

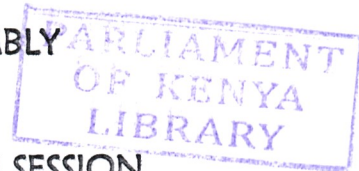
Paper tabled on
19/9/2012 at 2:30pm
by Hon. Sambo on
behalf of the Chair
Budget Committee

[Signature]

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY



TENTH PARLIAMENT-FOURTH SESSION

JOINT COMMITTEE OF THE BUDGET COMMITTEE AND
DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING AND TRADE

REPORT ON INACCURANCIES/INCONSISTENCIES IN
TREASURY TAX/REVENUE ACCOUNTS FOR 2007/2008

SEPTEMBER, 2012

VOLUME 1

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PREFACE

Mr. Speaker,

The joint Committee of Budget, Public Accounts Committee (PAC) and Finance, Planning & Trade on inaccuracies/inconsistencies in Treasury Tax/Revenue Accounts was constituted on *15th May 2012* following unsatisfactory Ministerial Statement issued by the Hon. Minister for Finance in relation to the receipts of revenue for the financial years 2007/2008 and 2008/2009. The Joint Committee was mandated to among other things: *understand exactly what revenue accounts are; analyse all forms of revenue collected by the government; determine whether proper books of accounts were kept and reconciled regarding the revenues collected within the period in question (2007/2008); find out if any, whether the taxpayers money was lost in the period in question (2007/2008); and understand how the revenue accounts are audited.*

The Members of the Joint Committee were:-

1. Hon. Elias P. Mbau, M.P Co- Chairman
2. Hon. Chrysanthus Okemo, M.P Co- Chairman
3. Hon. Martin Ogindo, M.P
4. Hon. John Mbadi, MP
5. Hon. Emilio Kathuri, M.P.
6. Hon. Mosses Lessonet, M.P

7. Hon. Danson Mungatana, M.P
8. Hon. Nelson Gaichuhie, M.P.
9. Hon. Sheikh Dor Yakub, M.P.
10. Hon. Omari Zonga, M.P.
11. Hon. Alfred Sambu, M.P.
12. Hon. Johnstone Muthama, M.P.
13. Hon. Abdul Bahari, M.P.
14. Hon. Nemesyus Warugongo, M.P.
15. Hon. (Dr.) Robert Monda, M.P.
16. Hon. Fred Kapondi, M.P.
17. Hon. Hussein Abdikadir, M.P.
18. Hon. David Koech, M.P.
19. Hon. James Rege, M.P.
20. Hon. Adan Keynan, M.P.
21. Hon. Mutava Musyimi, M.P.
22. Hon. David Were, M.P.
23. Hon. John Mututho, M.P
24. Hon. Jakoyo Midiwo, M.P
25. Hon. Sophia Noor, M.P
26. Hon. David Ngugi, M.P
27. Hon. Thomas Mwadeghu, M.P.
28. Hon. Ekwe Ethuro, M.P.
29. Hon. Njoroge Baiya, M.P.
30. Hon. Mithika Linturi, M.P.
31. Hon. Dr. Julius Kones, M.P
32. Hon. Jackson Kiptanui, M.P
33. Hon. Lucas Chepkitony, M.P

34. Hon. (Prof.) Philip Kaloki, M.P.
35. Hon. Jakoyo Midiwo, M.P.
36. Hon. Lucas Chepkitony, M.P.
37. Hon. Lankas ole Nkoidila, M.P.
38. Hon. Ahmed Shakeel, Shabbir, M.P.
39. Hon. Sammy Mwaita, M.P.
40. Hon. Musikari Kombo, M.P.
41. Hon. Lenny Kivuti, M.P.
42. Hon. Ntoitha M'ithiaru, M.P.

However, Mr. Speaker Sir, the position of PAC with regards to inclusion as part of the joint committee was that, having met with various stakeholders concerned with the issue before the committee and having made a report on the same which was submitted to parliament and approved, they will not participate in the joint exercise as a committee. This was to give room to the other committees in the joint committee to also make an independent view on the matter.

Mr. Speaker,

The Constitution of Kenya, 2010 Section 206 provides for a Consolidated Fund into which all money received or raised on behalf of the national government shall be paid into. Revenue received by the government forms part of the fund and is paid into the Exchequer Account held at the Central Bank of Kenya. The law provides that the Minister for Finance is responsible for the management of the consolidated fund while the Treasury is responsible for preparation and submission of accounts for each financial year under the Public Audit Act, 2003 for audit by the Auditor-General.

Mr. Speaker,

Collection and accounting for government revenue has not received much attention and oversight by Parliament. The oversight focus of the August House has been more on expenditures by the government and less on revenue. The Constitution of Kenya, 2010, however places revenue raised by the national government at the heart of devolution. It provides that equitable share of revenue raised by the national government shall be shared between national and county governments based on most recent audited accounts of revenue as approved by the National Assembly. This requires that the figures of revenue presented to Parliament by the Auditor- General and Minister for Finance should be the same and accurate.

Mr. Speaker,

Summarized in this report are excerpts of evidence adduced by various senior government officials involved in revenue collection and accounting and individuals from civil society organizations, synthesis of their submissions, and recommendations of the committee.

Key among the matters that the Committee sought to investigate and establish were:-

- (i) Whether revenue collected by the government from various sources were properly received and banked as required by law.
- (ii) To determine whether proper books of accounts were kept and reconciled regarding the revenues collected within the period in question (2007/2008); and

- (iii) To find out if any, whether the taxpayers money was lost in the period in question (2007/2008);

Mr. Speaker,

This report also contains committee findings. In summary the committee found out that the Kenya Revenue Authority, Auditor- General and Treasury could not agree on the amount of money that the country collected as ordinary revenue in the financial year 2007/2008. While Kenya Revenue Authority which is the official collector of revenue in the country stated that it collected **Ksh.433 Billion** as ordinary revenue, Auditor- General and Treasury in their submission stated that the country collected **Ksh.419 Billion** as ordinary revenue. The committee also found out that revenue accounts were marred by incidences of un-captured receipts and posting errors in the revenue ledger accounts and unavailability of reconciliation statements at the time of audit conclusion. There was generally lack of commitments by the receiver of revenues to properly keep up to date books of accounts that reflects the true revenue position of the country.

Mr. Speaker,

In summary the joint committee confirmed that there were indeed inconsistencies/variances in the actual figures of revenues collected by the country as contained in the audit report of the auditor-general submitted to this House in May 2009 and the actual figures of revenue collected as contained in the 2009/2010 Estimates of Revenue Report submitted to this House in June 2009. Volume 1 of this report contains the main report of the committee while volume 2 contains the minutes of the proceedings, papers laid and other annexure.

Mr. Speaker, It is now our pleasure to present and commend this report for adoption by the House.

HON. ELIAS P. MBAU, M.P

CHAIRMAN, BUDGET COMMITTEE

DATE.....13/09/2012.....

SIGNED..........

HON. CHRYSANTHUS OKEMO, M.P

CHAIRMAN, FINANCE, PLANNING AND TRADE COMMITTEE

DATE..........

SIGNED.....13/9/2012.....

ACKNOWLEDGEMENT

Mr. Speaker, on behalf of the committee, we wish to sincerely thank you and the Presidium of the House for the enormous support accorded to the Committee during the period of this inquiry.

We also wish to thank the Office of the Clerk of National Assembly for facilitating the Committee to undertake this important assignment. The Committee extends its gratitude to the staff of Parliament, particularly the Parliamentary Budget Office (PBO) which provided the Committee with Secretariat services and assisted the Committee in compilation of this report.

The Committee is also grateful to various senior government officials and senior officers of Mars Group Kenya who appeared before the committee and made useful submissions which formed the basis of this report.

Lastly, we are thankful to our colleagues in the Committee for their commitment and dedication during the inquiry. Together, their input made the completion of this process a worthwhile venture.

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1.0 INTRODUCTION

1.1 Background

1. The Member of Parliament for Gwasi Constituency, the Hon. John Mbadi, sought a Ministerial Statement on the Tax Account at the Treasury on Thursday 21st April 2011. In particular, he wanted explanation made to the House on the following:-

- (i.) Whether our Tax Account, and especially the revenue rates are properly kept;
- (ii.) The number of revenue statements that were certified by the Controller and Auditor-General for the financial years 2007/2008 and 2008/2009;
- (iii.) The actual receipts of revenue for the financial years 2007/2008 and 2008/2009 in respect to various Budgetary Heads, including Mining, Profits and Dividends, Fines and Penalties, Other Charges, Taxes on Income, Profits and Capital Gains; Taxes on Goods and Services, Taxes on International Trade and Transactions, Other Taxes Not Classified; Property Income Interest Receivable, Property Income, Rents on Land, Sale of Goods and Services, Other Records not Classified; Repayment from Domestic Lending and On-lending, Tourism and Wildlife, and Trading Licences; and,
- (iv.) Whether the receipts of the revenue for the financial years 2007/2008 and 2008/2009, as declared to Parliament in the Estimates of Revenue, reflected the actual receipts into the Exchequer Account for the respective Revenue Heads for the same period.

2. On 15th March, 2012, the Speaker directed the Minister for Finance to issue a Ministerial Statement in relation to the receipts of revenue for the financial years 2007/2008 and 2008/2009 only as the accounts for the financial years 2008 and 2009 were already receiving attention by the Public Accounts Committee (PAC). This Ministerial statement was issued by the Hon. Minister for Finance on 15th May 2012.

3. In his response to the August House, the Hon. Minister noted the following:-
 - (i.) That revenue collection and accounting is a process, and that it involves various stakeholders. He observed that the process starts with the taxpayer who pays his or her taxes due directly to the tax collector or indirectly into the Kenya Revenue Authority (KRA) collection accounts in the banks appointed by the KRA. On receiving the tax revenue payments, the revenue collector remits the same to the appointed receiver of that revenue, who subsequently remits the same to the Exchequer Account.
 - (ii.) That KRA is the legally appointed collector of Income Tax, Customs Duty, Excise Duty and Value Added Tax (VAT). Collectors of other revenues, who largely include Ministry Departments, are appointed by respective receivers of revenue, who are in turn appointed by the Treasury.
 - (iii.) That the process of collecting and accounting for revenue involves parties who are independent hence maintaining their own separate sets of books of accounts. The revenue records maintained by these parties often show different revenue positions and, therefore, require

reconciliation – in some cases, on monthly basis and in other cases even on a daily basis.

- (iv.) That variances are usually explained by the timing differences when revenues are received and then ultimately remitted to the Exchequer. For instance, when a taxpayer pays his or her taxes through the KRA collection account in a bank, the KRA immediately recognises the receipts in their books but such receipts take time to be reflected in the receiver's account at the Central Bank of Kenya (CBK) and subsequently to the Exchequer Account.
- (v.) That for all revenues due to the Government – tax, non-tax and proceeds from borrowing – are paid into the Exchequer Account, which is properly kept and indeed audited on a daily basis by officers from the Office of the Controller and Auditor-General. As part of his or her legal mandate, the Auditor-General also keeps a mirror account of the Exchequer Account.
- (vi.) With regard to the question of the number of revenue statements for the financial year 2007/2008 that were certified by the Controller and Auditor-General, the confirmed that only three statements out of sixteen (16) revenue statements were certified. These were the Property Income Interest Received Account, the Dividends and Fines, Penalties and Forfeitures Account. For the financial year 2008/2009, all the 14 statements were qualified.
- (vii.) Noted that the Report of the Controller and Auditor-General for the financial year 2007/2008 provided specific reasons as to why each revenue statement was excluded from his certificate, and this was basically for accounting reasons.
- (viii.) Reminded the house that the Report of the Controller and Auditor-General for the financial year 2007/2008 has already been discussed

by the PAC, and the Committee had given specific recommendations on actions to be taken by the respective receivers of revenue.

(ix.) Regarding the question as to whether the receipts for the financial year 2007/2008, as declared to Parliament in the Estimates of Revenue, reflect the actual receipts into the Exchequer Account for the respective Heads and for the same period, He clarified that the actual receipts for that year, as reflected in the Printed Estimates of Revenue, were based on unaudited revenue returns because at the time of reporting to Parliament the accounts were in the process of being audited.

(x.) Reassured the House and the public at large that the Treasury remains fully committed to ensuring full accountability and optimal utilisation of all revenues collected and received by the Government of Kenya.

4. The Speaker, after lengthy debate by members noted that he finds reason or cause to give a direction because the amounts and the figures and the disparity is mind boggling while at the same time the response by the Hon. Minister for Finance was not satisfactory.

5. He directed that a joint Committee of the Budget, the PAC and the Departmental Committee on Finance, Trade and Planning led by the Budget Committee be formed to interrogate the matter with speed and report back to the House in a maximum of two weeks.

6. The Members, however requested the Chair to give the Joint Committee one month to complete its work since the Budget Committee was still engaged in the Budget Process for 2012/2013 financial year.

7. The chair agreed with request of the members and directed that the joint committee interrogate the matter and report to the House in one month's time.

1.2 Status of the National Revenue Accounts

8. The Public Audit Act, 2003 provides that for each financial year, each receiver of revenue shall prepare accounts in respect of the revenue which the receiver of revenue is appointed to handle and submit the accounts to the Controller and Auditor-General for audit. The accounts shall include the following:-

- (a) a statement of receipts into and issues from the exchequer account;
- (b) a summary of the following-
 - (i) The appropriation accounts prepared by accounting officers.
 - (ii) The statements, prepared by accounting officers, of the outstanding amounts in respect of loans issued by the government; and
 - (iii) The statements of receipts and disbursements prepared by the receivers of revenue
- (c) A statement of payments made out of issues from the exchequer account that are authorised under the Constitution or an Act other than an Act appropriating amounts for a financial year.
- (d) A statement of the amounts outstanding at the end of the year in respect of public debt; and
- (e) Such other statements as the National Assembly may require.

9. The Act further provides that for each financial year, each receiver of revenue shall prepare accounts in respect of the revenue of which the receiver of revenue is appointed to handle and submit the accounts to the Controller and Auditor-General. The accounts shall include the following:-

- (a) A statement of receipts and disbursements in such form as the Treasury may direct; and
- (b) A statement of arrears of revenue.

10. The Controller and Auditor General in his report on the Appropriation Accounts, other Public Accounts and the Accounts of the Funds of the Republic of Kenya for the year 2007/ 2008 stated that:-

“ 55. I am concerned by the lack of attention in the preparation of Statements of Revenue as indicated in the reports under each Revenue Head. Many Statements of Revenue reflect differences between figures reflected in the Statements and those reflected in the supporting documents. For example, most of the revenue is collected by Kenya Revenue Authority (KRA) but the Receiver of Revenue is the Financial Secretary. However, the Statements of Revenue received reflect receipts which materially differ from those reflected in KRA records. They also reflect payments to the Exchequer which differ with amounts reflected in the Exchequer records. Even amounts carried forward differ with those reflected in the relevant Statement of Assets and Liabilities. Such differences are not explained or reconciled and therefore cast doubts on the accuracy of the Statements of Revenue. As a result, many Statements of Revenue have been excluded from the general certificate. No explanation has been given for this”.

2.0. MATTERS BEFORE THE COMMITTEE

11. The Committee after wide deliberations and consultations on the matter resolved that the joint committee’s investigation will work towards achieving the following objectives;

- (i) To understand exactly what revenue accounts are;
- (ii) To analyse all forms of revenues collected by the government;
- (iii) To determine whether proper books of accounts were/are kept and reconciled regarding the revenues collected within the period in question (2007/2008);

- (iv) To find out if any, whether the taxpayers money was lost in the period in question (2007/2008); and
- (v) To understand how the revenue accounts are audited.

2.1 List of Witnesses

12. On diverse dates the committee held a total of...meetings with different witnesses including:-

- (i) Hon. John Mbadi, M.P
- (ii) The Public Accounts Committee (PAC)
- (iii) Kenya National Audit Office (Auditor –General)
- (iv) Kenya Revenue Authority (KRA)
- (v) Minister of Finance (Treasury)
- (vi) Mars Group Kenya

3.0 SUMMARY OF WITNESSES EVIDENCE

3.1 Evidence of Hon. John Mbadi, M.P

13. Appearing before the Committee on **7th June 2012** Hon. John Mbadi, M.P a friend of the Committee, made his submission.
14. In his submission, he started by thanking the Co-Chairmen for ensuring the Joint Committee meeting materializes and thanked the Committee for giving him an opportunity to make his submission to the Committee.
15. He took Members through the background of the matter where he reminded Members that on **21st April 2011** he sought a Ministerial statement from the Minister of Finance with regard to differences in revenues accounts in 2007/08 and 2008/09 Financial Year. This took twelve months for the Minister of Finance to respond to the issue and the answer from the Minister of Finance was unsatisfactory.

