

SPECIAL ISSUE



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REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA REVENUE AUTHORITY FOR THE YEAR
ENDED 30 JUNE 2020

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 & Border Control Department,
- Corporate Support Services Department,
- Investigations and Enforcement Department,
- Strategy, Innovation & Risk Management Department,
- Legal Services & Board Coordination Department,
- Intelligence & 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 2020 and who had direct fiduciary responsibility were:

- | | |
|---------------------------------------|-----------------|
| - Commissioner General | Githii Mburu. |
| - Domestic Taxes Department | Elizabeth Meyo. |
| - Customs & Border Control Department | Kevin Safari. |

- 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
 - Kenya School of Revenue Administration (KESRA)
 - Finance Division
 - Procurement Division
- David Kinuu.
David Yego.
Mohamed Omar.
Paul Matuku.
Terra Saidimu.
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.

Cooperative 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. HON. MRS. ROSE WARUHIU, OGW

Hon. Mrs. Rose Waruhiu is a Member of the Board of Directors of Kenya Revenue Authority (KRA). She was first appointed as a Member of the Board on 21st October, 2016 and re-appointed for a further term of three (3) years on 21st October, 2019.

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.

Until 30th June, 2020 she was the Chairperson of the Finance, Administration and Procurement Committee and a Member of the Audit and Risk and Revenue, Strategy and Technology Committees of KRA's Board of Directors. Since 1st July, 2020 she is the Chairperson of the Audit and Risk Committee and member of the Human Resources Committee of KRA's Board of Directors.

3. MR. 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.

Until 30th June, 2020 he was a Member of the Revenue, Strategy and Technology Committee and Human Resources Committee of KRA's Board of Directors. Since 1st July, 2020 he is a member of the Finance, Administration and Procurement Committee of KRA's Board of Directors.

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).

Until 30th June, 2020 he was the Chairperson of the Revenue, Strategy and Technology Committee and Member of the Human Resources Committee of KRA's Board of Directors. Since 1st July, 2020 he is the Chairperson of the Human Resources Committee and Member of the Audit and Risk Committee of KRA's Board of Directors.

5. MR. CHARLES MAKORI OMANGA

Mr. Charles Makori Omanga 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 was a Member of the Finance, Administration and Procurement Committee until 30th June, 2020. Since 1st July, 2020 he is a Member of the Revenue Strategy and Technology and Human Resources Committees of KRA's Board of Directors.

6. MR. MUKESH K. R. SHAH

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

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.

Until 30th June, 2020 he was the Chairperson of the Audit and Risk Committee and since 1st July, 2020 he is the Chairperson of the Revenue, Strategy and Technology Committee of KRA's Board of Directors.

7. MRS. SUSAN MUDHUNE, MBS

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).

She was the Chairperson of the Human Resources Committee and a Member of the Revenue, Strategy and Technology Committee of the KRA's Board of Directors until 30th June, 2020. Since 1st July, 2020 she is the Chairperson of the Finance, Administration and Procurement Committee.

8. COMMISSIONER GENERAL, MR. GITHI MBURU

Mr. Githii Mburu was appointed Commissioner General with effect from 1st July, 2019 for a period of three (3) years.

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 and 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

1. MR. 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 a public finance management specialist with extensive experience in planning and budgeting, accountancy and financial reporting, procurement and contract management, business risk analysis, systems review and re-engineering, taxation, auditing, development of process manuals, policies and procedures, and training and institutional capacity building in the public sector.

He joined the National Treasury in 2013 as the Accountant General, rising to the current position of Director General Accounting Services and Quality Assurance.

Prior to joining the National Treasury, he was a Senior Manager at Ernst and Young (EY) and a Director at PricewaterhouseCoopers (PwC) where he offered technical support in accounting and financial reporting in the public sector in Kenya, Rwanda, Ethiopia, Eritrea and Somalia.

He is also the Chairman of the Public Sector Accounting Standards Board of Kenya, having been instrumental in its formation. The Board has already promulgated the applicable accounting standards for public sector entities.

He is also the Administrator and Secretary to the Advisory Board of the Equalization Fund and an alternate Board member representing the Cabinet Secretary, National Treasury at the Kenya Accountants and Secretaries National Examinations Board (KASNEB) and Kenya Medical Supplies Authority (KEMSA), among other responsibilities.

He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

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

Ms. Maryann Muthoni Njau is a Member of the Board of Directors of Kenya Revenue Authority (KRA). She was appointed as a Member of the Board on 24th March, 2017 as the alternate to the Attorney General of the Republic of Kenya.

She holds a Bachelors of Laws (LLB) degree and a Masters degree in Business Administration from the University of Nairobi. She also has a Post Graduate Diploma in Legal Studies from the Kenya School of Law.

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 is also 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.

She has served as a Deputy Chief Legal Officer at the then Ministry of Justice, National Cohesion and Constitutional Affairs in 2004. She is currently the Senior Deputy Solicitor General and Secretary - Justice and Constitutional Affairs at Head of the State Department of Justice, Office of the Attorney General and Department of Justice.

She has served as a Chairperson and Member of Ministerial committees, Presidential Selection Panels and Public Service Selection Panels.

She is a Member of the Law Society of Kenya.

MANAGEMENT TEAM

1. Mr. Githii Mburu

Mr. Githii Mburu was appointed Commissioner General of the Kenya Revenue Authority (KRA) with effect from 1st July 2019.

Prior to his appointment, Mr. Mburu was the Commissioner for Intelligence & Strategic Operations (I&SO), where he led KRA in establishing and operationalizing 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 with an estimated tax recovery of over Kshs. 250 Billion. In his role as head of investigations, he led various tax evasion investigations that have greatly enhanced revenue collection and border security.

Mr. Mburu joined KRA in May 2007 and has worked in different capacities in strengthening Tax Audit Operations in the Domestic Taxes Department. He rose through the ranks to a Deputy Commissioner for Investigations and Enforcement Department (I&ED). His efforts in I&ED played a vital role in elevating KRA's prominence in combating tax fraud, before he was appointed as Commissioner, Intelligence and Strategic Operations (I&SO).

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.

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

2. Mrs. 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).

3. Dr. David Kinuu.

Dr. David Kinuu was appointed Commissioner for Corporate Support Services Department with effect from 1st November, 2019.

Before joining KRA, he had worked at Safaricom Ltd for more than seven (7) years in various capacities, including Head, Human Resources Shared Services and Senior Manager for Facilities, Health & Safety. Dr Kinuu also worked at different managerial roles in Shell Kenya Ltd and Oil Libya Kenya and Mozambique, among other companies.

He holds a PhD and a Masters Degree in Business Administration from the University of Nairobi, a Postgraduate Certificate in Environmental Assessment & Audit from Jomo Kenyatta University of Agriculture & Technology and Bachelors of Science degree in Mechanical Engineering from the University of Nairobi. Dr Kinuu is a member of the Institute of Human Resource Management and the Institute of Engineers of Kenya.

4. Dr. Teera Saidimu

Dr. Terra Saidimu was appointed Commissioner, Intelligence & Strategic Operations with effect from 2nd December, 2019.

He has 15 years of experience in Tax Investigations and Intelligence having served in various positions in the Investigations and Enforcement Department prior to joining the Intelligence and Strategic Operations Department (I&SO) as the head of Intelligence Management Division. Until his appointment as Commissioner, Dr. Saidimu was serving as Deputy Commissioner in Intelligence & Strategic Operations Department.

Dr. Saidimu has made great achievements in multiple areas including leading KRA management in mainstreaming Ethics and Integrity, development and management of a wide range of intelligence tools and practices which have identified taxpayers devising methods to evade taxes. He played a leading role in the ratification of the Multilateral Convention on Mutual Administrative Assistance on Exchange of Information for tax purposes.

Dr. Saidimu is a holder of Doctors degree of Philosophy in Risk Management from University of Southampton, a Master of Science in Corporate Risk and Security Management, Masters of Business Administration-Finance and a Bachelor of Business & Management-Accounting. He is a member of the Institute of Certified Public Accounts-Kenya (ICPA-K).

5. Mr. Kevin Lewis Safari

Mr Safari was appointed as Commissioner, Customs & Border Control Department from 18th February, 2019 for a period of three years.

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 Coordinator 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.

6. Dr. Mohamed Mohamud

Dr Mohamed Omar 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. Mr. 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. Mr. David Yego

Mr. David K.S. Yego, was appointed Commissioner, Investigations and Enforcement Department from 22nd March, 2017 for a period of three (3) years. His contract was renewed on 24th March 2020 for another term.

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. Dr. Fred Mugambi Mwirigi

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. Mr. 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 up to 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. He retired from the Authority on 30th September 2019

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 2019/20. This is the second Annual Report prepared within the implementation period of the Authority's Seventh Corporate Plan (2018/2019 - 2020/2021). The 7th plan provides the corporate strategic direction aimed at mobilizing government's revenue; having a competent, performance-driven, customer-focused and motivated staff; and simplifying tax administration to improve on service delivery and compliance.

The year 2019 was characterized by decelerated growth both in the global economy and in Sub-Saharan Africa. Sub-Saharan Africa's growth slightly slowed to 3.1 percent in 2019 from 3.3 percent growth in 2018. The growth in Sub-Saharan Africa was mostly supported by favorable weather conditions that led to increased agricultural production as well as high infrastructural investments.

Like Sub-Saharan Africa, Kenya experienced a decelerated growth in 2019. Most sectors recorded decelerated growth with Agriculture, Forestry, and Fishing sector accounting for a sizeable proportion of the slowdown followed by the manufacturing sector. On the other hand, the economy was supported by accelerated growth in Financial and Insurance and Real Estate activities among others. Kenya continues to be ranked favourably in the ease of doing business and as a top investment destination. In the 2020 World Bank's Doing Business Report, Kenya was ranked position 56 in 2019 moving five places from position 61 in 2018.

Kenya Economy

Based on the 2020 Budget Policy Statement, the Kenyan economy remained resilient and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector. The growth was expected to pick up to 5.6 percent in 2019, 6.1 percent in 2020 and further to 7.0 percent over the medium term supported by a strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector, and investments in strategic areas under the "Big Four" Plan. However, growth decelerated to 5.4 percent in 2019 compared to 6.3 in 2018.

