	28,637	42,100
Staff Housing Rental Income	140,175	136,408
Property Rental Income	26,372	34,324
KESRA Incomes	259,342	270,133
Insurance Commission	3,523	3,676
Miscellaneous Income **	28,302	8,638
	<u>501,689</u>	<u>512,185</u>

**Miscellaneous income consists of income from sale of tender documents, staff identity cards, and gains on disposal of assets and foreign exchange.

5. ADMINISTRATIVE COSTS

(a) Staff and Employee Costs

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Salaries and Allowances	14,436,898	14,664,171
Medical Expenses	990,133	873,936
Provision for Staff Leave	104,925	97,619
Provision for Staff Contract Gratuity	246,283	176,553
	<u>15,778,239</u>	<u>15,812,279</u>

(b) Other Administrative Costs

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Travelling and Accommodation	546,456	592,430
Utilities	443,978	436,969
Staff Welfare	55,529	60,238
Printing & Stationery	78,329	35,420
Consultancy	243,642	159,908
Computer Expenses	777,565	619,603
Training	99,301	131,499
Office Running Expenses	344,598	277,603
Insurances	67,118	68,260
Board Expenses	40,600	31,733
Conference Expenses	190,617	152,179
Security Expenses	383,334	390,380
Enforcement Expenses	86,089	33,090
Depreciation Charge	833,805	731,996
Amortisation of Intangible Assets	131,258	8,181
	<u>4,322,217</u>	<u>3,729,490</u>
TOTAL ADMINISTRATIVE COSTS	<u>20,100,456</u>	<u>19,541,768</u>

(i) Board Expenses

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Directors' fees	7,686	9,429
Sitting Allowances	15,077	9,539
Accommodation and Travel Expenses	17,837	12,766
	<u>40,600</u>	<u>31,733</u>

6. OPERATING EXPENSES

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Rent and Rates	766,810	649,452
Taxpayer Education	62,156	65,112
Motor Running Expenses	213,759	208,199
Advertising and Public Relations	129,712	146,628
Secretarial Expenses	7,676	67,960
Uniforms and laundry	3,565	56,236
Bank Charges	45,921	62,727
Laboratory Expenses	3,330	6,154
	<u>1,232,928</u>	<u>1,262,468</u>

7. MAINTENANCE EXPENSES

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Building Repair and Maintenance	74,568	146,649
Scanner Maintenance	173,911	157,493
Motor Boat Expenses	10,157	14,795
	<u>258,636</u>	<u>318,937</u>

(a) Scanner expenses

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Annual Maintenance Contract	148,389	141,971
Routine Maintenance and Other Expenses	25,522	15,521
	<u>173,911</u>	<u>157,493</u>

8. PROPERTY, PLANT AND EQUIPMENT.

(i)

	<i>Land Building</i>	<i>Plant and Machinery</i>	<i>Motor Vehicle</i>	<i>Office Equipment and Furniture</i>	<i>Computers</i>	<i>Motor Boats</i>	<i>Wip</i>	<i>Total</i>
	KSh.'000'		KSh.'000'	KSh.'000'	KSh.'000'	KSh.'000'	KSh.'000'	KSh.'000'
Valuation								
1 July 2018	19,616,835	2,896,822	582,024	541,889	545,481	253,743	10,171,869	34,608,663
Additions	-	-	109,691	37,684	24,052	-	1,090,718	1,262,144
Transfer of WIP	-	-	-	-	-	-	(2,882,151)	(2,882,151)
Disposal	-	-	(31,980)	-	-	-	-	(31,980)
30 June 2019	19,616,835	2,896,822	659,735	579,572	569,532	253,743	8,380,436	32,956,676
Depreciation								
1 July 2018	399,094	187,749	103,940	76,313	205,421	42,793	-	1,015,311
Charge for the Year	151,524	328,811	76,981	70,019	188,878	17,594	-	833,805
Dep. On Reval	247,571	20,153	40,361	(38)	-	25,198	-	333,243
Disposal	-	-	(11,621)	-	-	-	-	(11,621)
30 June 2019	798,188	536,712	209,660	146,294	394,299	85,584	-	2,170,738
Net Book Values:								
30 June 2019	18,818,646	2,360,110	450,075	433,278	175,233	168,159	8,380,436	30,785,938
1 July 2017	19,587,260	1,464,552	566,689	513,730	515,111	253,743	8,368,774	31,269,858
Additions	29,575	1,432,270	35,073	28,159	30,370	-	1,803,095	3,358,542
Disposal	-	-	(19,738)	-	-	-	-	(19,738)
30 June 2018	19,616,835	2,896,822	582,024	541,889	545,481	253,743	10,171,869	34,608,663
Depreciation								
1 July 2017	0	0	(0)	10,709	28,513	0	-	39,223
Charge for the Year	214,791	167,596	68,953	65,604	176,908	38,141	-	731,994
Dep. On Reval	184,303	20,153	48,612	-	-	4,650	-	257,718
Disposal	-	-	(13,625)	-	-	-	-	(13,625)
30 June 2018	399,094	187,749	103,940	76,313	205,421	42,792	-	1,015,310
Net Book Values:								
30 June 2018	19,217,740	2,709,073	478,084	465,575	340,059	210,951	10,171,869	33,593,353