16. He informed members that since the 2008/09 revenue accounts were still under the scrutiny of PAC, the speaker ruled that the Joint Committee can only look at the 2007/08 revenue accounts. Therefore his submission only focused on the 2007/08 revenue accounts in line with the Speaker's ruling on the matter when constituting the committee.
17. In his submission he thanked Mars Group Kenya, a Civil Society Organization which did a detailed analysis of the 2007/08 and 2008/09 revenues accounts. The analysis report of Mars Group Kenya formed the basis for his asking for a Ministerial statement over the matter. He requested the Chairman to invite Mars Group Kenya to shade more light on this discrepancies since they are ready to appear before the Joint Committee.
18. He cited article 206 of the Constitution of Kenya, 2010 which requires that all money raised or received by or on behalf of the national government should be paid into the Consolidated Fund before being appropriated. Therefore all revenue collected by the government should be paid into the fund before any appropriation.
19. He informed the committee that the official receiver of the revenue collected is the Finance Secretary at Treasury while Kenya Revenue Authority (KRA) has the responsibility to collect revenue. Thus, all revenues are collected by KRA, banked in the exchequer account at CBK and records of the banking are kept by Central Bank of Kenya (CBK) and Finance secretary at Treasury. Afterwards, the Finance Secretary prepares a statement of revenue three months before the end of financial year to the Controller and Auditor General who in turns submits a report to Parliament. Parliament therefore has the responsibility to oversee the use of revenue collected.

20. It is expected that the amounts of revenue collected and reported to parliament should tally with the information captured in the audit report of the Controller and Auditor General, in the exchequer account from the Finance Secretary. The committee was however, informed that in 2007/08 Financial Year, the Controller and Auditor General was told, in a report confirmed by PS Treasury that Kshs.496 billion of ordinary revenue was collected but the estimates submitted to Parliament shows that the amount of revenue collected in 2007/08 Financial Year was Ksh. 397 billion.
21. The committee was told that the difference between the total revenue as contained in the auditor's report to Parliament and the Estimates of Revenue figures presented to Parliament by the Minister for Finance is Ksh. 98 billion and the questions raised is whether the Government operates two sets of accounts and what is the exact figure of revenue collected in 2007/08 Financial Year.
22. Members were also informed that with regard to Grants and Loans, the exchequer account shows that Ksh. 26.7 billion was realized whereas the report by the Controller and Auditor general to Parliament indicates that only Ksh. 20 Billion was realized hence an under reporting to Parliament of Ksh. 6.7 Billion.
23. The committee was also told that the figures of revenue collected ought to be the same in KRA records, Exchequer account records, ledger accounts records held by Finance secretary, revenue statement given to Controller and Auditor General and the report submitted to Parliament but that was not the case in 2007/08 Financial Year.

24. The committee was given an example of **Vote Head 11100000 (Taxes on Income, Profits and Capital Gains)** where Kenya Revenue Authority gave a figure of Ksh. 166 Billion, the Exchequer Account showed Ksh. 168 Billion, the report to Controller and Auditor general from Finance secretary recorded Ksh. 172 Billion and what was declared to Parliament was Ksh. 165 Billion.
25. The committee was informed that out of the 14 revenue account statements only three were certified and eleven qualified, meaning they did not meet the audit standard hence had audit queries that Treasury was expected to answer.
26. The committee wanted to know whether the discrepancies could be due to timing difference and unaudited accounts as stated by the Minister of Finance. However, they were informed that the matter of timing does not arise since Government accounting system is a cash system meaning that what is got is what is reported. Members were also informed that Parliament is supposed to be given actual figures and not estimated figures.
27. He informed the committee that revenue estimates as contained in the Estimates of Revenue of Government of Kenya report presented to Parliament by the Minister for Finance in June every year cannot be revised by Kenya Revenue Authority or Treasury without approval of Parliament since it is only Parliament which can allow such revisions. However, the original revenue estimates as contained in the Exchequer Account submitted to Auditor-General for audit is not the same as the original revenue estimates as was passed by parliament. This means that KRA and Treasury revise these targets without parliamentary approval.

28. In his final submission to the committee, he expressed his fears that such discrepancies/ inconsistencies in figures could point at either poor book keeping by Treasury officials who are not taking their work seriously. The worst is that such discrepancies could lead to loss of money which in this case is running into Billions of Kenya Shillings. He urged the committee to thoroughly investigate the issue since revenue collected by the National Government and audited by the Auditor-General forms the basis of revenue division between national government and county governments as stipulated in section 203 (3) of the Constitution of Kenya, 2010.

3.2. Evidence of Mars Group

29. Appearing before the Committee on **Thursday 19th July 2012**, Mwalimu Mati, Chief Executive Officer, Mars Group and Jayne Mati, Managing Director Mars Group, on behalf of Mars Group Kenya, made a submission on the subject matter before the committee.

30. Their submission addressed three issues namely; *Revenue accounts failing audit; Reporting actual revenue receipts to the National Assembly; and Parliamentary Authority on Approved Estimates.*

31. Revenue Accounts Failing Audits

32. This is the first issue that the submission from Mars Group Kenya intended to address.

33. In their submission, the group noted that out of the revenue of Ksh. 516 Billion collected in the financial year 2007/08 on 16 revenue accounts, only a paltry Ksh. 3.4 Billion in 3 revenue accounts were certified by the Auditor General. The 3 certified accounts are:

Revenue Head	Revenue Account Name	Amount (Ksh.)
1410000	Property income – profits and Dividends	3,133,350,633.5
1430000	Fines, penalties and forfeitures	158,521,084
1140000	Taxes on goods and services – royalties	187,799,398
	Total	3,479,671,115.5

34. Analysis done by the group shows that almost all revenue accounts continue to fail audit tests annually. The amount of money involved in the various revenue statements that were not certified from the years 2007- 2010 is as follows:

- (i.) For the financial year 2007/08 a total of **Ksh. 498.9 Billion** comprising of Taxes on income, profits and capital gains – Ksh. 164.4 billion, Taxes on goods and services – Ksh. 220.5 billion, taxes on international trade and transactions – Ksh. 7 billion, other taxes not elsewhere classified – Ksh. 1.4 Billion, sale of goods and services – Ksh. 38.6 billion, rent of land – Ksh. 0.12 billion, property income – Ksh. 0.27 billion, statement of loan interest receipts – Ksh. 2.8 billion, other receipts not elsewhere classified – Ksh. 9.2 billion, repayments from domestic lending and on-lending – Ksh. 19.8 Billion and development revenue – Ksh. 34.8 billion were excluded by the Controller & Auditor General from audit certificate.
- (ii.) In the financial year 2008/09, a total of **Ksh. 215.1 Billion** was excluded from certification and it comprised of: taxes on income, profits and capital gains – Ksh. 88.6 billion, Taxes on goods and services – Ksh. 8.6

billion, taxes on international trade and transactions – Ksh. 1.7 billion, other taxes not elsewhere classified – Ksh. 0.16 billion, sale of goods and services – Ksh. 21.9 billion, rent of land – Ksh. 0.6 billion, property income – Ksh.7.3 billion, statement of loan interest receipts – Ksh. 28.6 billion, other receipts not elsewhere classified – Ksh. 9.9 billion, repayments from domestic lending and on-lending – Ksh. 24.8 billion and development revenue – Ksh. 23 billion and

- (iii.) In the financial year 2009/10, **Ksh. 239.3 Billion** was again not certified by the Auditor General. It was composed of taxes on income, profits and capital gains – Ksh. 105 billion, Taxes on goods and services – Ksh. 6.7 billion, taxes on international trade and transactions – Ksh. 1 billion, other taxes not elsewhere classified – Ksh. 0.5 billion, sale of goods and services – Ksh. 9.6 billion, property income – Ksh. 0.4 billion, social security contributions – Ksh. 1 billion, statement of loan interest receipts – Ksh. 31.7 billion, other receipts not elsewhere classified – Ksh. 3.2 billion, repayments from domestic lending and on-lending – Ksh. 13 billion and development revenue – Ksh. 67.6 billion

35. The group noted in their submission that in the Fiscal Year under investigation, a cumulative of 57 audit queries were raised by the Controller & Auditor General with respect to revenue accounts. However, Ministry of Finance (Treasury) in their submission to the committee on 12th July 2012 only addressed 18 audit queries leaving out 39 of the audit queries unanswered.

36. To emphasize their concern, the group quoted an extract from paragraph 55 of the audit report for the Public Accounts and the accounts of the funds of the Republic of Kenya for the year ended June, 2007 which state that
“...am concerned by lack of attention in the preparation of Statements of

Revenue as indicated in the reports under each Revenue Head. Many Statements of Revenue reflect differences between figures reflected in the Statements and those reflected in the supporting documents. For example, most of the revenue is collected by KRA but the Receiver of revenue is the Financial Secretary. However the statements of revenue received reflect receipts which materially differ from those reflected in KRA records. They also reflect payments to the Exchequer which differ with amounts reflected in the Exchequer records. Even amounts carried forward differ with those reflected in the relevant statements of assets and liabilities. Such differences are not explained or reconciled and therefore cast doubts on the accuracy of the Statements of Revenue. As a result, many statements of revenue have been excluded from the general certificate....”

37. The group used 5 examples to demonstrate why the Minister for Finance should account to Parliament for Revenue accounts failing the audit test. The following examples illustrate the groups concerns with reference to 2007/2008 Controller and Auditor General report on Government revenue accounts:

- (i) Records maintained at Kenya Revenue Authority differ from Statement of Revenue – specifically paragraph 72 of the report, on income, profits and capital gains, presents a difference of Ksh. 11 Billion, on taxes on goods and services, paragraph 79 show a difference of about Ksh. 3 Billion and paragraph 84, 0.887 Billion. Other taxes not elsewhere classified, paragraph 88 presents a difference of 51.6 Million. On rent of land, 11.4 Million and paragraph 115 on sale of goods and services has a difference of about 2 billion, all of which were not explained nor reconciled.

(ii) Payments to the Exchequer differ with accounts reflected in the Exchequer records. In paragraph 92 of the Audit report, the difference of Ksh. 200.8 Billion under the revenue Head property income, loan interest receipts from domestic and on-lending was not reconciled nor explained. The same recurs in paragraphs 35, 81, 86, 90, 97, and 105 of the FY 2007/2008 audit report.

(iii) Actual receipts differ with amounts reflected in the Ledger – it was brought to the attention of the Joint Committee that differences of about Ksh. 4.3 billion and Ksh. 2.1 billion in paragraphs 75 and 101 were also not reconciled nor explained and that the same is depicted in paragraphs 80, 85 and 93 of the FY 2007 audit report.

(iv) Amounts carried forward differ with those reflected in the relevant Statement of assets and liabilities – that a difference of about Ksh. 4.5 billion was not reconciled nor explained and the Mars Group Managing Director indicated to the Committee that the same trend is depicted in paragraphs 36, 81, 86, 90, 94, 98, 102 and 106 of the audit report.

(v) Arrears of revenue due unaccounted for – here, statements were not showing details of arrears of revenue due as at 30th April 2008 and as a result the Auditor General, in paragraph 78 of the report, was unable to confirm whether revenue totalling to about Ksh. 125.2 Billion under taxes on income, profits and capital gains was recovered.

38. The Managing Director of Mars Group pointed out to the Joint Committee that as the Members investigate the revenue inconsistencies, it would be prudent to bear in mind that the role of the Ministry of Finance according to the Government Financial Act, 2004 is such that the Minister is required by

law to manage the Consolidated Fund and be responsible for all matters relating to public financial affairs that are not assigned to any other Minister.

39. On the role of the Treasury, she highlighted that the Treasury is mandated by law to establish procedures and systems for proper and effective management of Government money and property; establish accounting procedures and systems from the Government to properly account for Government money and property; prepare and submit accounts for each financial year under the Public Audit Act, 2003 for audit by the Auditor General and also ensure that the accounts so prepared comply with the provisions of the law.

40. Additionally, the Committee was reminded that according to the Public Audit Act, 2003 the Treasury is required to prepare accounts showing fully, the financial position of the government at the end of the year and submit the accounts for auditing within three (3) months after the end of the financial year. The accounts have to include among other things, the statement of receipts and issue from the Exchequer. Also, that the Receiver of Revenue is required to prepare accounts in respect of revenue for which s/he is appointed, and submit the accounts for auditing and the accounts to be submitted are to include statement of receipts and disbursements and statement of arrears of revenue; all that within three (3) months after the end of the financial year. Ultimately, the Auditor General is required to examine the documents so submitted and audit the accounts and gives an opinion stating whether all information and explanations necessary for audit are received; proper records are maintained; the accounts are in agreement with the records and whether the accounts reflect the fair financial position of the government.

41. Reporting Actual Revenue Receipts to the National Assembly

42. This is the second issue that the submission from Mars Group Kenya intended to address.

43. On the issue of reporting of actual revenue receipts, the Group indicated to the Committee that it appears the Ministry of Finance has been keeping different sets of books for revenue collected and that it appears to be an intricate web of a possible cover up and deception as it continues to present different revenue figures to both the Auditor General and Parliament.

44. The group was shocked by the fact that in June, 2009; a month after receiving the Controller and Auditor General's signature on the Exchequer Account for the FY 2007/08, the Minister for Finance went ahead and presented a totally different actual revenue figures to Parliament.

45. For instance, that Ordinary Revenue was Ksh. 397.6 Billion while the Exchequer account records showed Ksh. 496 billion, a difference of Ksh. 98.5 billion of revenue under declaration to Parliament; total loans was Ksh. 26.7 Billion while the Exchequer records had Ksh. 20.1 Billion, a difference of Ksh. 6.6 Billion of revenue receipts overstated to Parliament; miscellaneous revenue was Ksh. 7.6 billion while the Exchequer account records had about Ksh. 16 billion, an understatement of Ksh. 8.6 Billion; net domestic borrowing by the Central Bank was presented as Ksh. -13.9 Billion while the Exchequer recorded **Ksh. 0.00**. This possibly indicates a net domestic borrowing that does not exist. Income tax from corporations was presented as Ksh. 79.1 Billion whereas the Exchequer record was showing Ksh. 86.7 billion, a difference of about Ksh. 7.6 Billion.

46. The group raised concern and wondered why this was the state of affairs and whether the under-declaring of revenue to Parliament was likely to create a gap where such revenue goes missing. This situation also create an avenue for revenue loss/ leakage since there are no agreed figures of revenue by different stakeholders involved in collection and accounting for revenue raised by the government.

47. Approved Revenue Estimates- Parliamentary Authority

48. This was the third issue that the submission from the group intended to address.

49. The group pointed out that the estimates of revenue as tabled in Parliament by the Minister for Finance which reflect the final revised estimates of revenue differs at every revenue line item from the estimates of revenue as captured by the then Controller and Auditor General at that time.

50. The group pointed out to the Committee that the Minister cannot alter the approved revised estimates of revenue as he did at that time, a situation they termed very serious and grave. For instance, using the final revenue figures of Ksh. 558 billion as approved by Parliament against original estimates of Ksh. 522.4 Billion as captured in the audit report for the FY 2007/08 gives an under-collection of about Ksh. 36 Billion. Using actual revenue of Ksh. 494.4 Billion as captured in the FY 2008/09 budget estimates on June 2009, it shows an under-collection of Ksh. 28 Billion and finally, using actual revenue of Ksh. 516 Billion in the Exchequer account as captured by the Auditor General, depicts an under-collection of about only Ksh. 6.3 billion.

51. The group expressed its concern on the fact that there appear to be many possible revenue positions in the same financial year and also that even the

Auditor General might as well not be able to reflect the actual revenue position of the government.