The 2020 Economic survey shows that Agriculture, Forestry, and the Fishing sector accounted for the largest proportion of the slowdown, from 6.0 percent growth in 2018 to 3.6 percent in 2019. This was followed by the manufacturing sector, which grew by 3.2 percent in 2019 compared to 4.3

percent growth in 2018. The decelerated performance of the agriculture sector was due to mixed weather phenomenon in 2019 characterized by drought during the first half of the year, followed by high rainfall in the second half of the year. The value of marketed production at current prices contracted by 6.5 percent from Kshs. 498.3 billion in 2018 to Kshs. 465.7 billion in 2019. The manufacturing sector experienced a decline in the production of wood and products of wood, sugar, electrical equipment, and other non-metallic mineral products. Formal employment in the manufacturing sector rose by 1.6 percent in 2019, and accounted for 12.1 percent of the total number of persons engaged in the formal sector in the country.

Though most sectors of the economy posted slowed growths in 2019 compared to the performance in 2018, the 2019 performance was to a considerable extent, supported by accelerated growths in Financial and Insurance Activities (6.6 percent) and Public Administration and Defense (8.1 percent). It is important to note that 2019 saw service activities contribute about two-thirds of the overall economic growth. Some of the specific service activities that significantly contributed to growth in 2019 include Wholesale and Retail Trade (9.4 percent); Transport and Storage (10.3 percent); Finance and Insurance (7.4 percent); Public Administration and Defense (5.8 percent) and Real Estate (8.3 percent).

Kenya confirmed the first COVID-19 case on 12th March 2020 and in response to the pandemic, the government announced a number of measures which included: imposition of a curfew which reduced working hours as employers and businesses; suspension of international flights which adversely affected tourism sector, accommodation, restaurant services and international trade leading to decline in imports; directive to public transport sector to operate at 60 per cent, among others.

These measures led drop in imports, devastating effect on tourism, massive job losses thus impacting negatively on tax revenue. In addition, quarterly GDP (Jan-March) reduced from 5.5% in 2019 to 4.9% in 2020. The sectors that registered substantial decline over the period are: accommodation and restaurant services (from 11% to -9.3%); manufacturing (3.5 % to 2.9%) and construction (6.1% to 5.3%).

Global Economy

World real GDP recorded a decelerated growth of 2.9 percent in 2019 compared to a growth of 3.5 percent in 2018. Advanced economies are estimated to have expanded by 1.2 percent in 2019 compared to a growth of 2.2 percent in 2018. Sub-Saharan Africa's growth slightly slowed to 3.1 percent in the review period from 3.3 percent growth in 2018. The growth was mostly supported by favorable weather conditions that led to increased agricultural production as well as high infrastructural investments.

Revenue Performance

During the financial year 2019/20, the Authority collected Kshs. 1,607.3 billion against a target of Kshs. 1,641.0 billion. This translates into a performance rate of 97.9%. Exchequer revenue amounted to Kshs. 1,509.7 billion against a target of Kshs. 1,530.9 billion translating to a performance rate of 98.6%, while Kshs. 97.1 billion was collected as Agency revenue against a target of Kshs. 110.1 billion.

Future Outlook

Global

World Bank projects a decline of global economic growth to around -3.0% in 2020, signaling the worst recession since the great depression. This is a drop from the annual global GDP growth of 2.9% in 2019, with growth possibly even being negative in the first quarter of 2020. This decline is because of the COVID-19 pandemic, which has weakened global trade, disrupted the global supply chains and transport; and is projected to adversely affect global remittances.

Average growth in Africa is expected to decline from 2.4 percent in 2019 to a range of between -2.1 and -5.1 percent in 2020. This translates to a loss in output of between US\$ 37 billion and US\$ 79 billion. EAC economic growth prospects remain positive but expected to decline to an average of 2.9 percent in 2020, down from about 6.0 percent in 2019.

Kenya

Kenya's real GDP decelerated to 5.4 percent in 2019 compared to 6.3 percent in 2018. The slow growth is attributed to among other factors, the declined growth in Agriculture Sector resulting from erratic weather conditions, and the distressed Manufacturing Sector. The year 2020 GDP growth is less optimistic due to the effects brought about by COVID-19 pandemic, invasion of desert locusts and floods. It is estimated that Kenya's economic growth will decline to 2.5 percent in 2020, down from a growth of 5.4 percent in 2019.

To mitigate the risk of not meeting the revenue targets due to subdued economic performance, KRA is implementing a number of revenue enhancement measures. These include revamping the audit function, tax base expansion, enhanced debt programme under Domestic Taxes, and the implementation of post clearance audits; review of the end use of exempt products; comprehensive audit of all exemptions, enhanced scanning and conducting intelligence led verification of cargo on the Customs side.

Appreciation

On behalf of the entire Board of Directors, I wish to extend my appreciation to the National Treasury for supporting the KRA Vision of being 'A globally trusted revenue agency facilitating tax and customs compliance'. I would like to take this opportunity to recognize the support of my fellow Board members, KRA management, and staff who worked tirelessly and collected over one trillion in revenue. The Authority registered 1.7% growth in revenue collection despite the Covid-19 pandemic coupled with tough macroeconomic conditions in the Country.

Lastly but most importantly, I wish to sincerely thank our taxpayers who have complied with their tax obligations and made it possible for us to collect the revenues. Customers are our pride and we have redesigned our Customer Service Delivery Model to ensure that the services rendered to our customers at all touchpoints are seamless and consistent, hence more satisfaction. We strongly believe that with your continued support we will weather through the storm of Covid-19 pandemic and build our nation together in the 2020/21 FY.

AMB. (DR.) FRANCIS MUTHAURA, EGH

Chairman.

COMMISSIONER GENERAL'S STATEMENT

1. Introduction

I am pleased to present the highlights of the Kenya Revenue Authority's performance for the FY 2019/20, which is prepared against a backdrop of a weak economy owing to the COVID-19 pandemic. This is the second financial year in the 7th Corporate Plan themed as "Revenue Mobilization through Transformation, Data-Driven decision-making, and Tax Base expansion". KRA's target is to raise Revenue/GDP ratio from 18.3 percent as recorded within the 2017/18 financial year to 19.2 percent by the 2020/21 financial year.

2. Operating Environment

Kenya's GDP growth rate decelerated to 5.4 percent in 2019 compared to 6.3 in 2018. According to the World Bank, the GDP is projected to decelerate further in 2020 to 1.5 percent due to the negative impact of the COVID-19 pandemic.

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

- The overall rate of inflation increased from 4.6 percent in the financial year 2018/19 to 6.0 percent in the financial year 2019/20.
- The exchange rate of Kenya Shilling to US Dollar increased to an average of 103.6 in 2019/20 FY compared to 101.2 for the 2018/19 FY.
- The CIF value of imports declined by 2.8 percent from Kshs. 1,309.9 billion in 2018/19 to Kshs. 1,272.7 billion in 2019/20.
- The average yield rate for the 91-day Treasury bill rate declined from 7.3 percent in 2018/19 FY to 6.92 percent in 2019/20FY indicating a general decline in interest rates in the economy.
- The Nairobi Securities Exchange (NSE) 20 share index moved from 2,633 points in June 2019 to 2,654 points in December 2019 but dipped to 1,966 points in March 2020 and 1,942 points in June 2020.

3. Revenue Performance

In the financial year 2019/2020, KRA collected a total of Kshs. 1,607.3 billion thereby achieving a 1.7 percent growth in collections over the Kshs. 1,580.1 billion collected in the financial year 2018/19. Table 1 presents the revenue performance by department:

Table 1: Revenue Collection (Kshs. billion)

Department	Actual 2019/20	Target 2019/20	Performance Rate	Actual 2018/19	Growth over 2018/19
Customs Services	510.63	518.813	98.4%	525.337	-2.80%
Domestic Taxes	1,092.686	1,117.106	97.8%	1,050.42	4.00%
Road Transport	4.007	5.102	78.5%	4.302	-6.80%
TOTAL	1,607.341	1,641.021	97.9%	1,580.06	1.70%

3.1. Customs and Border Control Department

Total exchequer and agency customs collections during FY 2019/20 amounted to Kshs. 510.630 billion against a target of Kshs. 514.309 billion translating to a performance rate of 98.4 percent and a reduction of 2.8 percent over FY 2018/19.

Net import duty declined by 6.7% to Kshs. 98.1 billion while net excise duty grew by 0.4 percent to Kshs. 88.8 billion. Annual collections in Petroleum Taxes amounted to Kshs. 168.5 billion, a 1.5 percent decline compared to FY 2018/19 while Trade Taxes declined by 3 percent to Kshs. 324.4 billion over the same period.

3.2. Domestic Taxes Department

Total domestic exchequer and agency collections during FY 2019/20 amounted to Kshs. 1,092.686 billion against a target of Kshs. 1,117.106 billion translating to a performance rate of 97.8% and a growth of 4.0% over FY 2018/19.

Direct domestic taxes collected during the financial year amounted to Kshs. 757 billion representing a growth of 7.9% over FY 2018/19. Direct domestic taxes included PAYE-53%; Corporate Taxes -23%, withholding taxes -16%, and the remaining 8% comprised of individual taxes, Turn-Over-Tax, Betting/ lotteries tax, Capital Gains Tax, Rental Income Tax, and surplus funds.

Indirect taxes collected during the Financial Year amounted to Kshs. 334.65 billion representing a decline of 3.9% over FY 2018/19. This decline in indirect taxes was mainly due to a 7 % decline in domestic VAT from Kshs. 230 billion to Kshs. 214 billion and a 6.4% decline in domestic excise duty from Kshs. 59.5 billion in 2018/19 to Kshs. 55.7 billion in 2019/20. The total domestic VAT declined by 7% from Kshs. 230 billion to Kshs. 214 billion over the same period.

3.3. Transport Department

Transport revenue for the 2018/19 FY was Kshs. 4.01 billion and accounted for 0.25% of the total collections during the year. The collection declined by 6.8% compared to Kshs. 4.01 billion collected in 2018/19 FY.

3.4. Revenue performance (Pre and Post Covid-19)

A breakdown of performance of some of the tax heads pre-covid and after the pandemic is as shown in the following table.