(ii) Land & 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 assets were revalued again in Financial Year 2016/17.

The Authority is yet to receive title documents for 14 pieces of leasehold land from the 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 was allocated 5 plots of land in Halugho, Amuma, Gerille, Elwak & Diff which have been gazetted as border entry points. The plots are yet to be valued and the Authority is in the process of acquiring title documents.

(iii) Capital Work In Progress

	2018/2019	2017/2018
	KSh. '000	KSh. '000
One Stop Border Posts	3,877,052	3,877,052
New Fire Detection System	59,902	51,133
Renovation of JKIA Offices	13,952	10,294
Datawarehouse and Business Intelligence	500,024	491,939
Biometric Security System (Times Towers)	159,827	138,512
New Data Centre (CBC)	1,346,398	1,178,391
Corporate Business Centre Fit Out	768,353	664,274
CBM Rehabilitation of Border Stations	210,786	111,618
Intergrated Customs Management System	522,064	501,988
Payment Gateway	26,803	20,716
Scanner Networking and Command Centre	247,148	161,607
IP Telephony System	12,036	5,165
Replacement of Lifts (Times Towers)	184,494	91,290
Diaster Recovery Management System	12,448	12,448
Enterprise Risk Management System	34,397	34,397
TIMS Implementation	42,566	-
ICT Security Tools	67,411	-
Customer Service Centre (Banking Hall)	21,137	-
Fortis Building Fit Out	257,441	-
Rehabilitation of Lamu Office	16,197	-
Intergrated Tax Management System	-	1,783,246
Valuations Database system (Phase I and II)	-	33,939
Renovation of Border Stations	-	22,038
SAP ERP System for Support Services	-	553,924
Video Conferencing	-	54,328
Simba Transformation Project	-	81,559
Electronic Cargo Tracking System (Phase I)	-	85,287
Customs Revenue Accounting Module	-	4,664
Business Contunity Management System	-	61,061

	2018/2019	2017/2018
	KSh. '000	KSh. '000
eBoard System (BS)	-	4,789
Customer Relationship Management System (CRM)	-	111,408
Data Analysis Tools and Computer Tools	-	19,208
Corporate Website Transformation	-	5,594
TOTAL	8,380,437	10,171,868

9. INTANGIBLE ASSETS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
<i>Cost</i>		
1 July	358,481	358,481
Transfer from WIP	2,882,151	-
30 June	3,240,632	358,481
<i>Amortisation</i>		
1 July	354,225	346,044
for the year	131,258	8,181
30 June	485,483	354,225
<i>Net Book Value</i>		
30 June	2,755,149	4,256

The intangible assets are made up of different IT software in use by the Authority. Included in the Intangible Assets are fully amortised assets whose original cost was KSh.. 358,482,025. Additions for the year include iTax, iSupport and Electronic Cargo Tracking Systems.