52. The group reminded the Committee that Kenyans expect answers from the Minister on how many revenue accounts failed the audit test and reasons for that; whether the actual revenue receipts as reported to Parliament faithfully reflect the actual receipts as captured by the then Controller and Auditor General in the Exchequer account and also, whether the revised estimates of revenue tabled in Parliament reflect the actual approval given by Parliament.
53. In addition, a detailed response need to be given from the Ministry of Finance on each of the 57 audit queries and a supporting memorandum as well as a certificate from the Auditor General clearing each of the issues according to the international accounting standards.
54. The group ended their submissions by presenting to the committee the following recommendations:
- (i.) That an independent forensic audit into the revenue accounts of the Government of Kenya for the FY's 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 be commissioned and conducted so as to determine the true revenue position of the Government.
 - (ii.) The immediate withdrawal of all falsified documents tabled in Parliament and a special resolution to re-submit for adoption of accurate ones.
 - (iii.) That the Committee recommend immediate retirement of the accounting officer in the ministry who are responsible for collection and accounting for failing in their work and misleading Parliament
 - (iv.) That the Committee recommends the implementation of the National Assembly resolution of the year 2009 that independent forensic audit be done by an independent body to look into past three years of the

National Budget including the Consolidated Fund Services to determine whether there might have been other inaccuracies or inconsistencies.

- (v.) The Committee recommends the involvement of the Controller of Budget as per the constitutional mandate.

3.3 Evidence of Kenya National Audit Office (Auditor-General)

55. Appearing before the Committee on 11th July 2012, Auditor-General, Kenya National Audit Office (KENAO) informed the committee that:-

- (i.) Most of revenue statements prepared by the Ministry of Finance were not accepted due to one or more of the following anomalies:-
- Variation between the Ministry of Finance and KRA revenue figures.
 - Variation between the revenue statements and Ministry's ledgers figures.
 - Statement of revenue balance not in agreement with exchequer record figures.
- (ii.) Out of the sixteen statements of revenue for 2007/08 audited by the Auditor's office only three were certified. The certified revenue statements were;

Revenue Head	Sub head	Description
1410000	1410200	Property income-profits and dividends
1430100		Fines and Forfeitures
160210		Forest and mining

- (iii.) Ten revenue statements prepared by the Ministry of Finance were not accepted due to various unexplained variations. This revenue statements are:-

Revenue Head	Sub Head	Description	Qualification Issue
1110000		Taxes of income, profits and capital gains	Unexplained difference of Ksh. 11,093,780,541.40 between the statements of actual receipts figure of Ksh. 177,246,750,110.40 and KRA figure of Ksh. 166,152,969,569.00
1140000		Taxes on Goods and services	Un-reconciled difference of Ksh. 3,725,958,227.30 between the statements actual receipts figure of Ksh. 177,251,211,178.30 and KRA figure of Ksh 173,525,253,051.00
1150000		Taxes on International trade and transactions	Un-reconciled difference of Ksh. 887,684,300.60 between the statements actual receipt of Ksh. 45,857,772,816.00 and KRA figure of Ksh. 44,970,088,516.00
1160000		Other taxes not elsewhere classified	Unexplained difference of Ksh. 51,679,317.30 between the Ministry actual receipts of Ksh. 4,584,430,435.30 and KRA figure of Ksh. 4,532,751,118.00
1140000	1410100	Loan interest receipts	Unexplained difference of Ksh. 200,762,900.85 between the statement of revenue payments to the Exchequer figure of Ksh. 371,254,013.70 and Treasury Exchequer figure of Ksh. 572,016,914.55
1410000	1410401	Property income-rent on land	Unexplained difference of Ksh. 118,363,222.40 between the statement actual receipts of Ksh. 1,375,378,571.00 and KRA figure of Ksh. 1,257,015,349.00
1450000		Other receipts not classified elsewhere	Unexplained difference of Ksh. 2,502,166,934.85 between the statement actual receipts of Ksh. 15,956,423,389.60 and Ksh. 13,904,256,454.75 reflected in the Ministry's ledger.
4510000		Repayments from domestic	Unexplained difference of Ksh. 236,131,179.90 between the

		lending and on lending	statement payments to the Exchequer figure of Ksh. 472,433,521.55 and the Exchequer records figure of Ksh. 708,564,701.45 Unexplained difference of Ksh. 61,740,522.10 between the statement actual receipts figure of Ksh. 472,433,521.55 and the Ministry's Ledger figure of Ksh. 410,692,999.45
1420000		Sales of goods and services	Unexplained difference of Ksh. 67,690,060.91 between the statement actual receipts of Ksh. 1,880,336,872.75 in respect of fees under traffic act and motor drivers licenses and the KRA figure of Ksh. 1,948,026,933.66 Unexplained difference of Ksh. 30,869,263.95 between the statement of actual receipts of Ksh. 1,880,336,872.75 and the figure of Ksh. 1,911,206,136.70 reflected in the Ministry Ledger.
Head DR 1		Statement of development revenue	Unexplained difference of Ksh. 73,908,047.75 between the statement payments to the Exchequer figure of Ksh. 20,003,323,148.00 and Treasury Exchequer records figure of Ksh. 20,077,231,195.75

56. Three statements of revenue prepared by other Ministries also had audit queries. This statements are;

Head	Description	Agency
170010	Tourist and Wildlife	Office of the President
210010	Trading licences	Office of the President
150360	Lands Revenue	Ministry of Lands

57. Reconciliations for these accounts were carried out and observed variations were explained as follows;

58. Taxes on Income, Profits and Capital Gains -Revenue Head 1110000

The difference of Ksh. 11,093,780,541.40 was made up of the following:-

Revenue Item	Amount as per Revenue Statement (Ksh.)	Amount as per KRA records (Ksh.)	Variance (Ksh.)
PAYE	81,680,929,230.20	86,140,240,109.00	(4,459,310,878.85)
OIT	86,695,983,472.40	80,012,729,460.00	6,683,254,012.40
LATF	8,869,837,407.80		8,869,837,407.80
TOTAL	177,246,750,110.40	166,152,969,569.00	11,093,780,541.40

(i.) Pay As You Earn (PAYE)

Reconciliation for the difference of Ksh. 4,459,310,878.85 is as follows;

	Amount (Ksh.)
Balance of per KRA records as at 30 June 2008	86,140,240
Add 2006/2007 collections transferred in July 2007	634,683,602.86
Less Cash in transit from other banks as at 30/06/08	(58,223,070.95)
Add Amount in Treasury not in CBK	652,776,568.15
Less amount in CBK not in treasury	1,352,712,947.00
Less LATF 5%	4,335,835,031.95
Balance as per revenue statement	81,630,929,230.00

(ii.) Other Income Tax (OIT)

The reconciliation difference of Ksh. 6,683,254,012.40 was reconciled as follows;

	Amount (Ksh.)
Balance as per KRA records	80,012,729,460.57
Add previous year provision	11,518,961,560.00
Less Cash in transit	(88,978,337.57)
Total Banking for 2007/2008	91,442,712,683.00
Add cash in transit 30.6.07	812,706,833.26
Add receipts in Treasury not in CBK	1,060,590,364.80

Less receipts in CBK not in Treasury	(1,581,256,199.72)
Cash in transit	(491,194,289.25)
5% LAFT	(4,547,575,919.69)
Amount as per revenue statement	86,695,983.472.40)

59. Taxes on Good and Services- Revenue Statement Head 1140000

The variation of Ksh. 3,725,958,227.30 according to the Auditor General Office was made up of the following items:

Revenue item	Amount as per revenue statement(Ksh.)	Amount as per KRA records(Ksh.)	Variance (Ksh.)
VAT local	61,586,108,468.70	57,373,875,358.00	4,212,233,110.70
VAT imports	53,807,634,460.85	53,634,410,526.00	173,223,934.85
Excise taxes	61,857,468,348.75	62,516,967,167.00	(659,498,818.25)
TOTAL	177,251,211,278.30	173,525,253,051.00	3,725,958,227.30

(i.) Value Added Tax (VAT) Local

This revenue item was reconciled as below;

	Amount (Ksh.)
Amount of as per KRA records	57,373,875,358.00
Add money provided by treasury for VAT refunds	12,169,000,000.00
Add collections reported separately-Telkom	4,446,648,474.15
Less cash in transit from collecting banks	(66,968,448.20)
Less receipts in CBK not in treasury	(13,563,422,245.64)
Add receipts in Treasury not in CBK	1,226,975,330.39
Amount as per revenue statement	61,586,108,468.70

(ii.) **Value Added Tax (VAT) Imports:-** VAT imports reconciliation was as below;

	Amount (Ksh.)
Amount as per KRA records	53,634,410,526.00
Add casting error	2,256,420.00
Less receipts in KRA cashbook not in bank	(332,990,555.15)
Add receipts in Bank not in KRA	351,987,072.00
CBK balance	53,655,663,462.85
Less receipts in CBK not in treasury	(1,408,866,831.00)
Add receipts in treasury not in CBK	1,560,837,829.00
Amount as per revenue statement	53,807,634,460.85

(iii.) **Excise Taxes:-** The reconciliation was done as follows

	Amount (Ksh.)
Amount as per KRA records	62,517,067,168.00
Add provisions for refund	2,400,000,000.00
Less receipts in Cashbook not in Bank	(951,976,935.96)
Add receipts in Bank not in cashbook	646,265,340.90
Less receipts in CBK not in treasury	(3,775,165,810.15)
Add receipts in treasury not in CBK	1,021,278,585.95
Amount as per revenue statement	61,857,468,348.75

60. Taxes on International Trade & Transactions -Revenue Head 1150000

The un-reconciled variation of Ksh. 887,684,300.60 was made up of the following variances;

Revenue Item	Amt as per Revenue Statement (Ksh.)	Amount as per KRA records (Ksh.)	Variance(Ksh.)
Customs Duty	32,944,348,580.05	32,539,472,977.00	404,875,603.05
Other Taxes	12,913,424,236.55	12,430,615,539.00	482,808,697.53
TOTAL	45,857,772,816.60	44,970,088,516.00	887,684,300.60

Reconciliation with respect to the above revenue items was prepared as below;

i) Custom Duty

	Amount (Ksh.)
Amount as per KRA records	32,539,472,977.00
Add money from treasury for refunds and exemptions	470,000,000.00
Less receipts in KRA not in bank	(314,637,097.00)
Add receipts in Bank not in KRA	507,028,495.45
Balance as per CBK	33,201,864,374.45
Less receipts in CBK not in treasury	(1,047,455,582.95)
Add receipts in Treasury not in CBK	789,939,787.55
Amount as per revenue statement	32,944,348,580.05

ii) Other Taxes

	Amount(Ksh.)
Balance as per KRA records	12,430,613,539.00
Less receipts in cashbook not in bank	(44,847,284.00)
Add receipts in bank not in cashbook	155,944,195.40
Bank balance	12,541,710,450.40
Less receipts in CBK not in treasury	(346,801,114.00)

Add receipts in treasury not in CBK	718,514,900.15
Amount as per revenue statement	12,913,424,236.55

61. Other Taxes (Not Elsewhere Classified)-Revenue Head 1160000

The reconciliation for the variation of Ksh. 51,676,317.30 was availed as follows;

iii) Stamp Duty

	Amount (Ksh.)
Amount as per KRA records	4,532,571,118.00
Add receipts in CBK not in treasury	119,376,816.00
Less receipts in treasury not in CBK	(67,697,498.70)
Balance as per Treasury	4,584,430,435.30

62. Property Income Interest Received -Revenue Statement Head 1410000-Sub Head 1410100

The difference of Ksh. 200,762,900.85 was attributed to receipts relating to 06/07 FY but posted to the exchequer records in 2007/08 FY as follows;

Date of receipts	Amount (Ksh.)
30/06/2007	4,628,514.20
30/06/2007	196,134,395
Total	200,762,909.85

63. Rent of Land - Revenue Statement Head 1410000-Sub Head1410401

The variation of Ksh. 118,363,222.40 was as a result to credits paid directly to the Exchequer by the Ministry of Lands.

64. Other Receipts Not Classified Elsewhere- Revenue Statement Head 1450000

The difference of Ksh. 2,502,166,934.85 was attributed to un-captured receipts in the ledger and was prepared to accept as follows:-

	Amount (Ksh.)
Actual receipts as per general ledger	13,904,256,454.75
Add receipts not captured in the ledger	2,052,166,934.25
Amount as per statement	15,956,423,389.00

The 2007/2008 FY was amended and the correct receipt figures reflected.

65. Repayments from Domestic Lending and On-Lending Revenue Statement Head 4510000

- a) The difference of Ksh. 236,131,179.90 represents receipts received on 30th June 2008 but captured in the Exchequer records in 2008/2009 Financial Year.
- b) The receipts of Ksh. 61,740,522.10 variation were captured in the amended 2007/2008 ledger.

66. Sales of Goods and Service - Revenue Statement head 1420000

- a) The unexplained difference of Ksh. 67,690,060.91 between the statement of actual receipts of Ksh. 1,880,336,872.75 in respect of fees under traffic act and the KRA figure of Ksh. 1,948,026,933.66 were captured in the amended 2007/2008 ledger.
- b) The unexplained difference of Ksh. 30,869,263.95 between the statement of actual receipts of Ksh. 1,880,336,872.75 and the figure of Ksh. 1,911,206,136.70 reflected in the Ministry's ledger was also captured in the amended 2007/2008 Ledger.

67. Statement of Development Revenue-Head DR 1

The difference of Ksh. 73,908,047.75 between the statement payments to Exchequer figure of Ksh. 20,003,323,148.00 and Treasury Exchequer records figure of Ksh. 20,077,231,195.75 represents receipts received on 30th June 2008 but captured in the Exchequer records in 2008/2009 Financial Year.

3.4 Evidence of Public Accounts Committee (PAC)

68. Appearing before the Committee on 12th July 2012, the Vice Chairman, Public Accounts Committee (PAC), informed the committee that:-

- (i.) The committee had sat down with Treasury and Auditor General and they raised the same issues that members of the joint committee were investigating.
- (ii.) The Vice Chairman confirmed that the Auditor General and the Ministry of Finance (Treasury) re-appeared before PAC after having been sent away to go and reconcile and report back PAC which they did and reported back a reconciled audited accounts which was approved by PAC after being satisfied by explanation of both the Auditor-General and Treasury.
- (iii.) He clarified that PAC concentrated mostly on expenditure. However, he informed the meeting that the current audit report still has the same persistent audit queries.

3.5 Evidence by Ministry of Finance (Treasury)

69. Appearing before the Committee on 12th July 2012, Ministry of Finance (Treasury) represented by Financial Secretary and his team informed the committee that:-

70. After auditing the Revenue Accounts for the financial year 2007/2008 the Controller & Auditor General certified three accounts as correct while the remaining 13 revenue statements were not certified during the year under review.
71. The accounts that were accepted and certified includes the following
- i) **Revenue Head 1410000-** property income , sub-head 1410200- profits and dividends
 - ii) **Revenue Head 1430000-** Fines, Penalties and Forfeitures, Sub-Head 1430100 -Fines, Penalties and Forfeitures and Other charges
 - iii) **Revenue Head 1140000-** Taxes on Goods and Services , Sub-Head 1140600- Royalties (including Mining Revenue)
72. The remaining thirteen (13) revenue accounts were qualified by the Auditor General due to the following reasons:-
- i) Timing differences between revenue received by KRA, the revenue holding account at Treasury and the Exchequer account.
 - ii) Un-captured receipts and posting errors in the revenue ledger accounts and
 - iii) Unavailability of reconciliation statements by the time the audit is being concluded
73. Treasury confirmed that these anomalies were addressed through reconciliations which were later availed to the Auditor-General for audit review and confirmed to be correct. This confirms that revenue statements were not qualified because of pending reconciliations not fraud or loss of money.

74. Treasury confirmed that the amount received into the exchequer account for the financial year 2007/2008 was Ksh. 516, 108, 407, 205.15. This was the revenue position reported to Parliament by the Controller and Auditor General.
75. The Minister for Finance presented to the House Estimates of Revenue for financial year 2009/2010 which incorporated the interim position of actual receipts for 2007/2008, amounting to Ksh. 446,098,740,912.00, compared to the final audited receipts of the Ksh. 516, 108,407,205.15 representing a shortfall of Ksh. 70,009,666,283.15.
76. Treasury regretted that actual receipts as reflected in the printed revenue estimates tabled in parliament in June, 2009 did not capture the final audited revenue position.
77. The following measures have been put in measures to prevent this from happening in the future:-
- i) Treasury, KRA and other receivers of revenue have embarked on the monthly revenue reconciliations aimed at clarifying variations in a timely manner.
 - ii) The Auditor General has been enabled to track exchequer inflows and data on a continuous basis, up to and including the final collection date of the year.
 - iii) The Ministry through its audit committee/task force closely liaises with the Auditor General to ensure timely provision of required documents data and explanations to avoid audit observations
 - iv) The Ministry is computerizing its financial management systems and soon a revenue management module will be developed and integrated

with the re-engineered IFMIS (Integrated Financial Management and Information System).