Table 2: Revenue Performance (Pre – and Post – Covid-19)

	Growth over 2018/19		Reason for under-performance
	Pre-Covid-19 (Jul 2019- Feb 2020)	After the start of Covid-19 (Mar 2020 -June 2020)	
Petroleum Taxes	12%	-24%	Decline in petroleum prices and decline in business operations
Trade Taxes (imports)	3%	-16%	Decline in imports for both finished goods and raw materials
VAT	3%	-26%	Reduction in rate from 16% to 14%, Reduction in demand and output
Excise Duty	4%	-28%	Decline in sales due to COVID-19 policy measures
PAYE	11%	-14%	Lay-offs, unpaid leave and salary/wages adjustments, reduction in rate from 30% to 25%
Income tax (CIT)	8%	1%	Depressed business activities marked by decline PMI, decline in turnover, reduction in rate from 30% to 25%

3.5. Overview of factors underpinning revenue performance in 2019/20

Revenue performance during the 2019/20 FY was on an upward trajectory for the period preceding the COVID-19 pandemic having registered a performance rate of 101% and a growth of 11.2%. However, the pandemic and measures taken to curb its spread have had an impact on revenue collection, which saw the performance rate drop to 80% and a decline of 15.2% compared to similar period in 2018/19 FY.

Such measures include cessation of movement to and from the larger Nairobi metropolitan area, Mandera county, coastal counties of Mombasa, Kilifi and Kwale; imposition of a nationwide curfew; and enforcement of social distancing. This has affected normal business operations and resulted to shut down of some businesses and job losses. As such, tax collection has been negatively impacted by the pandemic.

In addition, the government efforts to mitigate the economic effects of the pandemic instituted a number of tax measures. These include the reduction in PAYE rates from 30% to 25%, reduction of corporate tax from 30% to 25%, reduction of VAT from 16% to 14% and reduction of ToT from 3% to 1% among others. This reduction in rates reduced the expected revenue collections.

4. Key Achievements in the Financial Year 2019/20

The key achievements during the FY 2019/20 include:

Broadening the tax base

During the 2019/20 FY, active taxpayers increased to 5.77 million by the end of June 2020. KRA is making efforts at continuous data matching and using 3rd party data to identify active taxpayers who are not yet recruited.

Automation

The Authority continued to leverage on technology and systems integration. Automation levels stood at 93% while business process automation at the end of June 2020 was 87%. Further, iTax has been integrated with several systems in government agencies, including the Public Procurement Regulatory Authority (PPRA), Business Registration Service (BRS), and Integrated Financial Management Information System (IFMIS).

Having launched iScan in October 2018, the Authority implemented an integrated scanner strategy. Ten Scanners - 5 scanners in Mombasa, 4 at the Inland Container Depot (ICD), and 1 at Namanga were integrated into the iScan System over the period under review. The scanners are a mix of drive-through, mobile, and rail scanners.

Besides, Jomo Kenyatta International Airport, Mombasa (Kilindini Port), and Namanga One-Stop Border Post Joint Operation Centers have been fully operationalized. Multi-agency teams in all International airports and one-stop border ports are also carrying out joint cargo verification.

Strengthening debt and accounts management

Within two years of implementing the 7th Corporate plan, the Authority fully operationalized the debt module on the iTax system and debt cases from the compliance program are automatically flowing to Debt office, leading to improved debt collection. Indeed, the collectable has significantly reduced to 7.2% of total revenue collection. The authority has also embraced data analytics in debt management with priority being on more recent debt cases, high-value cases, and agency revenue debt cases.

VAT Refunds Strategy

During the 2019/20 FY, the authority reviewed the manual refunds risk-rating framework and shared with Data Warehouse and Business Intelligence (DWBI) the project team to have the risk profiling rules developed and automated. The automation of refunds risk profiling is 95% complete. Further, the authority has endeavored to clear the backlog of VAT refunds to cushion businesses from the adverse impacts of the Covid-19 pandemic.

5. Human Resources Review

(a) Senior Management changes

1. Mr. John Njiraini who was the Commissioner General retired from the Authority and was succeeded by Mr. Githii Mburu who took over with effect from 1st July 2019.

2. Mr. Ezekiel Saina was the Commissioner, Corporate Support Services until his retirement on 29th September, 2019, and was replaced by Dr. David Kinuu from 1st November, 2019.

3. Mr. Githii Mburu was Commissioner, Intelligence & Strategic Operations until his appointment as the Commissioner General. Dr. Terra Saidimu replaced him as the Commissioner, Intelligence & Strategic Operations from 2nd December, 2019.

(b) Staff Compliment as at 30th June 2020

Department	Count	Percentage (%)
Corporate Support Service	1,218	15.4%
Customs & Border Control	2,083	26.3%
Domestic Taxes Department	2,970	37.5%
Intelligence & Strategic Operations	171	2.2%
Internal Audit Department	39	0.5%
Investigations and Enforcement	240	3.0%
Kenya School of Revenue Administration	129	1.6%
Legal Services & Board Coordination	141	1.8%
Marketing & Communication	562	7.1%
CG's Office	43	0.5%
Strategy, Innovation and Risk Management	257	3.2%
Supply Chain Management	58	0.7%
GRAND TOTAL	7,911	100.00%

(c) Staff Motivational and Welfare Programs

In the financial year 2019/20, the Authority addressed staff motivation by implementing various welfare activities that include wellness programs, health talks, health hikes, gym services, Alcohol and Drug abuse prevention programs, provision of Mothers'/Lactation Room, Work Environment Audits and Annual Staff Team building activities. Motivational benefits include Mortgage as well as car and laptop loans for staff.

(d) Competency Development

The Authority facilitated delivery of 82 technical and cross cutting programs for 1,307 staff and 71 Continuous Professional Development programmes for 487 staff (153 courses for 1,794 staff at a total cost of Kshs. 64,943,010). KESRA facilitated training for 1,872 staff. Total staff trained 3666.

(e) Human Resource Projects

A Job Evaluation exercise was conducted in the year to rank jobs and functions, and also develop Job Descriptions and grading structures.

6. Statement of Performance against Predetermined Objectives

The Authority is currently implementing the 7th Corporate Plan covering the period 2018/19 to 2020-21. The financial year 2019/20 marked the end of the second year of implementation. The key strategic objectives during this period and the performance is summarized as follows:

(a) Tax Base Expansion

The aim was to raise the number of active taxpayers from 3.94 million to 6 million. This would be achieved through recruitment of informal sector taxpayers, registered companies, professionals, landlords and individuals trading online. The active taxpayers are currently 5.77 million. In addition, on-time payment rose to 91.5% while on-time filing rose to 62.5%.

(b) Data driven decision making

The strategy was on using data and technology to drive compliance initiatives in order to reduce the VAT gap from 45% to 40%. A data driven VAT compliance strategy was developed and is currently under implementation. The VAT gap has reduced to 43%.

(c) More Effective Dispute Resolution

With the operationalization of the Alternative Dispute Resolution (ADR), the aim was to implement measures to enhance its efficiency and effectiveness thereby increasing the number of cases resolved through ADR from 38% to 55%. The performance currently stands at 52%.

(d) Strengthening Debt and Accounts Management

During this plan period, the aim was to reduce the debt to revenue ratio in line with international best practice levels. The target was to reduce collectable debt to total revenue from 25% to 15%. This would be achieved through utilization of the debt module in iTax, data analytics and fast tracking debt recovery times. This period recorded the highest performance with a ratio of 7.2%

(e) Improved Border Management

This is aimed at improving security at the border stations and reducing the level of identified illicit trade. Key initiatives that have been implemented include operationalization of two One Stop Border Posts at Namanga and Moyale; and operationalization of three Joint operation centers at JKIA, Namanga and Mombasa Port. The Integrated Scanner Command Center was also operationalized.

(f) Implementation of 3rd KRA ICT strategy

The focus was on enhancing existing systems to offer integrated, simple, cost effective and reliable services. During this period, iTax was integrated with IFMIS phase II, PAYE, NTSA, iCMS Phase II, AGPO; while iCMS was integrated with Single Window and iScan. The current automation level stands at 93%

(g) Implementation of Data Governance Strategy

The aim was to ensure central management and coordination of corporate data and provision of security and privacy thus building confidence in the quality of data. A corporate data office was operationalized and risk profiling and case management modules of the Data Warehouse and Business Intelligence project is in the process of implementation. The main task was to clean up and maintain a credible master and transactional data. The Enterprise data warehouse in place with data from iTax, Simba, iCMS and Legacy while master data cleaning almost completed while transactional data cleaning ongoing. The data utilization index also rose from a baseline of 62% to 73%.

7. Outlook

The Treasury revenue target for the financial year 2020/21 is Kshs. 1.7 trillion, of which Kshs. 1.6 trillion (94.3%) is Exchequer revenues and Kshs. 98 billion (5.7%) being the agency revenues that KRA collects. The Treasury target represents a growth of 7% over the revenue collection in FY 2019/20 (Kshs. 1.6 trillion).

Although the 2020 BPS projected the economy to expand by above 6.1 percent in 2020 and 7.0 percent over the medium term, the performance of Kenya's economy in 2020, like most economies all over the world, will largely be determined by how long life and economic activities are going to be disrupted by the COVID -19 pandemic. The revised growth projections for in 2020, accounting for the impact of COVID-19 is 1 percent. Most of the economic activities have been slowed down by restrictions resulting from containment and cessation of sections of the population, the nationwide curfew, and the stoppage of international passenger travel.

Besides, locust invasion witnessed in the country in late 2019 and early 2020 poses a risk to agricultural production and food security. These shocks are likely to dampen energy generation and agricultural output leading to higher inflation that could slow down economic growth.