10. RECEIVABLES

	2018/2019	2017/2018
	KSh. '000	KSh. '000
<i>Trade Debtors</i>		
Other Agency debtors	90,292	90,942
Rent Receivable	76,358	60,963
Interest Receivable	27,989	38,182
	194,639	190,088
<i>Other Debtors</i>		
Staff Debtors	165,590	184,365
Prepayments	12,727	20,818
Other Debtors	37,063	64,040
	215,381	269,222
Debtors Total	410,019	459,310

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

	2018/2019	2017/2018
	KSh. '000	KSh. '000
1 July	1,295,877	3,444,499
Accrued in the year	18,980,104	17,651,753
Amount received in the year	(17,260,303)	(19,800,375)
30 June	3,015,678	1,295,877

The amount represents outstanding agency commission for May and June 2019, additional funding and salaries for seconded staff, the amounts were received in July, 2019.

12. SECURITY DEPOSITS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Savings & Loan (K) Limited	1,670,782	1,629,785
Housing Finance	631,556	622,315
National Bank of Kenya Ltd	165,472	162,571
Higher Educations Loans Board (HELB)	20,000	20,000
	2,487,810	2,434,671

The deposits with Savings & 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

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Cash in Hand	1,392	1,345
Cash at Bank	2,501,527	3,809,554
Fixed Deposits	3,910,068	3,098,302
Government Treasury Bills	1,378,976	983,476
	<u>7,791,963</u>	<u>7,892,677</u>

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 2019. The funds are fully committed against creditors (note 15), ongoing commitments (note 21) and various funds held by the Authority at the end of the financial year.

The analysis of Cash in Hand is as below;

Cash in Hand

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Station		
Nairobi	500	483
Mombasa	200	200
Machakos	16	7
Thika	4	37
Nyeri	7	3
Kisumu	200	171
Namanga	50	9
Nakuru	78	59
Eldoret	110	3
Embu	42	42
Garissa	40	50
Loitoktok	-	100
KESRA NBI	135	-
JKIA	9	180
	<u>1,392</u>	<u>1,345</u>

The analysis of Cash at Bank is as below;

Cash at Bank

		2018/2019	2017/2018
	Bank	KSh. '000	KSh. '000
Nairobi Main Account	National Bank of Kenya	1,502,543	479,285
Nairobi Dollar Account	National Bank of Kenya	46,302	85,637
Excise Stamps Account	National Bank of Kenya	862,523	495,829
KRA East African Regional Transport Account	National Bank of Kenya	33,313	2,620,361
Kenya School of Revenue Administration Account, Nairobi	National Bank of Kenya	35,548	121,936
Kenya School of Revenue Administration Dollar Account	National Bank of Kenya	8,346	3,120
Kenya School of Revenue Administration Account, Mombasa	National Bank of Kenya	1,555	517
Mombasa Account	National Bank of Kenya	5,828	754
Kisumu Account	National Bank of Kenya	1,670	429
Nakuru Account	National Bank of Kenya	923	59
Eldoret Account	National Bank of Kenya	1,176	1,124
Nyeri Account	National Bank of Kenya	1,175	-
Embu Account	National Bank of Kenya	37	67
Thika Account	National Bank of Kenya	41	96
JKIA Account	National Bank of Kenya	373	314
Machakos Account	National Bank of Kenya	101	13
Garissa Account	National Bank of Kenya	65	9
Namanga Account	Kenya Commercial Bank	7	3
		<u>2,501,527</u>	<u>3,809,554</u>

Fixed Deposits

	2018/2019	2017/2018
	KSh. '000	KSh. '000
National Bank of Kenya	400,000	-
Co-operative Bank of Kenya	1,667,265	1,412,371
Kenya Commercial Bank	1,511,125	1,404,687
KESRA - National Bank of Kenya	331,678	281,244
	<u>3,910,068</u>	<u>3,098,302</u>

Treasury Bills are placements in Central Bank of Kenya with maturity period between July to September 2019. The placements are analysed as follows:

Government Treasury Bills

	2018/2019	2017/2018
	KSh. '000	KSh. '000
91 Day Treasury Bills	1,378,976	983,476
	<u>1,378,976</u>	<u>983,476</u>

14. STOCKS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
General Stationery	57,567	67,194
Printed Stores Inventory	4,330	29,077
Computer Consumable Inventory	16,352	22,719
Miscellaneous Stores Inventory	7,834	7,645
	<u>86,083</u>	<u>126,635</u>

The Authority adopted a policy of recognising consumable stocks held for operations as current assets.