3.5 Evidence by Kenya Revenue Authority (KRA)

78. Appearing before the Committee on 12th July 2012, Commissioner- General, Kenya Revenue Authority (KRA) informed the committee that:-

79. Revenue collected in the 2007/2008 Financial Year

During the Financial Year 2007/08, Kenya Revenue Authority (KRA) collected a total of Ksh. 433, 920 Million against a target of Ksh. 424,671 Million which represents a performance rate of 102.2%.

80. A summary of total revenue collected during the year under review is as follows:

Revenue Type	Ksh. (Million)
Exchequer	407,819
Agency	<u>26, 101</u>
TOTAL	<u>433,920</u>

81. Collection and accounting for Government Revenue

Revenue collection is done through the cash office and commercial banks. The revenue collected is accounted on daily basis by verifying bank statements and relevant record collection sheet. A daily revenue report is generated for management decision making.

82. Modes of Government Revenue Payments

Revenue collection is made at various paying points using various methods which includes:-

- i) **Cheque/cash:** - All payments of amounts less than Ksh. 1 million can be paid using either cash or cheque through KRA cash office or commercial banks. Collections through the cash office are subsequently banked on the following working day at the Central Bank of Kenya.
- ii) **Payments made through RTGS:** - All payments can be made through Real Time Gross Settlement System (RTGS). However; it is mandatory for all payments above 1 million to be made via RTGS. Taxpayers are required to initiate RTGS's transactions through their commercial banks to accounts at Central Bank of Kenya and KRA appointed commercial banks for onward transmission to CBK.
- iii) **Payments through electronic funds transfer:-** For payments of less than Ksh. 1 million a taxpayer can instruct on transmission of funds from his domicile account to either the Central Bank main collections accounts or to the Commercial Banks accounts in case of online payment.

83. Banking of Government Revenue

The entire Kenya Revenue Authority (KRA) revenue department operates separate collection accounts for all the revenue items, being either exchequer or agency taxes. These accounts have been opened both at the Commercial Banks and Central Bank of Kenya (CBK). All collections at the commercial banks are transferred to corresponding tax heads accounts maintained at the Central Bank on the second working day. All collections made at KRA cash offices are either banked directly to central bank or commercial banks where there are no CBK branches for transmission to CBK.

84. Reconciliation of Revenue Accounts

85. Reconciliation of all revenue tax head accounts is done on monthly basis; however there is daily tracking of revenue from commercial bank to Central Bank of Kenya. This is done in three levels

- i) **Level 1: Reconciliation of accounts held at Commercial Banks:** - The Reconciliation of the collections made at the commercial banks is done on daily and monthly basis, where payments slips/returns are matched with bank statements. Revenue monitoring is also done daily to ensure the correct amounts are reflected and transferred to the CBK Bank statements are collected on daily basis from the banks. KRA compares collection data from the commercial banks against payments slips and returns. Any variance or omissions discovered are corrected immediately with the respective bank.
- ii) **Level 2: Reconciliation of accounts held at Central Bank of Kenya (CBK):-** Reconciliation of collections on various collection accounts at CBK is done on daily and monthly basis. The bank statements are reconciled against the cashbook, systems reports and other documents such as debit/credit slips. Any variances or omission discovered are immediately corrected with the bank. Finally, a bank reconciliation statement is prepared and maintained
- iii) **Level 3: Reconciliation of KRA, CBK and Treasury Figures:** - A team comprising of KRA, Treasury and CBK officers meets fortnightly to reconcile all revenue collected and reported to Treasury by KRA against the transfer to the exchequer.

86. However, differences between these three sets of figures are inevitable mainly due to: Timing difference; Adjustments for LATF; Transposition errors ; Miss-posting; Omissions; and under/over casts.

4.0 SYNTHESIS OF SUBMISSIONS BY THE WITNESSES

87. The Committee synthesized the evidence adduced, papers laid, and written submission from various witnesses and made the following findings:-

4.1. Sources of Revenue Collected by Government.

88. The Committee found out from the submissions by the Auditor- General that the government raises domestic revenue from various sources. These revenues are accounted for in the form of sixteen (16) broad revenue statements. The revenue statements are prepared by different receivers of revenues.

89. The following table provides a description of each of the revenue statements and the responsible government agency.

Revenue Head	Description	Responsible Agency
1410000	Property Income	Ministry of Finance & Ministry of Lands
1430100	Fines and Forfeitures	Judiciary
160-210	Forest and Mining	Ministry of Environment
1110000	Taxes on Income , Profits and Capital Gains	Ministry of Finance
1140000	Taxes on Goods and Services	Ministry of Finance
1150000	Taxes on International Trade and Transactions	Ministry of Finance
1160000	Other Taxes Not	Ministry of Finance

	Elsewhere Classified	
1140000	Sub Head 1410100 Loan Interest Receipts	Ministry of Finance
1410000	Sub-Head 1410401-Property Income – Rent of land	Ministry of Finance
1450000	Other Receipts Not Classified Elsewhere	Ministry of Finance
4510000	Repayments from Domestic Lending and On-lending	Ministry of Finance
1420000	Sale of Goods and Services	Ministry of Finance
Head DR 1	Statement of Development Revenue	Ministry of Finance
170-010	Tourism and Wildlife	Office of the President
210-010	Trading Licences	Office of the President
150-360	Lands Revenue	Ministry of Lands

90. Out of the sixteen (16) audited Statements of Revenue for the Year 2007/2008 only three (3) were accepted and certified by the Auditor-General. The remaining thirteen (13) Statements of Revenue were qualified by the Auditor- General.

91. The committee noted that all the ten (10) Statements of Revenue prepared by Ministry of Finance were all not certified by the Auditor-General.

4.2 Proper Keeping of Revenue Accounts

92. The Committee observed that there appear to be lack of proper keeping of revenue accounts as evidenced from submissions from the Auditor- General in the audit report submitted to Parliament, for the Financial Year 2007/08. According to the Auditor General, the revenue statements were qualified due to various reasons. This can be illustrated by the following examples

- (i.) The statement on income taxes, profits and capital gains were qualified because of unexplained difference of Ksh. 11.09 Billion between the statements of actual receipts and figures emanating from the Kenya Revenue Authority
- (ii.) On taxes on goods and services, there was un-reconciled difference of Ksh. 3.7 Billion between the statement of actual receipts and KRA figures
- (iii.) Revenue statement on taxes on international trade and transactions, there was exhibited an un-reconciled difference of Ksh. 887.7 Million between statement of actual receipts and KRA figures;
- (iv.) The statement of other taxes not elsewhere classified had an unexplained difference of Ksh. 51 Million between the Ministry of Finance actual receipts and KRA figures;
- (v.) The Statement of Revenue loan interest receipts had an unexplained variation of Ksh. 200.8 Million between the statements of revenue payments the Exchequer and the Ministry of Finance Exchequer figures
- (vi.) Statement of revenue on property income – rent on had an unexplained difference of Ksh. 118.4 Million between the statement of actual receipts and KRA figures.
- (vii.) On the statement on other receipts not classified elsewhere, there was unexplained disparity of Ksh. 2.5 Billion between the statement of actual receipts and the figures reflected in the Ledger at Ministry of Finance ledger.

- (viii.) Repayments from domestic lending and on-lending had unexplained differences of Ksh. 236 Million and Ksh. 61 Million between statements of payments to the Exchequer and Exchequer records figures and statement of actual receipts and the Ministry of Finance Ledger figures respectively.
- (ix.) Regarding sales of goods and services, there was unexplained discrepancy of Ksh. 67.7 Million between statement actual receipts under Traffic Act and Motor Vehicles Drivers Licenses and KRA figures.
- (x.) In addition the statement of development revenue exhibited unexplained variation of Ksh. 73.9 million.

93. The Committee noted that revenue accounts continue to fail audit tests annually. For example, in the FY 2007/08, a total of Ksh. 498.9 was excluded from the audit certification. The following year, FY 2008/09, a total of Ksh. 215.1 billion was qualified and in the FY 2009/10 Ksh. 239.3 billion was also not certified by the Auditor General.

94. The submission by the Ministry of Finance addressed only 18 out of a total of 57 audit queries raised by the Auditor General for the FY 2007/08. This means that even after reconciliation 39 audit queries that were raised by the Auditor- General were not conclusively addressed.

95. The Committee concluded that indeed the revenue accounts are not properly kept. This is supported by presentation of different figures on the same revenue head from different institutions, i.e. Kenya Revenue Authority which is the officially mandated revenue collector, the Central Bank of Kenya where the Exchequer account is maintained and the Ministry of Finance. This may be attributed to lack of keenness and professionalism in dealing with figures or accounts/collections.

4.3 Number of Certified Statements of Revenue in the FY 2007/08

96. The Committee found out that only three (3) revenue statements were certified out of a total of sixteen (16). The statement of revenue accounts that were certified are: property income – profits and dividends; fines, penalties and forfeitures and forests & mining (taxes on goods and services – royalties). This, as per the submissions by the Mars Group Kenya, amount to a paltry Ksh. 3.4 billion out of a total revenue of Ksh. 516 Billion recorded.
97. The Auditor General attributed the qualification of all the thirteen (13) revenue statements to the fact that the revenue statements prepared by the Ministry of Finance were either, showing variations between the Ministry of Finance and Kenya Revenue Authority figures or/and differences between revenue statements and the Ministry of Finance Ledger figures or/and statements of revenue balance at variance with the Exchequer records figures, all these exhibited on the same revenue head.
98. The Ministry of Finance agreed with the fact that all the thirteen revenue statements were qualified and proceeded to point out that the accounts were not accepted by the Auditor General due to one or more of the reasons they listed as being, according to the Ministry of Finance, Timing differences between revenues received KRA, revenue holding account at the Ministry of Finance and the Exchequer Account; un-captured receipts and posting errors in the revenue ledger accounts and unavailability of reconciliation statements by the time the audit was being conducted.
99. The Committee rejected the reasons given by Treasury for qualification of the 13 revenue account statements, given that audit of government book takes at least nine months before final report is submitted to Parliament. All the reasons advanced for qualification should be addressed within this period. However, the committee found that some of the reconciliation issues

remained until late June 2012 when the committee summoned the Treasury and Auditor-General to appear before it.

100. The Committee found out that there seems to be lack of commitment and professionalism on the part of government officers (accountants) concerned with the accounting for revenue as was evidenced by persistent qualification of the statement of revenue by the Auditor General perpetually on the account of un-captured receipts, posting errors and unavailability of reconciliation statements during the audit period
101. The Committee found out that the reasons given for the qualification of Statement of Revenue accounts for the financial year 2007/08 are still the same and has persisted in subsequent years as pointed out by the Mars Group Kenya during the submissions

4.4 Reporting on actual receipts of revenue in the Exchequer account for the Financial Year 2007/08 and Declaration to Parliament.

102. The Ministry of Finance in its submission acknowledged that indeed the Minister, while presenting the FY 2008/09 budget estimates, submitted to Parliament unaudited revenue figures of Ksh. 446 Billion as total actual revenue collected in the Country as opposed to audited revenue figures of Ksh. 516 Billion. This was an under-declaration to Parliament of Ksh. 70 Billion. This was reflected in the following difference noted in various statements of revenue
- (i.) The FY 2007/08 the Ministry of Finance reported to Parliament that Ordinary Revenue was Ksh. 397.6 billion while the Exchequer account records accessed by the Auditor General exhibited a figure of Ksh. 496 Billion which is an under-declaration of about Ksh. 98.5 billion;

- (ii.) Total loans were Ksh. 26.7 billion but the Exchequer records had Ksh. 20.1 billion a discrepancy of Ksh. 6.6 billion an overstatement to Parliament.
- (iii.) Under miscellaneous revenue, Parliament was informed that only Ksh. 7.6 billion was realized but the Exchequer records were showing Ksh. 16 billion, again an understatement of Ksh. 8.6 billion. R
- (iv.) The tax from corporations, Ksh. 79.1 billion was reported to Parliament but the Exchequer records had 86.6 billion an understatement of 7.5 billion.
- (v.) The Minister for Finance submitted to Parliament the net domestic borrowing by the Central Bank as Ksh. -13.9 billion but the Exchequer records was showing Ksh. 0.00, perhaps a net domestic borrowing that does not exist.

5.0 RECOMMENDATIONS

92. The Committee recommends:-

Actual Revenue Collected in the Year 2007/2008

- (i.) THAT, an independent forensic audit into the revenue accounts of the Government of Kenya be conducted for the financial year 2007/2008 be commissioned and conducted to determine the true revenue position of the Government. This audit should identify the loopholes and weaknesses in the government revenue collection and accounting systems and provide recommendations on most effective and efficient revenue accounting systems to seal the loopholes if any.
- (ii.) THAT, the actual revenue data to be published in the Estimates of Revenue presented to Parliament should be based on audited final revenue position to ensure consistency of data being availed to both Parliament and the Public.

Government Accounting Systems

- (iii.) THAT, the government should review its revenue accounting systems to make it more efficient. The development of revenue management module should be fast-tracked to avoid inconsistencies and inaccuracies in revenue data and reports.
- (iv.) THAT, government accountants should be fully qualified as per the definition of Accountants contained in Accountants Act, 2008 and that they should be registered as members of Institute of Certified Public Accountants of Kenya (ICPAK) or any other recognized professional accounting body for professional accountability.
- (v.) THAT, to attract and retain professional accountants in the public service, government should review the current entry level of accountants to Job Group "L" and introduce with immediate effect a competitive non-practising allowance to government accountants as it is the practise with other professionals such as lawyers and doctors working with the government.
- (vi.) THAT, the government should fast-track the adoption of International Public Sector Accounting Standards (IPSAS) as basis for preparation of annually audited financial statements. This will provide for alignment of government accounting with the best accounting practices through application of credible, independent accounting standards and improve internal control and transparency.

Audit Committee/ Task Force and Audit Report

- (vii.) THAT, the Audit Committee/ Task Force should work closely with the Auditor-General, Kenya Revenue Authority and Controller of Budget to ensure timely provision of required documents, data and explanations to avoid audit queries escalating into major issues.

- (viii.) THAT, Audit committee should ensure that all accounting books are presented to the Auditor- General for audit within the legally stipulated time and that all audit queries are satisfactorily answered before the final audit report is submitted to Parliament.
- (ix.) THAT, the Auditor- General should in his report identify individual culpable officers for any audit query that relates to mismanagement/ embezzlement of public funds and that a special division of the Courts should be created by the Judiciary in liaison with the Auditor- General to fast track all cases that touches on embezzlement of public funds by public officials.

6.0 DISSENTING VIEW

7.0 APPENDIX

**MINUTES OF THE 1ST SITTING OF THE JOINT COMMITTEE OF,
BUDGET, PUBLIC ACCOUNTS & FINANCE, PLANNING AND TRADE
ON THE "INACCURACIES/INCONSISTENCIES IN TREASURY
TAX/REVENUE ACCOUNTS" HELD ON TUESDAY 23RD MAY, 2012 IN
THE COMMITTEE ROOM, 5TH FLOOR, CONTINENTAL BUILDING AT
11.00AM**

PRESENT

1. Hon. Chrysanthus Okemo, EGH, M.P. (Co-Chairman)
2. Hon. Elias Mbau, M.P. (Co-Chairman)
3. Hon. Alfred Sambu, M.P.
4. Hon. Njoroge Baiya, M.P.
5. Hon. Ekwee Ethuro, M.P.
6. Hon. John Mbadi, M.P.
7. Hon. Danson Mungatana, M.P.
8. Hon. Dr. Robert Monda, M.P.
9. Hon. Lucas Chepkitony, M.P.
10. Hon. Jackson Kiptanui, M.P.
11. Hon. Mosses Lessonet, M.P.
12. Hon. Dr. Julius Kones, M.P.
13. Hon. Luka Kigen, M.P.
14. Hon. Martin Ogindo, M.P.
15. Hon. Abdikadir Mohamed, M.P.
16. Hon. Dr. Abdi Nuh, M.P.