FY 2020/21 marks the 3rd and final year of the Authority's 7th Corporate Plan for the FY2018/19 to 2020/21. As the Authority continues with the implementation of the initiatives outlined in the 7th Plan geared to improved revenue collection, the risks facing the economy will adversely impact on revenue collections in the coming periods. In addition, the policy measure adopted to cushion the public from the adverse effects of the pandemic such as the reduction in VAT and PAYE rates will see the tax revenues dip below the projected figures at the beginning of the plan period. However, we are implementing a raft of measures under the Revenue Enhancement Initiatives to facilitate the achievement of the Revenue Targets for FY 2020/21. These include;

- Enhanced Debt Programme
- Revamped Audit Function
- Tax Base Expansion
- Customs Enforcement including post clearance audits, expanded exemption and remissions
- Intelligence and Enforcement operations

8. Conclusion

In conclusion, I would like to thank our Board of Directors, the KRA management and all staff for their hard work, which has enabled the Authority to effectively implement its mandate as the principal revenue collector for the Government of Kenya. Your dedication and commitment led to a positive revenue growth over FY 2018/19 despite the adverse conditions prevailing in the year. I also thank the National Treasury and Planning for according us strong support. Lastly, I extend our gratitude to our taxpayers and all our stakeholders, for their patriotism and unwavering support, without which we would not have achieved our strategic goals.

I am confident that together and guided by our common vision, 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 monthly meetings during the period under review.

Board Committees

The Board had four (4) standing Committees during the period under review, 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 eight (8) times and its Members were:

- 1. Ms. Susan Mudhune,
- 2. Eng. Leonard Ithau.
- 3. Mr. Paul Icharia and
- 4. 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 eight (8) times and its Members were:

- 1. Hon. Ms. Rose Waruhiu.
- 2. Mr. Charles Omanga.
- 3. Cabinet Secretary – National Treasury
- 4. 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 five (5) times and its Members were:

- 1. Mr. Mukesh Shah,
- 2. Hon. Ms. Rose Waruhiu,
- 3. The Attorney General and
- 4. 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 twelve (12) times and its Members were:

- 1. Eng. Leonard Ithau,
- 2. Mr. Mukesh Shah,
- 3. Hon. Ms. Rose Waruhiu,
- 4. Ms. Susan Mudhune,
- 5. Mr. Paul Icharia,
- 6. The Attorney General,
- 7. Cabinet Secretary – National Treasury and

8. 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:

1. Mr. Paul Icharia (Chairman),
2. Mr. Mukesh Shah,
3. Ms. Susan Mudhune and
4. Commissioner Corporate Support Services.

Board Matters

Attendance to board meetings by members	In the Financial Year 2019/2020: There were eleven (11) Board Meetings and three (3) Special Board Meetings attended by Members.	
	Meeting	No. of Directors
	Special - 4th July, 2019	7
	280th Board Meeting	9
	281st Board Meeting	9
	282nd Board Meeting	8
	283rd Board Meeting	9
	284th Board Meeting	9
	Special 2nd December, 2019	9
	285th Board Meeting	8
	286th Board Meeting	8
	287th Board Meeting	9
	Special- 8th April, 2020	9
	288th Board Meeting	9
	289th Board Meeting	9
290th Board Meeting	9	
Succession plan	Appointment is by the President (for the Board Chairman) and Cabinet Secretary – The National Treasury (for Members). As per the Kenya Revenue Authority Act Section 6(2)(a) and Section 6(2)(e). Expiry of term is usually communicated to The National Treasury at least 3 months before expiry of Term	
Existence of a board charter	There is an existing Board Charter approved on 5th April, 2016. The Board Charter is currently under review.	
Process of appointment and removal of directors	As per the Kenya Revenue Authority Act Sections 7 and 8.	
Roles and functions of the Board	As per the Kenya Revenue Authority Act Section 6(6).	
Induction and training	An internal induction was carried out on 8th June, 2018 upon their appointment. Five (5) out of Nine (9) Directors have also attended the Mwongozo Code of Governance Training. The Directors undertook a training by the Institute of Directors (Kenya) on Corporate Governance (Good Governance, Board and Management Roles, Confidentiality and Ethical Leadership) on 27th February, 2020.	
Board and member performance	The Board Performance Self-Assessment for Financial Year 2018/2019 was carried out on 4th July, 2019 and facilitated by the State Corporations Advisory Committee. The Board Performance Self-Assessment for Financial Year 2019/2020 was carried out on 4th September, 2020.	
Conflict of interest	Conflict of interest is declared in all Board and Board Committees Meeting and recorded as part of the proceedings.	
Board remuneration	As per the relevant Government Circular: Sitting Allowance: Letter dated 11th February, 2011 Ref ZZ MOF 131/04	
Ethics and conduct	This is provided for under chapter 3 of the Board Charter, 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 20th 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*

Organizations world over contribute to the national and global economy and thus directly and indirectly improve livelihoods of communities around them.

The Kenya Revenue Authority (KRA)'s Corporate Social Responsibility (CSR) aims to achieve an endearing, sustainable and meaningful partnership with the publics that it interacts with to enhance the focus on KRA's core mandate that is revenue mobilization.

KRA plays a key role in the country's development agenda and is central in achieving the national policy objectives outlined in various policy documents that include Vision 2030, the 'Big Four' Agenda and the Sustainable Development Goals (SDGs). The outlined objectives are related and the pillars include healthcare and environmental initiatives.

During the 2019/2020 Financial Year, KRA carried out various CSR initiatives in line with the national priorities aimed at achieving economic prosperity and achieved the following milestones:

Health Pillar Initiatives

During 2019/2020 financial year, KRA focused its Taxpayers Month CSR (TPM, CSR) initiatives on the Health pillar. Through the KRA Regional Offices, KRA renovated a pediatric ward at Rongo Level 4 hospital & a male ward at the Naivasha Level 5 hospital.

In support of the fight against cancer, KRA participated at the Faraja white water rafting annual fundraising event. The event was scheduled to take place at Tana River, Sagana, Muranga. However, due the Covid-19 Pandemic the participation of staff in the water rafting activity was suspended.

Environmental Pillar Initiatives

In regards to environment, KRA involved staff and other stakeholders to plant trees in support of the Government of Kenya initiative on increasing the forest cover.

KRA planted 6,400 trees at Mukuru Promotional Centre schools (Nairobi), 5,000 trees with Save our Rivers Initiative in Nkubu (Meru County), 600 trees at KESRA (Mombasa), 500 trees at Ruiru sports club (Kiambu) and 1000 trees at Railways Golf Club (Nairobi). Over 13,500 trees were planted during the financial year 2019/2020.

World Rally Championship (WRC), Safari rally Secretariat which is a GOK project had partnered with KRA to plant 18,000 trees at Kasarani Super spectator stage to mark the return of World Rally Championship in Kenya after 18 years' absence. However, this event was postponed to October rains due to the outbreak of Covid-19 Pandemic.

Sports Marketing Pillar Initiatives

On Sports Marketing, KRA focused on Golf with the aim of improving partnership with taxpayers

KRA sponsored/co-sponsored five (5) golf tournaments; KRA golf tournament at Ruiru Sports Club, Captains Prize at Railways Golf Club, Rotary Club of Karen tournament at Karen Golf Club, upstream oil and gas golf tournament at Vet lab Golf tournament and Qatar Airways Golf tournament at Muthaiga Golf Club. Over 50 Staff golfers participated in these tournaments.

Ushuru FC continued to play at the National Super League. The team played 26 matches across the country and finished position 6. COVID-19 Pandemic halted all football activities.

KRA Choir performance

The KRA Choir performance was exemplary. The choir performed at various internal and external functions. The external functions were at the invitation of the Permanent Presidential Music Commission. They performed at Siaya County during Jamhuri Day. The choir also did live Christmas carols in media houses. The Choir also participated in Madaraka day celebrations through recorded music.

Staff Engagement

KRA involved staff directly by participating in the staff football tournament & national tree planting. Staff also participated in the Madoka Half Marathon, Beyond Zero Marathon and Stanchart Marathon. Staff participated in various Regional CSR engagements during the year.

Conclusion.

In conclusion, staff involvement and stakeholders' engagement in CSR helped to improve the overall KRA stakeholder relationship and reputation.

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, 2020 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, 2020 are set herein.

Directors

The Members of the Board who served during the year are shown herein.

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.

By Order of the Board
Board Secretary
Date: 19th August, 2021.

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, 2020. 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, 2020, 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 19/8/2021 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, 2020

Report On the Financial Statements

Opinion

I have audited the accompanying financial statements of Kenya Revenue Authority set out herein, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Revenue Authority as at 30 June, 2020 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 Public Finance Management Act 2012 and the Kenya Revenue Authority Act, 1995.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the 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 opinion.

Emphasis of Matter

Land without Title Documents

As reported in the previous year, the statement of financial position reflects a balance of Kshs.30,786,129,000 under property, plant and equipment which, as disclosed in Note 8(ii) to the financial statements, includes fourteen (14) pieces of leasehold land with a total acreage of 40.08 hectares and which the Authority is yet to receive title documents. The properties, with a net book value of Kshs.1,028,544,182 as detailed below, are said to be at various stages of registration with the National Land Commission even though the issue of title documents has been outstanding for a long period of time.

Description	Location	Acreage	Net Book Value (Kshs.)	Remarks
Block 6/171	Kisumu (Robert Ouko)	0.3483 Ha.	1,978,846	Residential flats
Lwakhakha Border Station	Lwakhakha	8.066 Ha.	9,203,125	Vacant
LR No. 32587	Malaba	4.225 Ha.	38,750,000	Office block and Staff Canteen
Namanga 323/86/1	Namanga	0.225 Ha.	14,526,315	Office block
MN/I/9593 and 9592	Mombasa (KRA Training Institute)	0.6372 Ha.	415,000,000	Vacant
MN/I/9594, MN/I/9784, MN/I/9785, MN/I/9786, MN/I/9787, MN/I/9788, MN/I/9789, MN/I/9790, MN/I/9791, MN/I/9792, MN/I/9793, MN/I/9794, MN/I/9795	Mombasa (KRA Training Institute)	5.344 Ha.	229,515,790	Vacant
MN/I/3090,3091,3092,3093,3094,2395 and MN/I/6230	Mombasa (Bamburi)	9.556 Ha.	104,589,474	20 Residential houses
MI/XXXVI/686,593,685,779	Mombasa (Oceanic-Kizingo)	0.166 Ha.	145,312,500	24 Residential units
No.MN/III/8807 Formerly plot No. MN/III/293	Mtwapa	0.4048 Ha.	5,812,500	Residential Blocks

Description	Location	Acreage	Net Book Value (Kshs.)	Remarks
Kilifi	Kilifi	0.046 Ha.	6,781,250	Office block, Residential Houses, and former VAT Offices
Lunga-Lunga	Horohoro	4.0 Ha.	26,100,000	Office block
Namanga One Stop Border Post (OSBP)	Namanga	4.0 Ha.	14,464,286	Office Block
Block 4/87 Robert Ouko Estate	Kisumu	2.662 Ha.	1,978,846	Residential units
Busia - OSBP	Busia	0.40 Ha.	14,531,250	Office blocks
Total Net Book Value		40.08	1,028,544,182	

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 Hulugho, Amuma, Gerille, Elwak, and Diffu which has been gazetted as border entry points as detailed below:

Location	Acreage	Remarks
Diffu Site - Wajir County	7.0 acres	Proposed site for One Stop Border Point
Gerille Site - Wajir County	13 acres	Proposed site for One Stop Border Point
Amuma Site - Garissa County	7.6 acres	Proposed site for One Stop Border Point
Hulugho 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 Kshs.30,786,129,000.