15. PAYABLES

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Trade Creditors and Accounts Payable	2,323,797	1,405,103
Payroll Deduction and Staff Creditors	61,814	70,220
Taxes	90,519	90,787
	<u>2,476,129</u>	<u>1,566,110</u>

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

Included in Accounts Payable is a balance of KSh.. 1,205 Million (analysed below) from sale of Excise Stamps for payment to the suppliers of the Stamps.

Excise Stamps Fund Account

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Balance B/F	523,310	94,958
Total Receipts	2,297,512	2,440,724
Total Payments	<u>1,615,341</u>	<u>2,012,372</u>
Balance C/F	<u>1,205,480</u>	<u>523,310</u>

There was a total of KSh.. 540 Million payable to the stamps manufacturer; for stamps and software.

16. LEAVE PAY , CONTRACT GRATUITY AND STAFF PROVISIONS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Provision for staff leave	1,292,996	1,188,070
Provision for Gratuity	469,965	223,682
Provision for Staff on Suspension	401,831	556,446
	<u>2,164,791</u>	<u>1,968,198</u>

Leave pay provision is in respect of leave days earned by staff members but not taken as at 30th June 2019. Contract gratuity provision is in respect of gratuity accrued for staff on contract terms for the period to 30th June 2019. Provision for staff on suspension relates to unpaid accrued salaries and allowances for staff members who are on suspension.

17. CONTRIBUTION TO GOVERNMENT PENSION FUND

	2017/2018	2017/2018
	KSh. '000	KSh. '000
	7,324	24,290
	<u>(600)</u>	<u>(16,966)</u>
	<u>6,724</u>	<u>7,324</u>

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 payment of the pension.

18. DESIGNATED FUNDS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Funds Received	36,784	62,248
	550,000	-
	(10,790)	(25,464)
	<u>575,994</u>	<u>36,784</u>

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

19. CAPITAL/DEVELOPMENT GRANTS BY THE NATIONAL TREASURY AND DONORS

Capital/Development Grants by the National Treasury

	2018/2019	2017/2018
	KSh. '000	KSh. '000
1 July	17,309,410	16,996,410
Contribution in the Year		
ERP system for Support Services	120,000	110,000
Cordinated Border Management Project	200,000	100,000
New Data Centre	206,000	103,000
Customer Relationship Management System	100,000	-
	<u>626,000</u>	<u>313,000</u>
30th June	<u>17,935,410</u>	<u>17,309,410</u>

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.

20. RETIREMENT BENEFIT COSTS

During the year ended 30th June 2019, KSh.. 1,368 Million (2018 KSh.. 1,310 Million) was paid as contributions to the staff pensions scheme. The scheme changed from a defined benefit plan to a Defined Contribution 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 trustees of the scheme arrange for an actuarial valuation review of the scheme to be carried out every three years. The value placed on the existing final assets per the last valuation of 30th June 2016, was, KSh.. 15.984 Billion while the present value of past service liabilities at that date was KSh. 14.817 Billion. The scheme prepares its own Financial Statements in accordance with the Retirement Benefits Authority (RBA) rules.

21. CAPITAL COMMITMENTS

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Approved and contracted	531,097	623,338
Approved and not contracted	<u>2,684,615</u>	<u>1,463,215</u>
	<u>3,215,712</u>	<u>2,086,553</u>

22. RECURRENT COMMITMENTS

	KSh.'000	KSh.'000
30 June	2,057,026	1,262,039

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

The increase in the commitments is due to the late allocation of Revenue Enhancement Initiatives Funding which were committed toward the end of the year.