KENYA NATIONAL ASSEMBLY

- | | | |
|--------------------------|---|-----------------------|
| 1. Mr. Nicodemus Odongo | - | Fiscal Analyst |
| 2. Mr. Fredrick Muthengi | - | Fiscal Analyst |
| 3. Mr. Evans Oanda | - | Third Clerk assistant |
| 4. Mr. Josephat Motonu | - | Fiscal Analyst |
| 5. Mr. Joash Kosiba | - | Fiscal Analyst |

Agenda

1. Preliminaries/ Confirmation of Agenda
2. Work Planning Session
3. Any Other Business

MIN.NO.1/2012

PRELIMINARY

The meeting commenced with a word of prayer at 11:20 am. The co- Chair, the Chair, Budget Committee invited the all Members present to the meeting. He reminded the members that the joint meeting was as a result of unsatisfactory ministerial Statement Issued by the Minister for Finance with regard to *Inaccuracies/Inconsistencies in Treasury Tax/Revenue Accounts for the Financial Years 2007/08 and 2008/09*

This matter arose from the Ministerial Statement sought by the Hon. John Mbadi, M.P. to the Minister for Finance on 15th May 2012 after the Minister could not satisfactorily address the matter. The Deputy Speaker, therefore directed that the joint Committees on the Budget; Finance, Planning & Trade and Public Accounts Committee to prosecute and investigate the matter and report within a month.

MIN.NO.2/2012 WORK PLANNING SESSION

Given that the joint Committee had a tight schedule and time line within which to table its report on the *Inaccuracies/Inconsistencies in Treasury Tax/Revenue Accounts for the Financial Years 2007/08* in time Members agreed that in order to comply there was essence to work simultaneously alongside other parliamentary duties of Committees. This would imply that in beside current engagement in the Budget Report writing the Committee had to work extra hours and Members unanimously resolved to work with speed to execute the matter.

a) Identification of Tasks Required

After wide deliberations and consultations on the matter, the Committee resolved that the joint Committee's investigation will work towards achieving the following objectives;

- i. Understanding exactly what revenue accounts are;
- ii. How all forms of revenue is collected by the government;
- iii. Whether proper books of accounts were/are kept and reconciled regarding the revenues collected within the period in question (2007/2008);
- iv. Whether the taxpayers money was lost in the period in question (2007/2008); and
- v. How the revenue accounts are audited.

There was suggestion that the Joint Committee should seize the opportunity to look at other revenue accounts and if possible look at three Fiscal Years trend of 2006/07, 2007/08 and 2008/09. This will give the Committee a better picture in order to prosecute the matter conclusively.

b) Identification Of Stakeholders

As a result the Committee identified the following stakeholders to be invited to shed more light on the matter in this order;

- i. **Hon. John Mbadi, M.P.** will appear before the Joint Committee on 31st May, 2012. Being the questioner, he will be required to update the Committee on the background information that made him ask the question in the House besides tabling the requisite documents which will assist the Committee to interrogate and prosecute the matter.
- ii. **The Public Accounts Committee** will appear before the Committee on 31st May, 2012. Since the Public Accounts Committee dealt with the audited accounts of the financial year 2007/2008, it will be required to update the joint Committee on how they went about the matter and its conclusions.

Note: the Committee agreed that after getting information from hon. J. Mbadi and the PAC, they shall decide on whether to invite Mars Group to shed more light on the subject matter. The Mars Group being whistle blower organization may be required to update the Committee on the background information of the matter and the material differences that exist between the audited accounts and the revenue accounts.

- iii. **Auditor General:** To explain the joint Committee on the reason(s) as to why he quarried eleven out of fourteen accounts under question for the 2007/2008 financial year.
- iv. **Kenya Revenue Authority (KRA).** To inform the Committee on the processes of collecting, banking and reconciliation o the revenues they collect and to give the exact amount of revenue collected in the 2007/2008 financial year.
- v. **Central Bank of Kenya:** To confirm to the joint Committee whether all the revenue collected by the KRA in the 2007/2008 financial year was indeed credited to the exchequer account.

vi. **Minister for Finance:** To explain to the joint Committee the cause(s) of any material difference that might have been queried by the Controller and Auditor General in the 2007/2008 financial year.

- c) Other Activities**
- a. Report Writing
 - b. Adoption of the Report
 - c. Tabling of the Report

MIN. NO. 3/2012: ANY OTHER BUSINESS

In the meantime, the Budget Office was requested to furnish Members with the following documents for information before the next meeting:

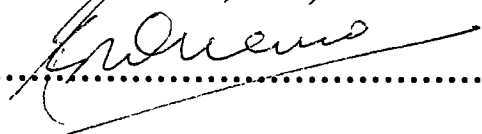
- i. The Public Accounts Report for the audited accounts of 2007/2008
- ii. The Mars Group Report regarding Revenue Accounts inconsistencies for the year 2007/2008
- iii. The Controller and Auditor General report for the financial years 2007/2008

There being no other business for the day, the Co-Chairmen adjourned the meeting at 12.34 pm. till 31st May, 2012.

Signed.....
(Hon. Elias Mbau, M.P)

Date: 13/09/2012

Signed.....
(Hon. Chrysanthus Okemo, M.P)

Date.....  13/9/2012

MINUTES OF THE 2ND SITTING OF THE JOINT COMMITTEE OF BUDGET; PUBLIC ACCOUNTS AND FINANCE, PLANNING AND TRADE ON THE "INACCURACIES/INCONSISTENCIES IN TREASURY REVENUE ACCOUNTS" HELD ON THURSDAY 7TH JUNE 2012 IN THE COMMITTEE ROOM 4TH FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 11.30 AM

MEMBERS PRESENT

1. Hon. Elias P Mbau, M.P - Co-Chairman
2. Hon. Alfred Sambu, M.P
3. Hon. Jackson Kiptanui, M.P
4. Hon. Nelson Gaichuhie, M.P
5. Hon. Omar Zonga, M.P
6. Hon. Emilio Kathuri, M.P
7. Hon. Mosses Lessonet, M.P
8. Hon. Martin Ogindo, M.P
9. Hon. Abdikadir Mohamed, M.P
10. Hon. Prof. Philip Kaloki, M.P
11. Hon. John Mututho, M.P
12. Hon. Njoroge Baiya, M.P
13. Hon. David Koech, M.P.
14. Hon. Danson Mungatana, M.P

IN ATTENDANCE

1. Hon. John Mbadi – A friend of the Committee

KENYA NATIONAL ASSEMBLY STAFF

- | | | |
|--------------------------|---|--------------------------------|
| 1. Mr. Fredrick Muthengi | - | Fiscal Analyst, PBO |
| 2. Mr. Martin Masinde | - | Fiscal Analyst, PBO |
| 3. Mr. Joash Kosiba | - | Fiscal Analyst, PBO |
| 4. Mr. Josephat Motonu | - | Fiscal Analyst, PBO |
| 5. Mr. Eric Kanyi | - | Junior Legislative Fellow, PBO |

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising

4. The Processing of the Matter to the Joint Committees on Investigation into the Tax Revenue Accounts Inconsistencies
 - a) **Friend of the Committee; Hon John Mbadi, M.P**
 - b) **The Public Accounts Committee**
5. Any other Business

MIN. NO. 4/2012: PRELIMINARIES

The meeting started with a word of prayer at 12.45 pm. The co-chairman of the joint Committee, Hon. Elias Mbau, invited all the members present to the meeting and thanked them for finding time to attend. Introductions were done thereafter.

Members were informed that the joint sitting between the three Committees was a result of a Ministerial Statement sought by the Hon John Mbadi, M.P to the Minister of Finance on 15th May 2012 after the Minister failed to satisfactorily address the discrepancies between revenue figures presented to Parliament by the Minister for Finance and those contained in the Controller and Auditor General's report in 2007/08 and 2008/09 Financial Year.

The co-chairman reiterated that key stakeholders will be invited amongst them KRA, PAC, the Auditor General, Treasury and any other who would be having crucial information that can be of help to the Committee in unearth the truth as regard the matter at hand. Members were also reminded of the one month timeline as the Speaker directed.

MIN.NO.5/2012: SUBMISSION BY THE HON.JOHN MBADI, M.P

The Hon John Mbadi, M.P, thanked the co-chairman for ensuring the Joint Committee meeting materializes and thanked the Committee for giving him an opportunity to make his submission to the Committee.

Members were first taken through the background of the matter by Hon. Mbadi, where he recapped to Members that on 11th May 2011 he sought a Ministerial Statement from the Minister for Finance with regard to differences in revenues figures as presented to Parliament by the Minister for Finance as well as those presented in the Auditor General's report on revenue accounts in Financial Years 2007/08 and 2008/09

Members were also informed that since the 2008/09 revenue accounts were still under the scrutiny of PAC, the Speaker ruled that the Joint Committee can only

look at the 2007/08 revenue accounts. Members were therefore informed that his submission will only look at the 2007/08 revenue accounts in line with the Speaker ruling.

The Hon John Mbadi, M.P acknowledged that the Mars Group Kenya, a Civil Society Organization did a detailed analysis of the 2007/08 and 2008/09 revenues accounts. He requested the Chairman to invite them to appear before the Joint Committee to shade more light on this discrepancies since they are believed to have analyzed the said revenue and therefore may have valuable information.

Further, Hon. John Mbadi cited article 206 of the Constitution which requires that all revenues collected by the Government are banked in a Consolidated Fund in the Exchequer Account.

He informed Members that the official receiver of the revenue collected is the Finance Secretary at Treasury who delegates that responsibility to Kenya Revenue Authority (KRA). Thus, all revenues are collected by KRA, banked in the Exchequer Account at the Central Bank of Kenya (CBK) and records of the banking are kept by CBK and Finance Secretary at Treasury. Afterwards, the Finance Secretary prepares a statement and then Auditor General in turns audits all the accounts and submits a report to Parliament. In this regard therefore, Parliament has the responsibility to oversee the use of revenue collected. Ordinarily the amounts of revenue received and reported to parliament by the Minister should tally with what is captured in the report of the Controller and Auditor General.

It was brought to the attention of Members that in 2007/08 Financial Year, the Controller and Auditor General reported to Parliament that about Ksh. 496 billion of ordinary revenue was collected but the Minister indicated to Parliament that only about Ksh. 397 billion was collected, giving a variance of about Kshs. 98 billion. This therefore raises the questions whether the Government operates two sets of accounts and what is the exact figure of revenue collected in FY 2007/08. In addition, Members were also informed that with regard to grants and loans, the exchequer account shows that about Ksh. 26.7 billion was received whereas the report by the Controller and Auditor general to parliament indicates that only about Ksh. 20 billion was received hence an under reporting to Parliament of about Kshs. 6.7 billion.

Hon. Mbadi alluded to the fact it is imperative that the figures of revenue collected ought to be the same in KRA records, Exchequer Account records, the Ledger Accounts records held at the Treasury, Revenue Statement given to controller and Auditor General and the report submitted to Parliament. All these records as presented by the Finance Minister vary for the FY 2007/08.

An example was cited of the Gross Income Tax where KRA gave a figure of Kshs. 166 billion, the Exchequer Account showed Kshs. 168 billion according to the Report of the Controller And Auditor General, whereas the figure in the original estimates was Kshs. 161 billion and what was declared to Parliament by the Minister as having been received was Kshs. 165 billion.

Again, Members were informed that out of the 14 Revenue Accounts only two were Certified and eleven qualified, meaning the Controller and Auditor General found them inaccurate. There is also a concern whether the balance brought forward is indeed transferred to the Exchequer Account or what exactly happens to it!

However, Members wanted to know whether the discrepancies could be due to timing difference and unaudited accounts as stated by the Minister of Finance. But then, they were informed that the matter of timing do not arise since Government accounting system is a cash basis meaning that what is received is what is reported.

Also, **Members raised the issue of the right procedure to be followed when revenue estimates are revised by KRA** and were informed that it is only Parliament which can approve such revisions since the Integrated Finance Management Information System (IFMIS) operate on the principle of Parliamentary approval. In addition, it is highly possible that the Treasury and KRA revise down the revenue targets once they realize that it may not be achieved, supposedly for KRA to access apparent bonus that may be associated with meeting the revenue target!

Further, **Members wanted to know whether the matter in question is a rare or a recurrent phenomenon.** It was noted that even though there has been repeated recurrence of the issues under consideration, the year in question, the FY 2007/08 was extraordinary and fundamentally different.

Additionally, some Members also wanted to know if there could be money lost in such discrepancies and were informed that chances are that there is room for vulnerability if the figures differ.

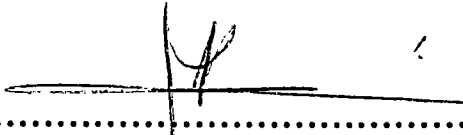
Finally, the co-chairman thanked Hon. John Mbadi, for finding time to come and brief the Committee on such an important matter of national importance. The Chair added that the issues he raised concerning the discrepancies will be taken as allegations and that more parties with crucial and relevant information would be invited to shed more light on the matter under the committee's investigation. The co-chairman also informed members that in the past, Parliament may have only concentrated so much on expenditure side of accounts hence leaving room for possible malpractices in the revenue side of the accounts.

MIN.6/2012: Any Other Business

The Chairman thanked members for finding time to attend the committee sitting. He also thanked the media and the secretariat staff who facilitated the meeting.

MIN. 7/2012: ADJOURNMENT

There being no other business to be transacted the meeting was adjourned at 1.30 pm.

Signed.....
(Hon. Elias Mbau, M.P)

Date.....13/09/2012.....

Signed.....
(Hon. Chrysanthus Okemo, M.P)

Date.....13/9/2012.....

MINUTES OF THE 3RD SITTING OF THE JOINT COMMITTEE OF BUDGET, PUBLIC ACCOUNTS AND FINANCE, PLANNING AND TRADE ON THE “INACCURACIES/INCONSISTENCIES IN TREASURY TAX/REVENUE ACCOUNTS” HELD ON WEDNESDAY 19th JUNE 2012 IN THE COMMITTEE ROOM 5TH FLOOR CONTINENTAL BUILDING AT 11.00 AM

PRESENT

1. Hon. Danson Mungatana, M.P (Acting Chairperson)
2. Hon. Jackson Kiptanui, M.P
3. Hon. Nelson Gaichuhie, M.P
4. Hon. Mithika Linturi, M.P
5. Hon. Omari Zonga, M.P
6. Hon. John Mbadi, M.P
7. Hon. Emilio Kathuri, M.P
8. Hon. Njoroge Baiya, M.P
9. Hon. Shakeel Shabbir, M.P
10. Hon. Sammy Maita, M.P
11. Hon. Jakoyo Midiwo, M.P.
12. Hon. Musikari Kombo, M.P
13. Hon. Dr. Nuh Nassir, M.P.
14. Hon. Sophia Noor, M.P

KENYA NATIONAL ASSEMBLY STAFF

1. Mr. Fredrick Muthengi-Fiscal Analyst
2. Ms. Florence Abomyo, Clerk Assistant
3. Mr. Joash Kosiba-Fiscal Analyst
4. Mr. Lewis Mungai -Junior Fellow

IN-ATTENDANCE

KENYA NATIONAL AUDIT OFFICE

1. Mr. Shem Mangure
2. Mr. Daniel Ndungu
3. Mr. Anthony Waiganjo.

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising

4. The Processing of the Matter to the Joint Committees on Investigation into the Tax Revenue Accounts Inconsistencies
 - a) **Friend of the Committee; The Public Accounts Committee**
 - b) **The Auditor General**
5. Any other Business

MIN.NO. 8/2012: PRELIMINARIES

The meeting started with a word of prayer at 11.26am. Given that the substantive Chairs were away on Parliamentary duties and the Committee designated the Hon. Danson Mugatana, to Chair the meeting. The Acting Chairman invited all the members present to the meeting and thanked them for finding time to attend the meeting. The Acting Chairman gave apologies for absence of the Joint co-chairs. He informed the members that the Public Accounts Committee Vice Chairman the Hon. Dr. Julius Kones was expected to appear and brief the Joint Committee since PAC had already dealt with the audited accounts of the financial year 2007/2008, thus the PAC is required to update the joint Committee on how they went about the matter and its conclusions. Also expected during the meeting was the Auditor General. The Auditor General's Office was expected to make a presentation on the matter before the Joint Committee to explain the reason(s) as to why the Auditor General quarried eleven out of fourteen accounts under question for the 2007/2008 financial year.