Under the circumstances, the completeness and accuracy of the property, plant and equipment balance of Kshs.30,786,129,000 as at 30 June, 2020 could not be confirmed as fairly stated. 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229 (6) of the Constitution of Kenya 2010, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these 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 Authority's 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 based on 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.

Nancy Gathungu
AUDITOR-GENERAL
Nairobi
24 August, 2021

KENYA REVENUE AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

		2019/2020	2018/2019
			(Restated)
	Note	Kshs'000	Kshs'000
REVENUE			
Revenue from non- exchange transactions			
Deferred grant income amortisation	2	836,294	335,463
Revenue from exchange transactions			
Agency Income	3	20,807,351	18,304,747
Commissions Income	4(a)	1,976,681	2,060,991
Interest Income	4(b)	439,561	314,715
Other Income	4(c)	367,628	501,689
TOTAL REVENUE		24,427,515	21,517,605
EXPENDITURE			
Administrative Expenses	5	22,724,082	20,248,465
Operating Expenses	6	1,443,506	1,232,944
Maintenance Expenses	7	394,709	258,636
TOTAL EXPENDITURE		24,562,297	21,740,045
Other gains/(losses)			
(Loss)/Gain on disposal of assets		(98)	2,225
DEFICIT FOR THE YEAR		(134,880)	(220,215)

KENYA REVENUE AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		2019/2020	2018/2019
			(Restated)
	NOTE	Kshs '000	Kshs '000
Assets			
Current Assets			
Cash and Bank Balances	13	5,508,924	7,791,756
Stocks	14	897,324	86,083
Receivables	10	438,571	402,100
		6,844,819	8,279,939
Non-Current Assets			
Property, Plant & Equipment	8	30,786,129	30,769,236
Intangible Assets	9	1,864,011	2,755,149
Amount due from Treasury	11	3,364,046	3,015,678
Security Deposits	12	2,565,951	2,487,810
		38,580,137	39,027,873
Total Assets		45,424,956	47,307,812
Liabilities			
Current Liabilities			
Payables	15	1,796,593	2,604,856
Leave Pay and Gratuity Provision	16	2,104,417	2,164,790
Deferred Income Amortisation	24	836,294	836,294
		4,737,304	5,605,940
Non Current Liabilities			
Contribution to Government Pension Fund	17	6,705	6,724
Designated Fund	18	269,054	575,994
		275,759	582,718
Total Liabilities		5,013,063	6,188,658
Net Assets		40,411,893	41,119,154
Capital grants by the Treasury	19	18,541,910	17,935,410
Deferred Grants Income	24	1,582,656	2,418,951
Accumulated Fund		3,391,002	3,525,882
Revaluation Reserve		16,896,325	17,238,911
		40,411,893	41,119,154
Total Net Assets and Liabilities		45,424,956	47,307,812

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

KENYA REVENUE AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

		Capital Grants by	Deferred Grants	Accumulated	Revaluation	Total
		Treasury	Income	Fund	Reserve	Fund
	NOTE	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
1 July 2018		17,309,410	3,266,072	3,746,097	17,582,150	41,903,729
Contribution for the year		626,000	-	-	-	626,000
Charge for the year		-	(825,467)	-	(343,238)	(1,168,705)
Deficit for the year		-	-	(220,215)	-	(220,215)
At 30 June 2019		17,935,410	2,440,605	3,525,882	17,238,912	41,140,809
Prior Period Adjustment	25	-	(21,655)	-	-	(21,655)
1 July 2019		17,935,410	2,418,950	3,525,882	17,238,912	41,119,154
Contribution for the year	19	606,500	-	-	-	606,500
Deficit for the year		-	-	(134,880)	-	(134,880)
Charge for the year	24	-	(836,295)	-	(342,586)	(1,178,881)
At 30 June 2020		18,541,910	1,582,656	3,391,002	16,896,326	40,411,893

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

KENYA REVENUE AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019/2020	2018/2019
			(Restated)
		Kshs `000	Kshs `000
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE		
Deficit for the year		(134,880)	(220,215)
Non- cash movements			
Depreciation	8	916,636	833,805
Amortisation of Intangible Assets	9	944,858	131,258
Decrease in Amortisation of Deferred Income	25	(836,294)	(335,463)
Loss / (Gain) on disposal of Assets		98	(2,225)
Increase in Security Deposits	12	(78,141)	(53,139)
(Increase) / Decrease in Stocks	14	(811,241)	40,552
Prior Period Adjustment		-	-
Increase in Debtors and receivables	10 & 11	(384,839)	(1,662,591)
(Decrease) / Increase in Creditors, payables and Provisions	15 & 16	(868,663)	1,234,738
Net cash flows from operating activities		(1,252,466)	(33,281)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment	8	(1,330,336)	(1,245,444)
Proceeds from sale of Property, Plant & Equipment		410	12,593
Net cash flows from investing activities		(1,329,926)	(1,232,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Contribution by the National Treasury & Donors	19	606,500	626,000
(Decrease) in Designated Funds	18	(306,940)	539,210
Net cash flows from financing activities		299,560	1,165,210
Net (Decrease) / Increase In Cash And Cash Equivalents		(2,282,832)	(100,922)
Cash and cash equivalents at 1 July		7,791,756	7,892,677
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	5,508,924	7,791,756
The notes set out hereto form an integral part of the Financial Statements			

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	ORIGINAL (ADJUSTED)	ADJUSTMENTS	FINAL	Actual Comparable Basis	Performance
	BUDGET		BUDGET		Difference
			2019/2020	2019/2020	2018/2019
	KSHS '000	KSHS '000	KSHS '000	KSHS '000	KSHS '000
INCOME :					
Agency fees	16,807,337	4,000,000	20,807,337	20,807,351	14
Road Maintenance Levy	1,717,039		1,717,039	1,489,158	(227,882)
Sale of Tamper- Proof seals	13,280	(10,267)	3,013	3,906	893
Petroleum Development levy	45,219		45,219	40,888	(4,331)
NTSA Agency Commission	10,717	-	10,717	8,313	(2,405)
Interest income	303,293	35,506	338,799	439,561	100,762
Transit Toll	18,800	-	18,800	18,231	(569)
Rent receivable	22,496	(6,485)	16,011	12,815	(3,196)
Public Overtime	3,446	(2,245)	1,201	1,642	442
Institutional houses - rent	127,823	-	127,823	147,749	19,926
Aviation Revenue	139,276	(26,776)	112,500	94,379	(18,120)
Sugar Levy	-	-	-	11,486	11,486
Air Passenger Service charge	308,682	10,267	318,949	222,346	(96,603)
KESRA Income	600,000	-	600,000	244,468	(355,532)
Miscellaneous Income	47,403	-	47,403	(5,748)	(53,151)
OTHER AIA	-	-	-	54,577	54,577
Deferred Income Amortisation	-	-	-	836,393	836,393
Total Operational Income	20,164,811	4,000,000	4,164,811	24,427,515	262,704
STAFF COSTS:					
Basic pay	11,333,049	411,881	11,744,930	11,114,024	630,906
Other Staff Expenses	4,630,785	471,463	5,102,248	5,064,397	37,851
Total Staff Salaries and Allowances	15,963,834	883,344	16,847,177	16,178,421	668,756
OPERATIONAL Expenses:					
Staff Welfare Expenses	32,236	50,903	83,138	78,359	4,779
Medical Expenses	1,027,748	198,450	1,226,198	1,079,623	146,575
Training Expenses	148,442	7,183	155,624	99,984	55,641
Uniform & Laundry Expenses	88,845	2,096	90,941	3,146	87,795
Travel & Accommodation	349,679	180,102	529,781	578,358	(48,577)
Utilities Expenses	495,296	33,104	528,400	531,503	(3,103)
Building Repairs & maintenance	197,356	85,523	282,879	147,390	135,489
Motor Running Expenses	224,995	50,195	275,190	264,168	11,022

	<i>ORIGINAL (ADJUSTED)</i>	<i>ADJUSTMENTS</i>	<i>FINAL</i>	<i>Actual Comparable Basis</i>	<i>Performance</i>
	<i>BUDGET</i>		<i>BUDGET</i>		<i>Difference</i>
			<i>2019/2020</i>	<i>2019/2020</i>	<i>2018/2019</i>
	<i>KSHS '000</i>	<i>KSHS '000</i>	<i>KSHS '000</i>	<i>KSHS '000</i>	<i>KSHS '000</i>
Motor boat running Expenses	26,826	(9,100)	17,726	17,131	595
Scanner Expenses	190,360	90,879	281,239	230,188	51,050
Rents & Rates	756,474	310,968	1,067,442	780,601	286,841
Computer Software	1,057,910	117,052	1,174,962	681,504	493,458
Computer Expenses	86,761	7,729	94,490		94,488
Security Expenses	645,590	90,279	735,869	507,635	228,234
Insurance Expenses	134,179	50,515	184,694	180,309	4,385
Publicity & Advertising	167,003	24,984	191,988	123,042	68,946
Taxpayers Education	177,506	74,867	252,373	93,516	158,857
Consultancy	158,884	243,126	402,010	252,273	149,737
Legal & Secretarial Expenses	37,103	144,405	181,508	67,968	113,540
Directors' Expenses	38,625	837	39,462	25,183	14,278
Bank Charges	51,006	300	51,306	36,326	14,980
Conference Expenses	130,705	22,501	153,206	157,614	(4,408)
Office Running Expenses	347,393	32,129	379,522	346,165	33,357
Printing & Stationery Expenses	51,664	41,617	93,281	65,929	27,352
Materials & Supplies Expenses	1,366,740	-	1,366,740	73,232	-
Enforcement Expenses	247,709	(20,039)	227,670	99,727	127,943
Laboratory Expenses	24,494	(450)	24,044	1,504	22,540
Depreciation Expenses	-	-	-	1,861,494	(1,861,494)
TOTAL Operational Expenses	8,261,529	1,830,153	10,091,683	8,383,876	414,299
TOTAL Recurrent Expenses	24,225,363	2,713,497	26,938,860	24,562,297	1,083,056
Less: Disposal of Fixed Assets				(98)	
DEFICIT FOR THE PERIOD	(4,060,552)	1,286,503	(2,774,049)	(134,880)	(2,639,170)

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 (Kshs. 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 2020

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 • 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 2020.