23. EMPLOYEES

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

	June 2019	June 2018
Executive Contract Staff	132	125
Permanent ans Pensionable	4,399	4,744
Fixed Term Contract Staff	<u>3,354</u>	<u>2,138</u>
	<u>7,885</u>	<u>7,007</u>

24. DEFERRED GRANT INCOME RECONCILIATION

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

(i) Deferred grant income reconciliation

	2018/2019	2017/2018
	KSh. '000	KSh. '000
At 1 July	3,590,706	2,696,193
X - Ray Cargo Scanners	-	1,175,008
EARTTFP Funds	-	44,140
Amortisation	<u>(324,635)</u>	<u>(324,635)</u>
At 30 June	<u>3,266,071</u>	<u>3,590,706</u>
Grant income to be amortised within one year	<u>324,635</u>	<u>324,635</u>
At the end of the period	<u>2,941,437</u>	<u>3,266,072</u>

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.

25. PRIOR PERIOD ADJUSTMENT

The prior year adjustments relate to post audit adjustments for the Financial Period 2017/2018 and in compliance with IPSAS 3 sub section 48-54. The adjustments were;

A. Debtors and Receivables:

As previously reported	638,511
Restatements:	
Reversal of debtors' accrual	(179,201)
	(179,201)
As restated	459,310

B. Property, Plant and Equipment

As previously reported	33,569,059
Restatements:	
Recognition of Bamburi Parcel of land (Asset 8000022)	29,575
Adjustment for Disposed Motor Vehicles	(5,280)
	24,294
As restated	33,593,354

C. Creditors and Payables

As previously reported	2,401,613
Restatements:	
Reversal of creditors' accruals	(550,795)
Adjusted for NTSA funds	(162,405)
Reversal of taxes over accrued	(122,303)
	(835,503)
As restated	1,566,110

Adjustment for Debtors & Receivables and Creditors & Payables is attributable to correction of migration balances when the Authority transitioned to an automated ERP system. The adjustment for Property, Plant and Equipment relates to inclusion of a parcel of land initially omitted and removal of disposed motor vehicles.

The effects of the prior period adjustments to the financial statements is a follows;

Statement of Financial Position

	<i>As Previously Reported</i> KSh.'000	<i>Increase/Decrease</i>	<i>Restated</i> KSh.'000
Assets			
Current Assets			
Cash and Bank Balances	7,892,677	-	7,892,677
Stocks	126,635	-	126,635
Receivables	638,511	179,201	459,310
	8,657,823		8,478,622
Non-Current Assets			
Property, Plant & Equipment	33,569,059	(24,294)	33,593,353
Intangible Assets	4,256	-	4,256
Amount due from Treasury	1,295,877	-	1,295,877
Security Deposits	2,434,671	-	2,434,671
	37,303,863		37,328,157
Total Assets	45,961,686		45,806,779
Liabilities			
Current Liabilities			
Payables	2,401,613	835,503	1,566,110
Leave Pay and Gratuity Provision	1,968,198	-	1,968,198
Deferred Income Amortisation	324,635	-	324,635
	4,694,446		3,858,943
Non Current Liabilities			
Contribution to Government Pension Fund	7,324	-	7,324
Designated Fund	36,784	-	36,784
	44,108		44,108
Total Liabilities	4,738,554		3,903,051
Net Assets	41,223,132		41,903,728
Capital grants by the Treasury	17,309,410	-	17,309,410
Deferred Grants Income	3,266,072	-	3,266,072
Accumulated Fund	3,065,501	(680,596)	3,746,097
Revaluation Reserve	17,582,149	-	17,582,149
	41,223,132		41,903,728
Total Net Assets and Liabilities	45,961,686		45,806,779

26. RELATED PARTIES

Nature of Related Party Relationships

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of Kenya Revenue Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include;

- (i) The National Treasury
- (ii) Key Management
- (iii) Board of Directors

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

*(a) Transaction**(i) Government of Kenya*

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Capital Grants	626,000	313,000
Agency Income	15,164,747	15,457,318
Revenue Enhancement Initiatives Funding	3,140,000	4,318,000
	<u>18,930,747</u>	<u>20,088,318</u>

(ii) Key management compensation

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Salaries and other short - term employment benefits	96,188	125,657
	<u>96,188</u>	<u>125,657</u>

(iii) Directors' Remuneration

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Fees and other Emoluments (note 5)	40,600	31,733
	<u>40,600</u>	<u>31,733</u>