MIN.NO.9/2012: CONFIRMATION OF MINUTES

Members of the committee confirmed the minutes of the previous meetings as a true reflection of the committee deliberations. Members present Confirmed two set of previous minutes.

- i.) Minutes of the 1st sitting of the Joint Committee held on 23rd May 2012 were proposed by Hon. Nelson Gaichuhie and Seconded by Hon. Jackson Kiptanui.
- ii.) The second set of Minutes of the 2nd sitting held on 7th June 2012 of the committee were proposed by Hon. Dr. Nuh and seconded by Hon. Jackson Kiptanui.

MIN.NO.10/2012: MATTERS ARISING

Given that the Committee was already behind schedule (Honorable Members were very busy with Budget Process and the PAC was also engaged in the report writing on a matter they were pursuing - the Del Rue Report) there was need to

seek extension from the Speaker so that the Committee could tackle the matter exhaustively and table its Report. From the programme approved by the Committee it was agreed that it would be necessary to line up all the identified stakeholders and call them in sequence so that the Committee will be in position to interrogate the matter to the full. The identified activities were as follows;

Activity	Remark / Status
a) Hon. John Mbadi, M.P. to appear before the Joint Committee, being the questioner, and required to; <ul style="list-style-type: none"> i.) Update the Committee on the background information that made him seek ministerial Statement ii.) Table requisite documents which will assist the Committee to interrogate and prosecute the matter. 	Has already appeared and briefed the Committee accordingly.
b) The Public Accounts Committee to appear before the Joint Committee to render an account of how it dealt with the audited accounts of the financial year 2007/2008, and update the joint Committee on how they went about the matter and its conclusions.	Are yet to make a presentation as <i>"Friends of The Committee"</i> . The Vice Chairperson was scheduled to join the meeting and give their verdict of the Audited Revenue Accounts for FY 2007/08.
Note: the Committee resolved that after getting submission from hon. J. Mbadi and the PAC, they shall make a decision on whether to invite Mars Group to shed more light on the subject matter. The Mars Group may be required to update the Committee on the background information of the matter and the material differences that exist between the audited accounts and the revenue accounts.	Not yet
c) Auditor General: To explain the joint Committee on the reason(s) as to why he quarried eleven out of fourteen accounts under question for the	The Auditor general Office expected to make their presentation that morning

2007/2008 financial year.	
d) Kenya Revenue Authority (KRA). To inform the Committee on the processes of collecting, banking and reconciliation o the revenues they collect and to give the exact amount of revenue collected in the 2007/2008 financial year.	Yet to appear
e) Central Bank of Kenya: To confirm to the joint Committee whether all the revenue collected by the KRA in the 2007/2008 financial year was indeed credited to the exchequer account.	Not yet
f) Minister for Finance: To explain to the joint Committee the cause(s) of any material difference that might have been queried by the Controller and Auditor General in the 2007/2008 financial year.	Not yet

g) Other Activities

- i.) Report Writing
- ii.) Adoption of the Report
- iii.) Tabling of the Report

MIN.NO.11/2012: SUBMISSION BY THE AUDITOR GENERAL

The team from the Auditor General Office made a Submission to the Committee. In their presentation, they highlighted some of the causes of inconsistencies/inaccuracies in the 2007/2008 Fiscal Year Revenues Accounts. The reasons advanced for the inconsistencies included; timing differences, posting errors, un-reconciled ledgers, and un-captured receipts. The Auditor-General team in their conclusion reported that most of revenue statements prepared by the Ministry of Finance were not accepted due to one or more of the following anomalies:-

- i.) Variation between the Ministry of Finance and KRA revenue figures.
- ii.) Variation between the revenue statements and Ministry's ledgers figures.
- iii.) Statement of revenue balance not in agreement with exchequer record figures.

After further interrogation by the Committee, the Auditor General's Office failed to satisfactorily answer the supplementary inquiry raised by members with regard

to inconsistencies. The Auditor general's Office requested for additional time to probe the matter to greater details and furnish the Committee in two week's time. The Committee however, noted that the Auditor General Team was not adequately prepared since their presentation did not meet their expectations. The committee therefore after consultation with the team from Auditor- General's office unanimously granted the Auditor General's two weeks to adequately prepare and make a better presentation to the committee. The committee further advised the Auditor General team to prepare briefs to the committee in a manner that can be easily understood by members who don't have a background in accounting.

1. MIN.12 /2012: Any Other Business (A.O.B)

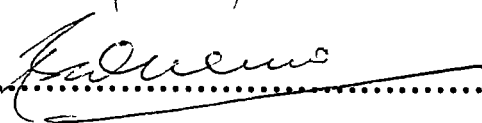
The Acting Chairman thanked members for finding time to attend the committee sitting.

MIN. 13/2012: ADJOURNMENT

There being no other business to be transacted, the meeting was adjourned at 12.30 pm. In the meantime, the secretariat will get in touch with the the Auditor general and inform them the next meeting and also invite other identified stakeholders.

Signed.....
(Hon. Elias Mbau, M.P)

Date.....13/09/2012.....

Signed.....
(Hon. Chrysanthus Okemo, M.P)

Date.....13/9/2012.....

MINUTES OF THE 4th SITTING OF THE JOINT COMMITTEE OF BUDGET; PUBLIC ACCOUNTS AND FINANCE, PLANNING AND TRADE ON THE "INACCURACIES/INCONSISTENCIES IN TREASURY REVENUE ACCOUNTS" HELD ON WEDNESDAY 11TH JULY 2012 IN THE COMMITTEE ROOM 5TH FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10.00 AM

MEMBERS PRESENT

1. Hon. Elias P Mbau, M.P - Co-Chairman
2. Hon. Alfred Sambu, M.P
3. Hon. John Mbadi, MP
4. Hon. Nelson Gaichuhie, M.P
5. Hon. Omar Zonga, M.P
6. Hon. Emilio Kathuri, M.P
7. Hon. Mosses Lessonet, M.P
8. Hon. Martin Ogindo, M.P
9. Hon. Danson Mungatana, M.P
10. Hon. Sophia Noor, M.P
11. Hon. David Ngugi, M.P
12. Hon. Thomas Mwadeghu, M.P
13. Hon. Ekwe Ethuro, M.P
14. Hon. Njoroge Baiya, M.P
15. Hon. Lucas Chepkitony, M.P

KENYA NATIONAL ASSEMBLY STAFF

1. Mr. Fredrick Muthengi - Fiscal Analyst, PBO
2. Mr. Joash Kosiba - Fiscal Analyst, PBO
3. Mr. Josephat Motonu - Fiscal Analyst, PBO
4. Mr. Evans Oanda- Clerk Assistant
5. Mr. Eric Kanyi - Junior Legislative Fellow, PBO

IN ATTENDANCE

1. Mr. Edward Ouko - Auditor General
2. Mr. Rogera Alex – Deputy Auditor General

3. Mr. Daniel Ndung'u- Assistant Director of Audit

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. The Processing of the Matter to the Joint Committees on Investigation into the Tax Revenue Accounts Inconsistencies
 - a) **Friend of the Committee- The Public Accounts Committee**
 - b) **The Auditor General**
5. Any other Business

MIN.NO. 14/2012: PRELIMINARIES

The meeting started with a word of prayer at 11.05 am. The co-chairman of the Joint Committee, Hon. Elias Mbau, invited all the members present to the meeting and thanked them for finding time to attend.

MIN.NO.15/2012: CONFIRMATION OF THE PREVIOUS MEETING MINUTES

The minutes of the previous meeting were confirmed as a true record of the Committee's deliberations. The minutes of the 3rd sitting of the Joint Committee held on 19th June 2012 were proposed by Hon. Sophia Noor and seconded by Hon. John Mbadi.

MIN.16/2012: MATTERS ARISING

Members were of the opinion that Mars group, a Civil Society Organization and Central Bank of Kenya need to be invited to appear before the Joint Committee to shade more light on the issue under the Joint Committee's investigation.

The Chairman informed Members that the Committee is at liberty to invite any person(s) and institution(s). It was then agreed that the Central Bank of Kenya and Mars Group be invited on the same day after Treasury and Kenya Revenue Authority have made their submissions and on the same note, Members resolved that any

person(s) or institution(s) may be called to re-appear before the Committee again if need arises.

Further, Members were of the opinion that if the person(s) and institution(s) invited have to submit a document it ought to be done well in advance to give members ample time to go through it for better acquaintance.

Finally, it was noted that Public Accounts Committee Members have not been keen on their participation in the Joint Committee sittings and a concern rose that perhaps they may absent themselves and come at a later stage to disagree with the ultimate Committee findings.

MIN. 17/2012: SUBMISSION FROM THE AUDITOR GENERAL OFFICE

It began with a round of introductions after which, the co-chairman recapped that the Joint Committees sittings were as a result of a Ministerial Statement sought by the Hon. John Mbadi, M.P to the Minister of Finance on 15th May 2012. After the Minister failed, in his ministerial statement to the House, to satisfactorily address the discrepancies between revenue figures presented to Parliament from Treasury and those contained in the Controller and Auditor General's report in 2007/08 and 2008/09 Financial Year, the Speaker directed the matter to be investigated thoroughly and be reported back to the House.

The Chair reminded the Auditor General that his officers had previously appeared before the Committee but were unable to answer the Committee satisfactorily since they did not have sufficient information due to what appeared to be lack of adequate preparation.

The co-chairman reiterated that the Committee is doing its work in a sequential manner and that key stakeholders will be invited amongst them Kenya Revenue Authority, Public Accounts Committee, Treasury and any other group(s) who would be having crucial information that can be of help to the Committee in unearthing the truth regarding the matter under consideration.

In his opening remarks, the Auditor General acknowledged the importance of the matter being investigated since it touches on revenue realized through taxation of the Kenyan people and he emphasized that as much as the revenue is being handled and

monitored by different Government institutions, there need not to be different set of figures on the same from these institutions.

Members were informed that the Auditor General audited a total of 16 accounts. Out of these, a staggering 13 of them were qualified meaning this accounts had audit queries due to lack of adequate information. Members were informed that Treasury later on came up with more information that was not presented at the onset in a detailed statement and reconciliation done. It was noted that this perhaps showed lack of seriousness in the manner in which Treasury handles critical matters of public finance.

The Audit office circulated a document to members present showing how the queried accounts were reconciled and the Auditor General informed members that nothing was amiss with regards to revenue collected in the 2007/08 Financial Year.

Members wanted to know where the figures to reconcile the accounts came from since the revenue statement is produced from the ledger after the receipts are captured. Members were worried that there could be a possibility that somebody in Treasury did not get the figures presented to the Auditor General from the general ledger book hence presenting strange figures. However, the Auditor General informed members that in the course of their work they don't only rely on the figures in the ledger book but also cross-check with the actual receipts.

Members wondered why it took so long for the reconciliations to be done until the matter came to the attention of Parliament and members were informed that it is the Government departments tendency to do things last minute coupled by dealing with incomplete records. The Auditor General informed members that there are still some Governments accounts records being done manually and he hopes that with the Integrated Financial Management and Information System (IFMIS) such incomplete records will be eliminated.

Members challenged the Auditor General to name those Government departments and Ministries that have not adopted the IFMIS approach and those that delay or relay incomplete information. It was then pointed out that beginning with the FY 2011/12 his Office has named such Departments and Ministries and that will be the trend henceforth.

There was a concern that that the Auditor General had submitted an unsigned document and was quipped that the Auditor own up the document by appending his signature. However, Members were informed that the document submitted was meant to guide the discussions and that a comprehensive fully signed report will be submitted later.

Members also wanted to know how the Audit office discipline offending Ministries and Government departments who seem bent on engaging in a probable malpractice regarding matters of public finance and the Auditor General pointed out that the proposed Public Audit Act (a draft is at an advanced stage) intends to sufficiently deal with such cases.

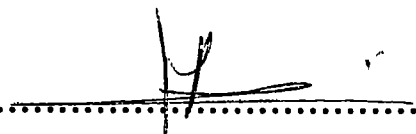
In his concluding remarks the Auditor General undertook to furnish to the Committee a report showing among other things, the actual revenue collected in FY 2007/08, by Wednesday 18th July 2012.

MIN 18/2012: ANY OTHER BUSINESS

The Chair thanked the Auditor General and his office for finding time to make their submission to the Committee and asked him to be standby incase he is needed to appear before the Committee once again.


MIN 19/2012: ADJOURNMENT

There being no other business to be transacted, the meeting was adjourned at 2.00 pm.

Signed.....

(Hon. Elias Mbau, M.P)

Date.....13/09/2012

Signed.....

(Hon. Chrysanthus Okemo, M.P)

Date.....13/9/2012

**MINUTES OF THE 5th SITTING OF THE JOINT COMMITTEE OF BUDGET;
PUBLIC ACCOUNTS AND FINANCE, PLANNING AND TRADE ON THE
"INACCURACIES/INCONSISTENCIES IN TREASURY REVENUE ACCOUNTS HELD
ON THURSDAY 12TH JULY 2012 IN THE COMMITTEE ROOM 5TH FLOOR
CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10.30 AM.**

MEMBERS PRESENT

1. Hon. Elias P Mbau, M.P - Co-Chairman
2. Hon. Alfred Sambu, M.P
3. Hon. John Mbadi, MP
4. Hon. Omar Zonga, M.P
5. Hon. Emilio Kathuri, M.P
6. Hon. Mosses Lessonet, M.P
7. Hon. Nelson Gaichuhie, M.P
8. Hon. John Mututho, M.P
9. Hon. Danson Mungatana, M.P
10. Hon. Sophia Noor, M.P
11. Hon. Ekwe Ethuro, M.P
12. Hon. (Dr) Julius Kones, M.P
13. Hon. Lucas Chepkitony, M.P

KENYA NATIONAL ASSEMBLY STAFF

- | | |
|--------------------------|----------------------------------|
| 1. Mr. Fredrick Muthengi | - Fiscal Analyst, PBO |
| 2. Mr. Joash Kosiba | - Fiscal Analyst, PBO |
| 3. Mr. Josephat Motonu | - Fiscal Analyst, PBO |
| 4. Ms. Florence Abonyo | - Clerk Assistant |
| 5. Mr. Evans Oanda | - Clerk Assistant |
| 6. Ms. Emma Okok | - Intern, Legal Department |
| 7. Mr. Eric Kanyi | - Junior Legislative Fellow, PBO |

IN ATTENDANCE

KENYA REVENUE AUTHORITY

- | | |
|-----------------------|---|
| 1. Mr. J.K Njiraini | - Commissioner General, Kenya Revenue Authority |
| 2. Ms. Alice Owuor | - Kenya Revenue Authority |
| 3. Ms. Beatrice Memo | - Kenya Revenue Authority |
| 4. Ms. E.N King'ori | - Kenya Revenue Authority |
| 5. Ms. Margaret Ogega | - Kenya Revenue Authority |

MINISTRY OF FINANCE

- | | |
|------------------------|--|
| 6. Mr. Mutua Kilaka | - Finance Secretary, Ministry of Finance |
| 7. Mr. Naboth Otao | - Ministry of Finance |
| 8. Mr. F. Mithamo | - Ministry of Finance |
| 9. Mr. John Njera | - Ministry of Finance |
| 10. Mr. James Aloyo | - Ministry of Finance |
| 11. Mr. Alfred Khaoya | - Ministry of Finance |
| 12. Mr. Michael Gatimu | - Ministry of Finance |

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. The Processing of the Matter to the Joint Committees on Investigation into the Tax Revenue Accounts Inconsistencies
 - a) **Kenya Revenue Authority**
 - b) **Ministry of Finance**
5. Any other Business

MIN.NO. 20/2012: PRELIMINARIES

The meeting started with a word of prayer at 10.53 am. The co-chairman of the Joint Committee welcomed all present to the meeting and thanked them for finding time to attend. Thereafter, introductions were done. The co-chairman gave the background information on the matter under the committee's investigation and invited the Commissioner General, Kenya Revenue Authority, to go ahead and give his brief as stipulated in the invitation letter.