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 & 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 2019-2020 was approved by the KRA Board of Directors on 12th September 2019. An additional funding of 4.0 Billion was received from the National Treasury to fund operations. The additional funding was incorporated in the original Adjusted Budget FY2019-20 and a Revised Budget prepared, presented to and approved by the Board on 9th December 2019. Further budget reviews to address urgent priority needs were presented to the Board on 12th March 2020, 8th April 2020, 14th May 2020 and 18th June 2020 and the same approved. The budget reprioritizations were necessary to address the Covid-19 requirements and take-over of Nairobi City County Revenue collections by the Authority

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

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Amortisation of grants deferred Income	836,294	335,463
	836,294	335,463

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

3. REVENUE FROM EXCHANGE TRANSACTIONS

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Agency Income	20,807,351	18,304,747
	20,807,351	18,304,747

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**

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Road Maintenance Levy Commission	1,489,159	1,563,239
Aviation Revenue Commission	94,377	118,380
Air Passenger Service Charge Commission	222,347	246,144
NCCG Commission Income	37,303	-
KEBS & Sugar Levy Agency Income	11,486	10,232
Road Transit Toll	18,231	16,794
National Transport & Safety Authority Commission	8,313	9,372
Petroleum Development Levy	40,888	43,307
KAA Concession Fees	2,392	2,690
Petroleum Regulatory Levy	21,483	21,749
Merchant Shipping Service Levy	30,702	29,084
	1,976,681	2,060,991

Kenya Revenue Authority was appointed as the principal agent for collection of the Nairobi City County Government (NCCG) revenue w.e.f. March, 2020. The Agency Income represents 2% of the collected revenue as per the Service Level Agreement (SLA) with NCCG.

Interest Income

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Interest on Fixed Deposits	383,018	268,662
Interest on Security Deposits	56,543	46,053
	439,561	314,715

Interest Income consists of incomes from deposits placed on Short Term Fixed Deposits and on Security Deposits on back up funds on staff mortgage and staff car loan schemes.

Other Incomes

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Sale of Tamperproof Seals	3,906	11,814
Public Overtime	1,642	3,523
Document Processing Fees	-	28,637
Staff Housing Rental Income	147,749	140,175
Property Rental Income	12,815	26,372
KESRA Incomes	244,468	259,342
Insurance Commission	5,231	3,523
Miscellaneous Income **	-48,184	28,302
	367,628	501,689

** Miscellaneous income consists of income from sale of tender documents, staff identity cards and gains / losses on foreign exchange on payments. Document Processing Fees has been reclassified as Exchequer Revenue hence no commission earned in 2019/2020.

5. ADMINISTRATIVE COSTS**a. Staff and Employee Costs**

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Salaries & Allowances	16,252,779	14,436,881
Medical Expenses	1,079,623	990,133
Provision for Staff Leave	(150,064)	104,925
Provision for Staff Contract Gratuity	75,705	246,283
	17,258,043	15,778,222

Other Administrative Costs

		(Restated)
	Kshs '000	Kshs '000
Travelling & Accommodation	578,358	560,735
Utilities	531,503	443,978
Staff Welfare	78,359	57,662
Printing & Stationery	65,929	78,329
Consultancy	252,273	246,452
Computer Expenses	681,504	777,565
Training	99,984	99,301
Office Running Expenses	346,166	344,622
Insurances	180,309	67,118
Board Expenses	25,183	40,600
Conference Expenses	157,614	190,617
Security Expenses	507,635	512,114
Enforcement Expenses	99,727	86,089
Depreciation Charge	916,636	833,805
Amortisation of Intangible Assets	944,858	131,258
	5,466,039	4,470,243
TOTAL ADMINISTRATIVE COSTS	22,724,082	20,248,465

The increase in utilities is attributable to increased data line connectivity to new stations and upgrade of capacity of the existing networks.

The increase in insurance cost relates to Group Accident and Last Expense Insurance Cover borne by the Authority previously borne by the staff pensions scheme.

The increase in security expenses is attributable to opening of new stations and lease of additional security equipment.

The increase in depreciation and amortisation is attributable to additional assets and software transferred from Work In Progress after completion.

The decrease in provision for leave is attributable to increased utilisation of leave days by staff.

i. Board Expenses

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Directors' fees	7,833	7,686
Sitting Allowances	12,012	15,077
Accommodation & Travel Expenses	5,338	17,837
	25,183	40,600

6. OPERATING EXPENSES

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Rent & Rates	780,601	766,810
Taxpayer Education	93,516	62,156
Motor Running Expenses	264,168	213,759
Advertising & Public Relations	123,042	129,712
Secretarial Expenses	13,164	2,648
Tax Appeals Tribunal (TAT) Expenses	54,804	5,028
Uniforms & laundry	3,146	3,565
Provision for Doubtful Debt	73,232	-
Bank Charges	36,326	45,937
Laboratory Expenses	1,506	3,330
	1,443,506	1,232,944

The doubtful debt relates to rent due for the Wilson Airport and Forodha house properties whose collectability is uncertain due to disputes.

The increase in Tax Appeals Tribunal expenses is attributable to increased number of sittings following the constitution of the membership to the tribunal in the Financial Year 2019/2020.

7. MAINTENANCE EXPENSES

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Building Repairs & Maintenance	147,390	74,568
Scanner Maintenance	230,188	173,911
Motor Boat Expenses	17,131	10,157
	394,709	258,636

Building repairs and maintenances includes repair of Forodha House Kisumu, Fit Out of new offices in Kisumu, renovation of KESRA flats in Mombasa and installation of LED lighting in various offices.

(a) Scanner expenses

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Annual Maintenance Contract	212,842	148,389
Routine Maintenance and Other Expenses	17,347	25,522
	230,188	173,911

The increase in annual maintenance costs for scanner is attributable to the 10 additional CT baggage scanners deployed for use. There was one (1) scanner decommissioned in the period.

8. PROPERTY, PLANT AND EQUIPMENT.

(i)

	<i>Land</i>			<i>Office</i>				
	<i>Building</i>	<i>Plant & Machinery</i>	<i>Motor Vehicle</i>	<i>Equipments & Furniture</i>	<i>Computers</i>	<i>Motor BOATS</i>	<i>WIP</i>	<i>TOTAL</i>
	<i>KSHS'000'</i>		<i>KSHS'000'</i>	<i>KSHS'000'</i>	<i>KSHS'000'</i>	<i>KSHS'000'</i>	<i>KSHS'000'</i>	<i>KSHS'000'</i>
Valuation								
1 July 2019	20,211,767	2,898,655	702,340	579,573	574,814	386,353	8,363,734	33,717,237
Additions	-	-	261,991	143,520	404,479	2,785	517,561	1,330,336
Transfer Of WIP	-	-	-	-	-	-	(53,720)	(53,720)
Disposal	-	-	(2,133)	-	-	-	-	(2,133)
30 June 2020	20,211,767	2,898,655	962,198	723,094	979,292	389,138	8,827,575	34,991,719
Depreciation								
1 July 2019	1,393,121	538,543	257,547	146,297	394,299	218,195	-	2,948,001
Charge For The Year	151,524	328,811	116,297	80,318	222,575	17,112	-	916,636
Dep. On Reval	247,571	20,153	49,423	(7)	-	25,198	-	342,337
Disposal	-	-	(1,384)	-	-	-	-	(1,384)
30 June 2020	1,792,215	887,507	421,882	226,607	616,874	260,505	-	4,205,590
Net Book Values:								
30 June 2020	18,419,552	2,011,148	540,316	496,486	362,419	128,633	8,827,575	30,786,129

(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.

The disposal in the Financial Year relates to write off of one vehicle due to an accident.

(iii) Capital Work In Progress

	<i>2019/2020</i>	<i>2018/2019</i>
		<i>(Restated)</i>
	<i>Kshs '000</i>	<i>Kshs '000</i>
One Stop Border Posts	3,877,052	3,877,052
New Fire Detection System	64,938	59,902
Renovation of JKIA Offices	15,964	13,952
Datawarehouse and Business Intelligence	501,925	500,024
Biometric Security System (Times Towers)	184,588	159,827
New Data Centre (CBC)	1,577,921	1,346,398
Corporate Business Centre Fit Out	781,579	768,353
CBM Rehabilitation of Border Stations	230,825	203,250
Integrated Customs Management System	536,103	522,064
Payment Gateway	26,803	26,803
Scanner Networking & Command Centre	237,873	237,873
IP Telephony System	5,165	5,165
Replacement of Lifts (Times Towers)	203,904	184,494
Disaster Recovery Management System	12,448	12,448
TIMS Implementation	117,613	42,566
ICT Security Tools	89,163	67,411
Customer Service Centre Fit Out (Banking Hall)	39,562	21,137
Fortis Building Fit Out	296,539	291,838
Rehabilitation of Lamu Office	16,197	16,197
eBoard System	6,980	6,980
ITMS Tools	4,436	-
TOTAL	8,827,575	8,363,735

9. INTANGIBLE ASSETS

	<i>2019/2020</i>	<i>2018/2019</i>
		<i>Restated)</i>
	<i>Kshs '000</i>	<i>Kshs '000</i>
<i>COST</i>		
1 July	3,240,632	358,481
Transfer from WIP	53,720	2,882,151
30 June	3,294,352	3,240,632
<i>AMORTISATION</i>		
1 July	485,483	354,225
for the year	944,858	131,258
30 June	1,430,341	485,483
<i>NET BOOK VALUE</i>		
30 June	1,864,011	2,755,149

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 Kshs. 406,764,594. Additions for the year include iTax, iSupport and Electronic Cargo Tracking Systems.