(b) Balances

Due (to)/from related parties

	2018/2019	2017/2018
	KSh. '000	KSh. '000
Amount due from Treasury (note 11)	3,015,678	1,295,877
Contribution to Government pension fund (note 16)	(6,724)	(7,324)
	<u>3,008,954</u>	<u>1,288,553</u>

27. 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 30 June 2019			
Receivables	410,019	-	-
Security Deposits	2,487,810	-	-
Bank Balances	7,785,354	-	-
At 30 June 2018			
Receivables	459,310	-	-
Security Deposits	2,434,671	-	-
Bank Balances	7,892,677	-	-

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KSh. '000	KSh. '000	KSh. '000	KSh. '000
At 30 June 2019				
Trade payables	320,284	2,155,845	-	2,476,129
Provisions	-	-	2,164,790	2,164,790
Contribution to Govt. Pension Fund			6,724	6,724
Total	320,284	2,155,845	2,171,514	4,647,643
At 30 June 2018				
Trade payables	256,985	1,309,125	-	1,566,110
Provisions	-	-	1,968,198	1,968,198
Contribution to Govt. Pension Fund	-	-	7,324	7,324
Total	256,985	1,309,125	1,975,522	3,541,632

(iii) 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:

	2018/2019
	KSh. '000
KRA US Dollar Account (NBK)	8,346
KESRA US Dollar Account (NBK)	39,693
	48,039
Liabilities / Payables	200
Net Foreign currency liability	47,839

(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.. 48,038,575 (2018: KSh.. 88,757,182).

(c) Price risk

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

28. 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 arising from Revenue and staff related matters. 51 undetermined cases have a specified claim amount of KSh. 7,737 million while 37 cases have no specified quantum and will be determined by the Court after hearing. 2 cases amounting to KSh. 896 million have been determined against the Authority and the National Treasury has been engaged to provide funds for settling the awards as they materialize.

Nature of case	Revenue Cases		Staff Cases		Total	
	Number	Amount (KSh.. 000)	Number	Amount (KSh.. 000)	Number	Amount (KSh.. 000)
Quantified but un-determined	45	7,676,633	6	60,727	51	7,737,359
Determined	2	896,458	-	-	2	896,458
Sub -total	47	8,573,090	6	60,727	53	8,633,817
Un-quantified	18	-	19	-	37	-
Total	65	8,573,090	25	60,727	90	8,633,817

29. COMPARATIVES

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

APPENDIX 1—PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Ref	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
1.	Work in Progress included in Property, Plant and Equipment Balance The Board of Directors approved revaluations of property, plants and equipment to KSh. 26,738,586,890. Included in the revaluation is work in progress assets amounting to KSh. 2,121,778,000 out of the total work in progress of KSh. 10,171,869,000 reflected at note 8 (iv). The work in progress of KSh. 2,121,778,000 inclusion was not supported with certificates of completion and capitalization of works. Similarly, Note 8. (iv) of the financial statements reflects Work in Progress closing balance of KSh. 10,171,869,000 that includes work in progress closing balance totalling KSh. 3,877,052,000 relating to costs of One Stop Border Posts. However, the Authority has not submitted either interim or final certificate of works or certificate of completion for audit verification.	The Authority has been pursuing the certificates and other necessary documentation from KENHA. However, KENHA claimed ownership of the OSBPs. Further, KRA's representative to the Border Control Operations Coordination Committee (BCOCC) will be presenting an agenda specifically requesting the National Team to provide guidance on KENHA's claim to ownership of OSBPs.	Deputy Commissioner – Facility & Logistics Services	Ongoing	December, 2020
2.	Failure to Adhere to the Employment Act Section 19 (3) Sec 19 (3) of the employment Act requires that an employees' salary take home must not fall below a third (1/3) of the basic salary. However, audit review of the Authority's payroll for the period July 2017 to January 2018 reflect instances where employees' drew salary falling below a third of their basic salary. This is a contravention of Section 19(3) of the Employment Act, 2007	Staff members were notified to regularize their deductions. Thereafter, effective February 2019. Measures were thereafter instituted to ensure that no staff member drew a salary below 1/3 of their basic salary as required by the law.	Deputy Commissioner – Human Resources	Cleared	February, 2019
3.	Fencing of Land without Title The Authority acquired land in Northern region through allocation vide Kenya Gazette notices and awarded tenders during the year under review for the purposes of securing the following parcels of land: (i) Fencing Elwak site 30 acres at a total cost of KSh. 16,004,640 (ii) Fencing Gerille site 280 metres long at a total cost of KSh. 3,998,400 (iii) Fencing Amuma 750 metres long at a total cost of KSh. 7,746,000 (iv) Fencing Diffu covering 635 metres long at a total cost of KSh. 5,928,980	The Risk of loss of KSh. 12, 290,350 paid for fencing Hulugho and Amuma is currently properly mitigated. The Authority is in the process of acquisition of ownership documents (title deed), a process expected to be completed by year 2020. Amuma: Part Development Plan (PDP) 'A' crucial step in the process of title deed progress was done and circulated to the relevant stakeholders/authorities and in the Nation Newspaper of 25th June, 2019, to wait for Sixty (60) days ending by 24th August, 2019, to progress further. Hulugho: Part Development plan (PDP) quotation obtained and subsequent process	Deputy Commissioner – Facility and Logistics Services	Ongoing	December, 2020