MIN.NO.21/2012: SUBMISSION FROM THE KENYA REVENUE AUTHORITY

The Commissioner General commenced his presentation by informing the Joint Committee that during the Fiscal Year **2007/08**, Kenya Revenue Authority collected a total of **Ksh. 433.92 billion** which comprised of Exchequer of Ksh. 407.82 billion and Agency Fees of Ksh. 26.10 billion.

On the **revenue collection and accounting**, the Commissioner General told the Committee that about 90% of revenue is collected through commercial banks and the rest like revenue from licenses and others, collected through KRA cash office. He proceeded to state that all KRA revenue departments do operate separate Collection Accounts, opened at both the commercial banks and the Central Bank of Kenya, for all the revenue items being either Exchequer or Agency fees/taxes and that KRA has made arrangements such that all collections at the commercial banks are transferred/swept to corresponding tax heads accounts which are

maintained At the Central Bank of Kenya (CBK), by the second working day. In addition, all revenue collections done at KRA cash offices are either banked directly to Central Bank or commercial banks for onward transmission to CBK in places where there are no CBK branches. The Commissioner General further explained to the Committee that revenue collection at various paying points is done by any of the three methods:

- ✦ Cash or Cheque which is for all amounts below Ksh. 1 million and can be paid through KRA cash office or commercial banks.
- ✦ Real Time Gross Settlement System (RTGS) and this is mandatory for all payments above Ksh. 1 million. Here, taxpayers are required to initiate the RTGS transactions through their commercial banks to the accounts at CBK and KRA appointed commercial banks for express transmission to CBK
- ✦ Electronic Funds Transfer (ETF) where a taxpayer, when making payment of less than Ksh. 1 million, can give instructions for the transmission of funds from his/her domicile bank to either the CBK main Collection Accounts or in case of online payment, to the commercial banks collection accounts.

With regard to reconciliation of revenue figures, the Commissioner General said that it is done on a monthly basis and also annually but there is a system of daily tracking from commercial banks to the Central Bank. Additionally, KRA hold meetings twice a week to review the performance of various revenue heads. He further told the Committee that accounts reconciliation is done in three levels, namely:

1. **Reconciliation for accounts held at Commercial Banks** – this, he said, is done on a daily and monthly basis where payment returns or slips are matched to bank statements and that revenue monitoring is also done using daily system generated reports. This movement of revenue collected at various commercial bank accounts are so monitored daily to ensure that the correct amounts are reflected and also transferred to the CBK and any variance or omission discovered between the commercial banks and the amount transferred to CBK is addressed immediately with the respective banks.
2. **Reconciliation for accounts held at the Central Bank** – this reconciliation is done daily by 9.00 am and also on a monthly basis as confirmed by the Commissioner General and that for each tax head, the bank statements are reconciled against the cash book, system reports and other bank documents like debit or credit slips. Here again, any variances discovered are immediately cleared with the Bank and at the end, a bank reconciliation statement is prepared and maintained.
3. **Reconciliation of KRA, CBK and Treasury figures** – on this, the Joint Committee was informed that a team of officers from these three (3) institutions do meet fortnightly to

reconcile revenue collected and reported to Treasury by KRA against the transfers to the Exchequer in the Central Bank. Members were also shown an extract of this kind of reconciliation statement on stamp duty that was done in the year under question (FY 2007/08). It was shown that the balance as per the cashbook in **KRA report was Ksh. 4.53 billion** but then on 3/7/2007, there were receipts in CBK not in Treasury which were attributable to misposting and cash in transit amounting to about Ksh. 113.4 million and provision for refund of Ksh. 6 million both of which were added. On 2/7/2007, there were receipts in Treasury not in CBK totaling to Ksh.50.6 million and also cash in transit by 30/6/2008 of Ksh. 17.1 million which were subtracted and therefore the balance as per **Treasury was Ksh. 4.58 billion**

However, the Committee was informed that there are perhaps permanent differences which may be mainly characterized by: timing difference, adjustment to LATF transposition errors, misposting, omissions and under casting or overcasting. But then, that any discrepancies are adjusted accordingly. In a rejoinder, Members nevertheless wondered why an issue like time difference be a factor of the difference, even almost after 5 years, given close period of revenue tracking and reconciliation!

At the end of the presentation, Members wanted to know the exact figures for various tax heads like tax on income, profits and capital gain; other income tax and total income tax; Ordinary Revenue (or Exchequer Revenue according to KRA); total cash in transit as at 30th June 2008 on PAYE; amount received from treasury on behalf of Telkom Kenya; what is the provision for a refund and finally what was the reason for KRA not meeting the revenue target a lot of times?

In his response, the Commissioner General said that according to records in KRA, the Exchequer Revenue/Ordinary Revenue was Ksh. 433.92 billion; PAYE was Ksh. 86.14; other income tax was Ksh. 80 billion. With regard to the amount received on behalf of Telkom Kenya, the Commissioner General informed the Committee that an amount totaling to Ksh. 15 billion was received from Treasury on behalf of Telkom as part of the privatization process and that the amounts were paid in three installments. He promised to provide later, the exact dates and amounts paid in each installment as well as reconciliation of all accounts and exact amount of PAYE in transit at the end of the fiscal year in question.

On the issue of provisions for refund, the Commissioner General informed the Committee that the amounts are provided for on monthly basis with respect to various tax heads as follows:

- ✚ Excise duty on oils – Ksh. 200 million
- ✚ Import duty ordinary – Ksh. 20 million
- ✚ Stamp duty – Ksh. 0.5 million

- ⌘ Excise duty domestic – Ksh.1 million
- ⌘ VAT - Ksh. 1,076 million
- ⌘ Other income taxes - Ksh. 50 million (quarterly)

He also added that 5% on income tax, PAYE and Turn over Tax (TOT) is transferred to Local Authority Transfer Fund (LATF) and in the fiscal year 2007/08, LATF transfer was Ksh. 8.88 billion comprising of Ksh. 4.34 billion on PAYE and Ksh. 4.54 on other taxes.

The Commissioner General said (despite Committee Members raising concern on where the balance of unutilized refunds go) that the amount is allocated at the beginning of the accounting period and then netted out on a monthly basis and that the remaining amount is adjusted accordingly. Again, in the event that there is any outstanding amount for VAT, the backlog is excluded from the system and features as a liability item.

Finally, on the reasons for KRA missing the revenue targets, the Commissioner General responded by saying that several factors usually come into play. Some of them he gave were:

- i. Change of assumptions – he said that when estimates of economic assumptions such as inflation, economic growth, interest and exchange rates shift, they have implications on the performance of business in the country and ultimately revenue.
- ii. Removal of duties for instance kerosene and other items means that the level of revenue target would not be met as anticipated and also
- iii. When some things expected to be done fails for instance not passing the VAT bill in time usually has implications to the revenue to be collected.

MIN.NO.22/2012: SUBMISSION FROM THE MINISTRY OF FINANCE

The Ministry of Finance team of officers was led by the Financial Secretary and Accounting Officer Mr. Mutua Kilaka. They were ushered into the committee room and the co-chairman of the Joint Committee welcomed them and gave the background of the nature of the meeting. The Financial Secretary was given an opportunity to introduce the accompanying officers and proceed to brief the Committee as per the stipulations of the purpose of the invitation.

After the introduction, he began by pointing out that he had come to provide explanation on the causes of material differences in the accounts that were qualified by the then Controller and Auditor General, in a report to the House for the Financial Year 2007/08.

The Finance Secretary commenced his brief by confirming that indeed, it is true that the then Controller and Auditor General qualified the thirteen (13) revenue statements and that he only

certified three (3) in the fiscal year 2007/08. The accounts that were accepted and certified (unqualified) were:

No.	Revenue Head	Description	Sub-head	Description
1	1410000	Property Income	1410200	Profits and Dividends
2	1430000	Fines, penalties and forfeitures	1430100	Fines, penalties, forfeitures and other charges
3	1140000	Taxes on goods and services	1140600	Royalties (including mining revenue)

He informed the Committee that the 13 revenue statements were qualified due to one or more of the reasons below:

- ✚ Timing differences between revenues received KRA, the revenue holding account at the Treasury and the Exchequer account.
- ✚ Uncaptured receipts and posting errors in the revenue ledger accounts and
- ✚ Unavailability of reconciliation statements by the time the audit was being conducted.

After that, the Financial Secretary went ahead to assure the Committee that the anomalies were addressed through reconciliations and were later presented to the Auditor General for audit reviews and were confirmed as correct. He said that this demonstrates that the revenue statements were not qualified because of fraud or loss of money but due to pending reconciliation statements which were later satisfactorily finalized. He added that the same issues were presented before the Public Accounts Committee together with the reconciliations and that they were fully interrogated and investigated.

Regarding the actual revenue receipts for the Financial Year 2007/08, the Committee was informed that the amount received in the Exchequer against all revenue accounts were Ksh. 516,108,407,205.15 as reported to Parliament by the Auditor General (audited figure). However, the figure of Ksh. 446,098,740,921 that the Minister presented to Parliament during the Financial Year 2009/10 Revenue Estimates, on June 2009, was the interim position of actual receipts for the FY 2007/08 presenting a shortfall of Ksh. 70,009,666,284.15 which, he said, was regrettable and that the Ministry has hitherto ensured that revenue estimates only reflect the actual audited final revenue position and not the raw data as was the case at this time.

The Financial Secretary assured the Committee that the procedures adopted for revenue collection do not allow for withdrawal of cash for expenditure while in transit; hence all revenue collected progressively move from the collection accounts with the receivers of revenue to the Exchequer account without leakages in between. He added that based on this therefore, no revenue was lost during the 2007/08 Financial Year.

He proceeded to enumerate the various interventions that the Ministry of Finance had put in place to ensure that revenue collections are accurately captured and reported to both Parliament and the public. The measures he listed are:

- ✦ That, Treasury, KRA and other receivers of revenue had embarked on monthly revenue reconciliations aimed at clarifying any variations in a timely manner.
- ✦ That, the Auditor General has been enabled to track exchequer inflows and data on a continuous basis up to and including the final collection date of the year.
- ✦ That, the Ministry through its Audit Committee/Task Force closely liaises with the Auditor General's office to ensure timely provision of required documents, data and explanations to avoid audit observations escalating into major audit issues.
- ✦ That, the actual revenue data to be published in the Estimates of Revenue will be based on the final audited revenue position to ensure consistency of data being availed to both Parliament and the public and finally
- ✦ That, the Ministry is computerizing its financial management system and that soon a revenue management module will be developed and integrated with the reengineered Integrated Financial Management information System (IFMIS) and it is anticipated that online revenue management will avoid inconsistencies and inaccuracies in revenue, data and reports hence enabling online interrogation on the status of revenue by the public.

He concluded by again assuring the Committee and the public that public revenue is being managed properly by the various receivers of revenue under the supervision of the Treasury.

At the end of his presentation, the Finance Secretary in the Ministry of Finance had to field a number of very pertinent questions from the Joint Committee Members. Members wanted to be told:

- i. Where the figures were obtained from that the Minister was given to present to Parliament and why they remained unreconciled yet after a whole twelve months? Also, whether the anomaly is as a result of incompetence of involved officers and if there can be a confirmation that the Minister misled Parliament by presenting wrong figure of revenue.

The response given was that the raw data was picked from the last Quarterly Economic and Budget Review (QEBR) which contains monthly budget outturn instead of using the actual audited figures. Further, the Committee was informed that reconciliations were completed and that the Auditor General as well as the Public Accounts Committee (PAC) was presented with the same and agreed. The Committee was also told that at that time of the anomaly, there was a problem with capacity in the Ministry in relation to the workload. There was a Member of PAC in the meeting who after being asked by the co-chairman to confirm whether what the Ministry of Finance was alleging was true and he appeared to point out that when the Auditor General and the Ministry of Finance appeared before PAC, were sent away to go and reconcile and reported back later that they had reconciled. However, the Member clarified that PAC concentrates mostly on expenditure. Further, that the current audit report still has the same persistent queries! On whether Parliament was misled by being given incorrect figures, the Finance Secretary admitted that raw data was used as opposed to audited ones but proceeded to point out that the Minister did not table the incorrect figures deliberately and therefore proceeded to offer an apology.

- ii. How much was the Ordinary Revenue in the year under focus (FY 2007/08)? How many audit queries have been addressed and where was the memorandum?

The Committee was told that Ordinary Revenue in the FY 2007/08 was Ksh. 419.3 billion, according to what one officer accompanying the Financial Secretary had just calculated but that it was subject to confirmation. The Financial Secretary gave an undertaking that he be allowed when he goes back to the office to confirm and supply to the Committee the right figures. On the issue of memorandum on reconciliation to address audit queries, the Committee was informed that it has been done and submitted to Parliament.

- iii. A question was asked on why is the Ministry still talking about IFMIS as if it is a new thing and a Member raised a concern that revenue is a very critical component which in the new constitution, is going to be divided in the two tiers of government and it is sad if the figure would not be accurate! Again, a question was asked on how the Minister is prepared to finance the highest budget ever in the country?

In response, the Finance Secretary said that with regard to IFMIS which is now re-engineered, the Ministry has undertaken to ensure that by September 2012, all ministries comply and by December, IFMIS is complied with at the Counties level such that when the County Governors come on board, they will find it fully operational. He reiterated that the Ministry has made a commitment and that services have been procured and training of officers is underway. He also appeared to emphasize that the anomalies in revenue reported have hitherto been discovered and that since the fiscal year 2009/10, the

Ministry is using audited revenue figures as received in the Exchequer. With regard to financing the current budget, the Committee was informed that the Minister consulted widely and that he will make all efforts to finance it fully.

- iv. As a rejoinder from the previous stakeholders notably from the office of the Auditor, General, it was noted that the Committee was informed that some information on some queries in the FY 2007/08 may have been shared between the Ministry and the Auditor General as late as the previous month (June 2012) and therefore Members wondered how come PAC is alleged to have been satisfied with the information that was given when it was dealing with the matter! But then, this observation was not responded to.
- v. In what appeared to the Committee as perhaps lack of cooperation between the Ministry of Finance and KRA, Members wanted to know if there is a structured mode of engagement between the two crucial institutions in charge of public finances.

The Financial Secretary responded in the affirmative and said that at the top level, they meet every Tuesday and that at the technical level, there is also a structured way of engagement. He concludes by saying that the Ministry stand advised and anything needed or even an invitation to re-appear before the Committee, he will do it immediately.

However, the Commissioner General (he was asked to stay on as the Ministry of Finance was making the presentation) when he was asked to respond to the issue of cooperation, he seemed to quip that they are meeting but still working on improving the working relationship to make it more seamless.

MIN.NO.23/2012: ANY OTHER BUSINESS

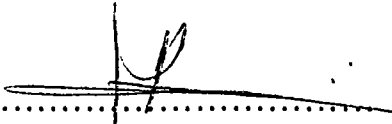
Hon. Alfred Sambu stressed on the importance of the task that is bestowed upon the Committee and told the Ministry of Finance and KRA that if need be they would be called upon to provide further clarification or information.

Hon. Sophia Noor reiterated that the two institutions which had just appeared before the Committee, (KRA and the Ministry of Finance) are very important and that the officers serving there have a duty to instill confidence in the Kenyan public as well as the investors.

The co-chairman of the Joint Committee Hon. Elias Mbau directed both KRA and the Ministry of Finance that they include all issues that were not addressed in their communication to the Committee. He added that certainty in revenue is critical and it is imperative that Kenyans are told the truth regarding the same. Finally, he concluded by saying that a post budget workshop would be organized in August 2012 and that KRA and the Ministry of Finance and other stakeholders would be invited. The co-chairman once again thanked everyone for attending and participating.

MIN.NO.24/2012: ADJOURNMENT

There being no any other business, the meeting ended at 1.40 pm.

Signed.....
(Hon. Elias Mbau, M.P)

Date.....13/09/2012.....

Signed.....
(Hon. Chris Okemo, M.P)

Date.....13/9/2012.....

MINUTES OF THE 6th SITTING OF THE JOINT COMMITTEE OF BUDGET;
PUBLIC ACCOUNTS AND FINANCE, PLANNING AND TRADE ON THE
“*INACCURACIES/INCONSISTENCIES IN TREASURY REVENUE ACCOUNTS*”
HELD ON THURSDAY 19TH JULY 2012 IN THE COMMITTEE ROOM 5TH
FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10.30 AM.