10. RECEIVABLES

		2019/2020	2018/2019
			(Restated)
		Kshs '000	Kshs '000
Trade Debtors			
Other Agency debtors		82,463	90,292
Rent Receivable		77,322	76,358
Less: Provision for Doubtful Debt		(73,232)	-
Interest Receivable		25,718	22,459
		112,271	189,108
Other Debtors			
Staff Debtors		111,892	163,202
Prepayments		169,975	12,727
Other Debtors		44,433	37,063
		326,300	212,992
Debtors Total		438,571	402,100

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. The provision doubtful debt relates to rent receivables from Wilson Airport and Forodha house premises whose collectability is uncertain.

11. AMOUNT DUE FROM TREASURY

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
1 July	3,015,678	1,295,877
Accrued in the year	20,807,351	18,980,104
Amount received in the year	(20,458,983)	(17,260,303)
30 June	3,364,046	3,015,678

The amount represents outstanding agency commission for June 2019 and additional funding and salaries for seconded staff. The amounts were received in July, 2020.

12. SECURITY DEPOSITS

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Savings & Loan (k) Ltd	1,709,464	1,670,782
Housing Finance	664,647	631,556
National Bank of Kenya Ltd	166,841	165,472
Higher Educations Loans Board (HELB)	25,000	20,000
	2,565,951	2,487,810

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

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Cash in Hand	1,635	1,392
Cash at Bank	1,044,023	2,501,320
Fixed Deposits	4,463,266	3,910,068
Government Treasury Bills	-	1,378,975
	5,508,924	7,791,756

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 2020. 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

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
Station		
Nairobi	506	500
Mombasa	200	200
Machakos	-	16
Thika	79	4
Nyeri	17	7
Kisumu	200	200
Namanga	50	50

		2019/2020	2018/2019
			(Restated)
		Kshs '000	Kshs '000
Station			
Nakuru		25	78
Eldoret		153	110
Embu		42	42
Garissa		40	40
Loitokitok		100	-
KESRA NBI		159	135
JKIA		61	9
Meru		3	-
		1,635	1,392

The analysis of Cash at Bank is as below;

Cash at Bank

			2019/2020	2018/2019
				(Restated)
Station	Account No	Bank	Kshs '000	Kshs '000
Nairobi Main Account	01023015000000	National Bank of Kenya	580,643	1,502,561
Nairobi Dollar Account	00202301500800	National Bank of Kenya	20,794	46,303
Excise Stamps Account	01023121375100	National Bank of Kenya	370,180	862,523
KRA East African Regional Transport Account	01020014867900	National Bank of Kenya	25,660	33,313
Kenya School of Revenue Administration Account - Nairobi	01023015000900	National Bank of Kenya	25,419	35,548
Kenya School of Revenue Administration Dollar Account	02020015000900	National Bank of Kenya	7,546	8,346
Kenya School of Revenue Administration Account - Mombasa	01071015000900	National Bank of Kenya	1,995	1,555
Mombasa Account	0100157035200	National Bank of Kenya	3,736	5,806
Nyeri Account	01001043153000	National Bank of Kenya	1,246	1,174
Kisumu Account	01023024672900	National Bank of Kenya	119	1,690
Nakuru Account	01001020365300	National Bank of Kenya	2,056	923
Eldoret Account	01023028526700	National Bank of Kenya	2,078	1,165
Embu Account	01023068681400	National Bank of Kenya	1,618	37
Thika Account	01023076219300	National Bank of Kenya	149	41
JKIA Account	01003058936400	National Bank of Kenya	35	163
Machakos Account	01023078537500	National Bank of Kenya	338	101
Garissa Account	01001079045300	National Bank of Kenya	276	65
Namanga Account	1112179674	Kenya Commercial Bank	78	7
Meru Account	01023040511600	National Bank of Kenya	59	-
			1,044,023	2,501,320

Fixed Deposits

		2019/2020	2018/2019
		Kshs '000	Kshs '000
National Bank of Kenya		2,200,000	400,000
Cooperative Bank of Kenya		700,000	1,667,265
Kenya Commercial Bank		1,190,349	1,511,125
KESRA - National Bank of Kenya		372,917	331,678
		4,463,266	3,910,068

Included in the National Bank of Kenya deposits is Kshs. 1,600 Million on call for settlement of creditors and bills, which were under process.
Included in Kenya Commercial Bank deposits is Kshs. 486 Million for Contract staff Gratuity payments.

Government Treasury Bills

		2019/2020	2018/2019
		Kshs '000	Kshs '000
91 Day Treasury Bills		-	1,378,975
		-	1,378,975
			2019/2020
	Note		Kshs '000
Total Cash Deposits			5,581,381
Represented by:			
Ongoing Procurements / Commitments	21		4,329,940
Creditors and Accruals	15		2,160,208
Designated Funds	(i)		2,434,916
			8,925,064

(i) Designated Funds include;

		Kshs '000
Excise Stamps Funds		725,868
KESRA Funds		493,753
Contract Gratuity Funds		499,165
Legal Fees Fund		261,044
Other Funds		455,086
		2,434,916

There were other outstanding disbursement from the National Treasury of Kshs. 3,356 Million which forms part of the procurement commitments.

14. STOCKS

		2019/2020		2018/2019
				(Restated)
		Kshs '000		Kshs '000
General Stationery		72,867		57,567
Printed Stores Inventory		6,661		4,330
Computer Consumable Inventory		804,950		16,352
Miscellaneous Stores Inventory		12,845		7,834
		897,324		86,083

The Authority adopted a policy of recognising consumable stocks held for operations as current assets. The increase in computer consumables inventory is attributed to restocking of Electronic Seals and GPRS SIMS for electronic cargo tracking system.

15. PAYABLES

		2019/2020		2018/2019
				(Restated)
		Kshs '000		Kshs '000
Trade Creditors and Accounts Payable		1,617,533		2,452,577
Payroll Deduction and Staff Creditors		97,012		61,760
Taxes		82,049		90,519
		1,796,594		2,604,856

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 Kshs. 726 Million (analysed below) from sale of Excise Stamps for payment to the suppliers of the Stamps.

Excise Stamps Fund Account

		2019/2020		2018/2019
				(Restated)
		Kshs '000		Kshs '000
Balance B/F		1,196,964		523,310
Total Receipts		2,738,998		2,299,487
Total Payments		3,210,000		1,625,833
Balance C/F		725,962		1,196,964

16. LEAVE PAY, CONTRACT GRATUITY & STAFF PROVISIONS

		2019/2020		2018/2019
				(Restated)
		Kshs '000		Kshs '000
Provision for staff leave		1,142,931		1,292,995
Provision for Gratuity		449,165		469,964
Provision for Staff on Suspension		415,815		401,831
Provision for Severance Pay		96,505		-
		2,104,416		2,164,790

Leave pay provision is in respect of leave days earned by staff members but not taken as at 30th June 2020. Contract gratuity provision is in respect of gratuity accrued for staff on contract terms for the period to 30th June 2020. 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

		2019/2020		2018/2019
				(Restated)
		Kshs '000		Kshs '000
1 July		6,724		7,324
Paid		(19)		(600)
30 June		6,705		6,724

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

		2019/2020		2018/2019
				(Restated)
		Kshs '000		Kshs '000
1 July		575,994		36,784
Funds Received		1,108		550,000
Expenses		(308,048)		(10,790)
30 June		269,054		575,994

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

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
1 July	17,935,410	17,309,410
Contribution in the Year		
ERP system for Support Services	30,000	120,000
Cordinated Border Management Project	200,000	200,000
Data Centre	301,500	206,000
Customer Relationship Management System	75,000	100,000
	606,500	626,000
30th June	18,541,910	17,935,410

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, Kshs. 1,368 Million (2018 Kshs. 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, Kshs. 15.984 Billion while the present value of past service liabilities at that date was Kshs 14.817 Billion. The scheme prepares its own Financial Statements in accordance with the Retirement Benefits Authority (RBA) rules.

21. CAPITAL COMMITMENTS

	2019/2020	2018/2019
	Kshs '000	Kshs '000
Approved and contracted	824,182	531,097
Approved and not contracted	2,039,993	2,684,615
	2,864,175	3,215,712

22. RECURRENT COMMITMENTS

	2019/2020	2018/2019
	Kshs '000	Kshs '000
30 June	1,465,765	2,057,026

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

23. EMPLOYEES

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

	June 2020	June 2019
Executive Contract Staff	147	132
Permanent & Pensionable	4,359	4,399
Fixed Term Contract Staff	3,390	3,354
	7,896	7,885

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

	2019/2020	2018/2019
		(Restated)
	Kshs '000	Kshs '000
At 1 July	3,255,244	3,590,706
Amortisation	(836,294)	(335,463)
At 30 June	2,418,950	3,255,244
Grant income to be amortised within one year	836,294	836,294
At the end of the period	1,582,656	2,418,950

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. The donation are analysed below.