Ref	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	and (v) Hulugho site at a total cost of KSh. 4,544,350 Our audit review established that the Authority paid KSh. 12,290,250 for the fencing of Amuma and Hulugho sites without having obtained ownership documents either from Ministry of Lands and Physical Planning, legal documents from County Governments or any written agreements from the transferor communities. In the absence of documentation of proof of ownership, the Authority could stand to lose the amounts of KSh. 12,290,250 already spent if ownership documents are not obtained.	shall continue in the month of August, 2019.			

The detailed responses on the matters will be shared with the Office of the Auditor General.

GITHII MBURU
Commissioner-General.

APPENDIX II—INTER-ENTITY TRANSFERS

KENYA REVENUE AUTHORITY				
Break down of Transfers from the National Treasury				
Disbursement Month	Bank Statement Date	Amount (KSh. 000)	Financial Period Funds Relate to	
July	20.08.2018	1,289,519	2018/2019	
August	12.09.2018	1,289,519	2018/2019	
September	01.10.2018	1,289,519	2018/2019	
October	27.11.2018	1,289,519	2018/2019	
November	20.02.2019	1,289,519	2018/2019	
December	08.03.2019	889,519	2018/2019	
December	15.03.2019	400,000	2018/2019	
January	17.05.2019	1,263,729	2018/2019	
February	17.05.2019	1,263,729	2018/2019	
March	27.06.2019	1,263,729	2018/2019	
April	27.06.2019	1,289,519	2018/2019	
May	10.07.2019	1,264,626	2018/2019	
June	10.07.2019	1,082,313	2018/2019	
Additional Funding				
REI Funding	15.03.2019	3,140,000	2018/2019	
Additional recurrent	10.07.2019	550,000	2018/2019	
Total		18,854,760		

Development Grants

	Bank Statement Date	Amount (KSh. 000)	Financial Period Funds Relate to
	13.11.2018	313,000	2018/2019
	20.02.2019	156,500	2018/2019
	20.03.2019	156,500	
Total		626,000	

Grand Total 19,480,760

JOSEPHAT OMONDI,
Head of Finance

GITHII MBURU,
Commissioner-General.

APPENDIX III—RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Where Recorded/recognized						
	as per bank statement	Nature: Recurrent/ Development	Total Amount – KES('000)	Statement of Financial Performance	Capital Fund	Total Transfers during the Year	Receivables	Total
The National Treasury	Various Dates as per App. 2	Recurrent	18,854,760	15,957,821	-	15,957,821	2,896,939	18,854,760
The National Treasury	Various Dates as per App. 2	Development	626,000		626,000	626,000	-	626,000
Total			19,480	15,957,821	626,000	16,583,821	2,896,939	19,480,760

KSh. 2,896 Million (Recurrent) received in FY 2019/2020.