Donor Funded Projects							
FY	Asset Description	Donor	Amount	Charge - 2019/2020	Charge B/F	Accumulated Charge As At 30th June 2020	Balance As At 30th June 2020
2008/2009	Motor Boats	World Bank	131,765	-	121,752	131,765	-
2009/2010	Motor Boats	World Bank	-	-	10,013	-	-

<i>Donor Funded Projects</i>							
<i>FY</i>	<i>Asset Description</i>	<i>Donor</i>	<i>Amount</i>	<i>Charge - 2019/2020</i>	<i>Charge B/F</i>	<i>Accumulated Charge As At 30th June 2020</i>	<i>Balance As At 30th June 2020</i>
2009/2010	Scanner	World Bank	141,222	-	141,222	141,222	-
2010/2011	Local Area Network System	World Bank	8,915	-	8,915	8,915	-
2011/2012	Power back Up - Times Towers	World Bank	135,146	1,554	133,592	135,146	-
2011/2012	Motor Vehicle/ Audit Software / Server and Computers	World Bank	76,791	-	76,791	76,791	-
2012/2013	Gas Chromatograph Mass Spectrometer System	World Bank	21,895	2,736	19,159	21,895	-
2013/2014	High Speed Server	World Bank	193,293	-	193,293	193,293	-
2015/2016	3 Scanners	China Gvt	1,224,773	153,097	459,290	612,387	612,387
2016/2017	Motor Vehicles	JICA	27,955	5,032	15,095	20,127	7,828
2017/2018	10 CT Baggage Scanner s	China Gvt	1,175,008	146,876	293,752	440,628	734,380
2018/2019	Data warehouse and Business Intelligence	SIDA & DANIDA	486,048	162,016	-	162,016	324,032
2018/2019	New Data Centre (CBC)	TMEA & GOK	573,011	191,004	-	191,004	382,007
2018/2019	Integrated Customs Management System	TMEA	498,984	166,328	-	166,328	332,656
2018/2019	EARTTF Funding (Training)	World Bank	44,150	7,653	10,838	18,490	25,660
			4,738,947	836,294	1,483,712	2,320,007	2,418,950
	Current Portion of Deferred Income						836,294
	Non Current Portion of Deferred Income						1,582,656

25. PRIOR PERIOD ADJUSTMENT

The prior year adjustments relate to post audit adjustments for the Financial Period 2018/2019 and in compliance with IPSAS 3 sub section 48-54. The adjustments were;

<i>A. Debtors & Receivables:</i>	<i>Kshs. 000</i>
As previously reported	410,019
Restatements:	
Reversal of Expenses misposted to Debtors	(7,919)
	(7,919)
As restated	402,100
<i>B. Property, Plant & Equipment</i>	
As previously reported	30,785,938
Restatements:	
Adjustment of Expenses misposted to Work In Progress	(16,702)
	(16,702)
As restated	30,769,236

The misposted expenses related to local accommodation expenses that incurred under the World Bank project and erroneously posted to Work In Progress.

C. Cash and Bank;

As previously reported	7,791,963
Restatements:	
Recognition of bank charges expenses omitted	2
Recognition of expenses not posted in Cash Book	(209)
	(207)
As restated	7,791,756
<i>D. Creditors & Payables</i>	
As previously reported	2,476,130
Restatements:	
Accrual of Administration Police Expenses	128,780
Correction of misposted expenses	(54)
	128,726
As restated	2,604,856

The adjustment of Kshs. 128,780,500 is an accrual of guarding services expenses incurred in Kenya Revenue Authority offices in previous years.

E. Deferred Grant Income

As previously reported	2,941,437
Restatements:	
Accrual of deferred Income	(18,490)
Reversal of Mispostings	(3,165)
Deferred Income for additional assets	(500,831)
	(522,486)
As restated	2,418,951

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

Statement of Financial Position

		2018/2019 (Restated) Kshs '000	Adjustments	2018/2019 (Previously Reported as) Kshs '000
	Note			
Assets				
Current Assets				
Cash and Bank Balances	13	7,791,756	- 207	7,791,963
Stocks	14	86,083		86,083
Receivables	10	402,100	- 7,919	410,019
		8,279,939		8,288,065
Non-Current Assets				
Property, Plant & Equipment	8	30,769,236	- 16,702	30,785,938
Intangible Assets	9	2,755,149		2,755,149
Amount due from Treasury	11	3,015,678		3,015,678
Security Deposits	12	2,487,810		2,487,810
		39,027,873		39,044,575
Total Assets		47,307,812		47,332,640
Liabilities				
Current Liabilities				
Payables	15	2,604,856	128,726	2,476,130
Leave Pay and Gratuity Provision	16	2,164,790		2,164,790
Deferred Income Amortisation	24	836,294	511,659	324,635
		5,605,940		4,965,555
Non Current Liabilities				
Contribution to Government Pension Fund	17	6,724		6,724
Designated Fund	18	575,994		575,994
		582,718		582,718
Total Liabilities		6,188,658		5,548,273
Net Assets		41,119,154		41,784,367
Capital grants by the Treasury	19	17,935,410		17,935,410
Deferred Grants Income	24	2,418,951	- 522,486	2,941,437
Accumulated Fund		3,525,882	- 142,727	3,668,609
Revaluation Reserve		17,238,911		17,238,911
		41,119,154		41,784,367
Total Net Assets and Liabilities		47,307,812		47,332,640

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;

- The National Treasury
- Key Management
- 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

	2019/2020 Kshs '000	2018/2019 Kshs '000
Capital Grants	606,500	626,000
Agency Income	20,807,852	15,164,747
Revenue Enhancement Initiatives Funding	-	3,140,000
Designated Fund (Legal Fees)	-	550,000
	21,414,352	18,930,747

ii) Key management compensation

	2019/2020 Kshs '000	2018/2019 Kshs '000
Salaries and other short - term employment benefits	129,582	96,188
	129,582	96,188

iii) Directors' remuneration

	2019/2020	2018/2019
	Kshs '000	Kshs '000
Fees and other Emoluments (note 5)	25,183	40,600
	25,183	40,600

(b) Balances

Due (to)/from related parties

	2019/2020	2018/2019
	Kshs '000	Kshs '000
Amount due from Treasury (note 11)	3,364,046	3,015,678
Contribution to Government pension fund (note 16)	(6,705)	(6,724)
	3,357,341	3,008,954

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	Past Due	Impaired
	Kshs 000	Kshs 000	Kshs 000
<i>At 30 June 2020</i>			
Receivables	438,571	-	-
Security Deposits	2,565,951	-	-
Bank Balances	5,508,924	-	-
<i>At 30 June 2019</i>			
Receivables	402,100	-	-
Security Deposits	2,487,810	-	-
Bank Balances	7,791,756	-	-

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
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<i>At 30 June 2020</i>				
Trade payables	100,017	1,696,577	-	1,796,594
Provisions	-	-	2,104,416	2,104,416
Contribution to Govt. Pension Fund	-	-	6,705	6,705
Total	100,017	1,696,577	2,111,121	3,907,715
<i>At 30 June 2019</i>				
Trade payables	320,284	2,284,572	-	2,478,109
Provisions	-	-	2,164,790	2,164,790
Contribution to Govt. Pension Fund	-	-	6,724	6,724
Total	320,784	2,284,572	2,171,514	4,776,870

(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:

		2019/2020	2018/2019
		Kshs '000	Kshs '000
KRA US Dollar Account (NBK)		20,794	46,303
KESRA US Dollar Account (NBK)		7,546	8,345
		28,340	54,648
Liabilities / Payables		68	200
Net Foreign currency liability		28,272	54,448

(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 Kshs. 223,163,000 (2019: Kshs. 195,503,000).

(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 Kshs. 2 million included in utility deposits representing a bank guarantee to Kenya Power and Lighting for Times Tower power supply.
- An amount of Kshs 1,297,759 representing a guarantee to Telkom Kenya Limited for supply of telephone facilities in the Times Tower building.
- Pending cases arising from Revenue and staff related matters. 39 undetermined cases have a specified claim amounting to Kshs 2,079 million while 14 cases have no specified quantum and will be determined by the Court after hearing. 5 cases amounting to Kshs 693 million have been concluded against the Authority and the National Treasury has been engaged to provide funds for settling the awards as they materialize.

No.	Nature of case	Cases	
		Number	Amount (Kshs. 000)
1	Concluded	5	693,852
2	Ongoing	39	2,079,402
3	Un-quantified	14	-
	Sub-total	58	2,773,254
3	Outstanding Fee Notes	17	331,412
	Total	87	3,104,666

29. COMPARATIVES

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

APPENDIX II: INTER-ENTITY TRANSFERS

KENYA REVENUE AUTHORITY			
Break down of Transfers from the National Treasury			
Disbursement Month	Bank Statement Date	Amount (Kshs 000)	Financial Period Funds Relate to
July	10.07.2019	2,896,939	2018/2019
August	21.08.2019	3,601,222	2019/2020
September	02.09.2019	600,611	2019/2020
October	-	-	-
November	15.11.2019	1,400,611	2019/2020
December	09.12.2019	1,400,611	2019/2020
December	16.12.2019	1,400,611	2019/2020
January	28.01.2020	1,733,944	2019/2020
February	-	-	-
March	-	-	-
April	23.04.2020	933,944	2019/2020
May	14.05.2020	800,000	2019/2020
May	19.05.2020	400,000	2019/2020

KENYA REVENUE AUTHORITY			
<i>Break down of Transfers from the National Treasury</i>			
<i>Disbursement Month</i>	<i>Bank Statement Date</i>	<i>Amount (Kshs.000)</i>	<i>Financial Period Funds Relate to</i>
May	22.05.2020	1,266,944	2019/2020
June	08.06.2020	1,556,278	2019/2020
June	19.06.2020	756,278	2019/2020
June	26.06.2020	1,600,000	2019/2020
Total		20,347,993	

Development Grants

	<i>Bank Statement Date</i>	<i>Amount (Kshs.000)</i>	<i>Financial Period Funds Relate to</i>
July	19.11.2019	156,500	2018/2019
October	07.10.2019	225,000	2019/2020
March	18.03.2020	112,500	2019/2020
April	23.04.2020	112,500	2019/2020
Total		606,500	
GRAND TOTAL		20,954,493	

As at 30th June 2020, there was an outstanding disbursement for FY 2019/2020 of

Kshs. 3,356 Million which was disbursed in July, 2020.

JOSEPHAT OMONDI
Head of Finance

GITHII MBURU, CBS
Commissioner General

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

<i>Name of the MDA/Donor Transferring the funds</i>	<i>Date received</i>			<i>Where Recorded/recognized</i>				
	<i>as per bank statement</i>	<i>Nature: Recurrent/ Development</i>	<i>Total Amount – KES('000)</i>	<i>Statement of Financial Performance</i>	<i>Capital Fund</i>	<i>Total Transfers during the Year</i>	<i>Receivables</i>	<i>Total</i>
The National Treasury	Various Dates as per App. 2	Recurrent	20,347,993	20,347,993	-	20,347,993	3,356,278	23,704,271
The National Treasury	Various Dates as per App. 2	Development	606,500		606,500	606,500	-	606,500
Total			20,954,493	20,347,993	606,500	20,954,493	3,356,278	24,310,771

Kshs. 2,896 Million (Recurrent) and Kshs. 156 Million (Development) received in FY 2019/2020 were receivable in FY 2018/2019.