MEMBERS PRESENT

1. Hon. Martin Ogindo, M.P - Chairing
2. Hon. Chris Okemo, M.P
3. Hon. John Mbadi, MP
4. Hon. Emilio Kathuri, M.P
5. Hon. Mosses Lessonet, M.P
6. Hon. Danson Mungatana, M.P
7. Hon. John Mututho, M.P
8. Hon. Jakoyo Midiwo, M.P
9. Hon. Sophia Noor, M.P
10. Hon. David Ngugi, M.P
11. Hon. Jackson Kiptanui, M.P
12. Hon. Lucas Chepkitony, M.P

KENYA NATIONAL ASSEMBLY STAFF

- | | |
|--------------------------|----------------------------------|
| 1. Mr. Fredrick Muthengi | - Fiscal Analyst, PBO |
| 2. Mr. Joash Kosiba | - Fiscal Analyst, PBO |
| 3. Mr. Josephat Motonu | - Fiscal Analyst, PBO |
| 4. Mr. Lewis Mungai | - Junior Legislative Fellow, PBO |
| 5. Ms. Rahab Chepkilim | - Hansard Department |
| 6. Ms. Emma Okok | - Intern, Legal Department |

IN ATTENDANCE

MARS GROUP KENYA

- | | |
|--------------------------|---------------------------------------|
| 1. Mr. Mwalimu Mati | - CEO, Mars Group Kenya |
| 2. Ms. Jayne Mati | - Managing Director, Mars Group Kenya |
| 3. Mr. Danson W. Munyoki | - Mars Group |
| 4. Mr. Michael Otieno | - Mars Group |
| 5. Mr. Kevin Cheruiyot | - Mars Group |
| 6. Mr. Stephen Githika | - Mars Group |
| 7. Mr. Micheal Sila | - Mars group |
| 8. Ms. Jayne Wariko | - Mars Group |

AGENDA

1. Preliminaries/Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. The Processing of the Matter to the Joint Committees on Investigation into the Tax Revenue Accounts Inconsistencies
 - a) Mars Group
5. Any other Business

MIN.NO. 25/2012: PRELIMINARIES

The meeting started with a word of prayer at 12.00 pm. The acting chairman of the Joint Committee welcomed all present to the meeting and thanked them for finding time to attend. Thereafter, introductions were done. The acting chairman gave the background information on the matter under the committee's investigation and invited the Chief Executive of Mars group, to make a presentation as stipulated in the invitation letter. The CEO Mwalimu Mati indicated to the Committee that the Managing Director, Ms. Jayne Mati was the one to make the brief.

MIN.NO.26/2012: SUBMISSION FROM THE MARS GROUP

The Managing Director of Mars Group Kenya Ms. Jayne Mati then began her presentation by stating that out of the revenue of Ksh. 516 billion collected in the FY 2007/08 on 16 accounts, only a paltry Ksh.3.4 billion in 3 accounts were certified by the Auditor General. She gave them as follows:

NO	REVENUE HEAD	AMOUNT (KSH)
1	Property income – profits and dividends	3,133,350,633.5
2	Fines, penalties and forfeitures	158,521,084
3	Taxes on goods and services – royalties	187,799,398
Total		3,479,671,115.5

She proceeded to state that the analysis done show that almost all revenue accounts continue to fail audit tests annually for instance, the amount of money that that was excludes from certification as per the audit report were as shown here below:

- ❖ For the FY 2007/08 a total of Ksh. 498.9 billion approximately comprising of taxes on income, profits and capital gains – Ksh. 164.4 billion, Taxes on goods and services – Ksh. 220.5 billion, taxes on international trade and transactions – Ksh. 7

billion, other taxes not elsewhere classified – Ksh. 1.4 billion, sale of goods and services – Ksh. 38.6 billion, rent of land – Ksh. 0.12 billion, property income – Ksh. 0.27 billion, statement of loan interest receipts – Ksh. 2.8 billion, other receipts not elsewhere classified – Ksh. 9.2 billion, repayments from domestic lending and on-lending – Ksh. 19.8 billion and development revenue – Ksh. 34.8 billion.

- ❖ In the FY 2008/09, a total of Ksh. 215.1 billion was excluded from certification and it comprised of: taxes on income, profits and capital gains – Ksh. 88.6 billion, Taxes on goods and services – Ksh. 8.6 billion, taxes on international trade and transactions – Ksh. 1.7 billion, other taxes not elsewhere classified – Ksh. 0.16 billion, sale of goods and services – Ksh. 21.9 billion, rent of land – Ksh. 0.6 billion, property income – Ksh.7.3 billion, statement of loan interest receipts – Ksh. 28.6 billion, other receipts not elsewhere classified – Ksh. 9.9 billion, repayments from domestic lending and on-lending – Ksh. 24.8 billion and development revenue – Ksh. 23 billion and
- ❖ In the Fiscal Year 2009/10, Ksh. 239.3 was again not certified by the Auditor General. It was composed of taxes on income, profits and capital gains – Ksh. 105 billion, Taxes on goods and services – Ksh. 6.7 billion, taxes on international trade and transactions – Ksh. 1 billion, other taxes not elsewhere classified – Ksh. 0.5 billion, sale of goods and services – Ksh. 9.6 billion, property income – Ksh. 0.4 billion, social security contributions – Ksh. 1 billion, statement of loan interest receipts – Ksh. 31.7 billion, other receipts not elsewhere classified – Ksh. 3.2 billion, repayments from domestic lending and on-lending – Ksh. 13 billion and development revenue – Ksh. 67.6 billion

The Mars Group Kenya Managing Director also informed the Joint Committee that in the Fiscal Year under investigation, a cumulative of 57 audit queries were raised with respect to revenue accounts and added that she is aware of the Ministry of Finance having appeared before the Joint Committee but only addressed 18 audit queries leaving out a 39 of the audit queries unanswered. To emphasize their concern she quoted an extract from paragraph 55 of the audit report for the public accounts and the accounts of the funds of the Republic of Kenya for the year ended June, 2007 which state that “*....am concerned by lack of attention in the preparation of Statements of Revenue as indicated in the reports under each Revenue Head. Many Statements of Revenue reflect differences between figures reflected in the Statements and those reflected in the supporting documents. For example, most of the revenue is collected by KRA but the Receiver of revenue is the Financial Secretary. However the statements of revenue received reflect receipts which materially differ from those reflected in KRA records. They also reflect payments to the Exchequer which differ with amounts reflected in the Exchequer records.*”

Even amounts carried forward differ with those reflected in the relevant statements of assets and liabilities. Such differences are not explained or reconciled and therefore cast doubts on the accuracy of the Statements of Revenue. As a result, many statements of revenue have been excluded from the general certificate....”

She gave five examples of what the audit report contained as the reasons for qualification of the revenue accounts in the Financial Year 2007/08. They are as follows:

- i. Records maintained at KRA differ from Statement of Revenue – specifically paragraph 72 of the report, on income, profits and capital gains, presents a difference of Ksh. 11 billion, on taxes on goods and services, paragraph 79 show a difference of about Ksh. 3 billion and paragraph 84, 0.887 billion. When it comes to other taxes not elsewhere classified, paragraph 88 presents a difference of 51.6 million. On rent of land, 11.4 million and paragraph 115 on sale of goods and services has a difference of about 2 billion, all of which were not explained nor reconciled.
- ii. Payments to the Exchequer differ with accounts reflected in the Exchequer records – she told the Joint Committee that in paragraph 92 of the Audit report, the difference of Ksh. 200.8 billion under the revenue head property income, loan interest receipts from domestic and on-lending was not reconciled nor explained. The same, she said recurs in paragraphs 35, 81, 86, 90, 97, and 105 of the FY 2007 audit report.
- iii. Actual receipts differ with amounts reflected in the Ledger – it was brought to the attention of the Joint Committee that differences of about Ksh. 4.3 billion and Ksh. 2.1 billion in paragraphs 75 and 101 were also not reconciled nor explained and that the same is depicted in paragraphs 80, 85 and 93 of the FY 2007 audit report.
- iv. Amounts carried forward differ with those reflected in the relevant Statement of assets and liabilities – that a difference of about Ksh. 4.5 billion was not reconciled nor explained and the Mars Group Managing Director indicated to the Committee that the same trend is depicted in paragraphs 36, 81, 86, 90, 94, 98, 102 and 106 of the audit report.
- v. Arrears of revenue due unaccounted for – here, statements were not showing details of arrears of revenue due as at 30th April 2008 and as a result the Auditor General, in paragraph 78 of the report, was unable to confirm whether revenue

totaling to about Ksh. 125.2 billion under taxes on income, profits and capital gains was recovered.

The Managing Director of Mars Group pointed out to the Joint Committee that as the Members investigate the revenue inconsistencies, it would be prudent to bear in mind that the role of the Ministry of Finance according to the Government Financial Act, 2004 is such that the Minister is required by law to manage the Consolidated Fund and be responsible for all matters relating to public financial affairs that are not assigned to any other Minister.

Again on the role of the Treasury, she highlighted that the Treasury is mandated by law to establish procedures and systems for proper and effective management of Government money and property; establish accounting procedures and systems from the Government to properly account for Government money and property; prepare and submit accounts for each financial year under the Public Audit Act, 2003 for audit by the Auditor General and also ensure that the accounts so prepared comply with the provisions of the law.

Additionally, she reminded the Committee that according to the Public Audit Act, the Treasury is required to prepare accounts showing fully, the financial position of the government at the end of the year and submit the accounts for auditing within three (3) months after the end of the financial year. The accounts have to include among other things, the statement of receipts and issue from the Exchequer. Also, that the Receiver of Revenue is required to prepare accounts In respect of revenue for which s/he is appointed, and submit the accounts for auditing and the accounts to be submitted are to include statement of receipts and disbursements and statement of arrears of revenue; all that within three (3) months after the end of the financial year. Ultimately, the Auditor General is required to examine the documents so submitted and audit the accounts and gives an opinion stating whether all information and explanations necessary for audit are received; proper records are maintained; the accounts are in agreement with the records and whether the accounts reflect the fair financial position of the government.

On the issue of reporting of actual revenue receipts, the Managing Director of Mars Group indicated to the Committee that it appears the Ministry of Finance has been keeping different sets of books for revenue collected and that it appears to be in what she termed as an intricate web of a possible cover up and deception as it continues to present different revenue figures to both the Auditor General and Parliament. She termed shocking the fact that in June, 2009; a month after receiving the then Controller and Auditor General's signature on the Exchequer Account for the FY 2007/08, the Minister for Finance presented a totally different revenue figures to Parliament. For instance, that

Ordinary Revenue was Ksh. 397.6 billion while the Exchequer account records showed Ksh. 496 billion, a difference of Ksh. 98.5 billion of revenue under declaration to Parliament; total loans was Ksh. 26.7 billion while the Exchequer records had Ksh. 20.1 billion, a difference of Ksh. 6.6 billion of revenue receipts overstated to Parliament; miscellaneous revenue was Ksh. 7.6 billion while the Exchequer account records had about Ksh. 16 billion, an understatement of Ksh. 8.6 billion; net domestic borrowing by the Central Bank was presented as Ksh. -13.9 billion while the Exchequer recorded Ksh. 0.00. This possibly indicates a net domestic borrowing that does not exist! Also, income tax from corporations was presented as Ksh. 79.1 billion whereas the Exchequer record was showing Ksh. 86.7 billion, a difference of about Ksh. 7.6 billion. Therefore, the presenter wondered why this was the state of affairs and whether the under-declaring of revenue to Parliament was likely to create a gap where such revenue goes missing.

The presenter, Managing Director of the Mars Group, went ahead to point out that the estimates of revenue as tabled in Parliament by the Minister for Finance which reflect the final revised estimates of revenue differs at every revenue line item from the estimates of revenue as captured by the then Controller and Auditor General at that time. Therefore, she pointed out to the Committee that the Minister cannot alter the approved revised estimates of revenue as he did at that time, a situation she termed very serious and grave. She gave a rundown of differences in revenue estimate figures. For instance, using the final revenue figures of Ksh. 558 billion as approved by Parliament against original estimates of Ksh. 522.4 billion as captured in the audit report for the FY 2007/08 gives an under-collection of about Ksh. 36 billion. Using actual revenue of Ksh. 494.4 billion as captured in the FY 2008/09 budget estimates on June 2009, it shows an under-collection of Ksh. 28 billion and finally, using actual revenue of Ksh. 516 billion in the Exchequer account as captured by the Auditor General, depicts an under-collection of about only Ksh. 6.3 billion.

She expressed her concern on the fact that there appear to be many possible revenue positions in the same financial year and also that even the Auditor General might as well not be able to reflect the actual revenue position of the government. Therefore, she told the Committee that Kenyans expect answers from the Minister on how many revenue accounts failed the audit test and reasons for that; whether the actual revenue receipts as reported to Parliament faithfully reflect the actual receipts as captured by the then Controller and Auditor General in the Exchequer account and also, whether the revised estimates of revenue tabled in Parliament reflect the actual approval given by Parliament. In addition, a detailed response need to be given from the Ministry of Finance on each of the 57 audit queries and a supporting memorandum as well as a certificate from the

Auditor General clearing each of the issues according to the international accounting standards.

To end her presentation, she presented a number of recommendations to the Committee as follows:

- ❖ That an independent forensic audit into the revenue accounts of the Government of Kenya for the FY's 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 be commissioned and conducted so as to determine the true revenue position of the Government.
- ❖ The immediate withdrawal of all falsified documents tabled in Parliament and a special resolution to re-submit for adoption of accurate ones.
- ❖ That the Committee recommend immediate retirement of the accounting officer in the ministry who are responsible for collection and accounting for failing in their work and misleading Parliament
- ❖ That the Committee recommends the implementation of the National Assembly resolution of the year 2009 that independent forensic audit be done by an independent body to look into past three years of the National Budget including the Consolidated Fund Services to determine whether there might have been other inaccuracies or inconsistencies.
- ❖ The Committee recommends the involvement of the Controller of Budget as per the constitutional mandate.

She concluded her presentation by stating that Mars Group Kenya had appeared before the Committee in good faith and that it was because they believe in Parliament democracy and accountability, also that they do and shall continue doing that when required. She thanked the Committee for the opportunity granted to make the presentation.

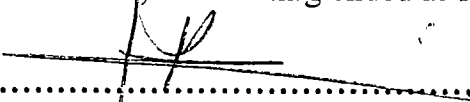
Members Reactions

Members present thank Mars Group for making such an enlightening presentation. The Members were concerned that the issues raised by the witness are weight and may require further clarification from Treasury and Auditor- General. They were worried that despite the assurance by the Treasury, the variances/inconsistencies in revenue have continued even in successive years. They promised to look into the new issues and recommendations raised by Mars Group and take necessary action

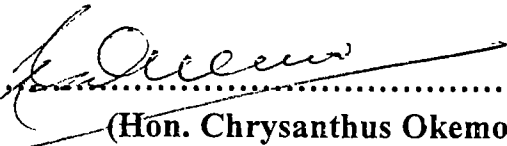
Finally, Hon. Martin Ogindo, who was chairing the meeting thanked all for attending and making contribution.

MIN.NO.27/2012: ADJOURNMENT

There being no any other business, the meeting ended at 1.40 pm.

Signed.....
(Hon. Elias Mbau, M.P)

Date..... 13/09/2012

Signed.....
(Hon. Chrysanthus Okemo, M.P)

Date..... 13/9/2012

MINUTES OF THE 7th JOINT SITTING OF THE BUDGET,
FINANCE AND PUBLIC ACCOUNTS COMMITTEES HELD ON
THURSDAY, 6TH SEPTEMBER 2012. IN THE COMMITTEE ROOM,
1ST FLOOR COUNTY HALL PARLIAMENT AT 11.00AM

PRESENT

- 1) Hon. Elias Mbau, M.P. – Co - Chairperson
- 2) Hon. Chris Okemo, M.P. – Co-Chairperson
- 3) Hon. Jackson K. Kiptanui, M.P.
- 4) Hon. Martin Ogindo, M.P.
- 5) Hon, Abdul Bahari, M.P.
- 6) Hon. Danson Mungatana, M.P.
- 7) Hon. Adan Keynan, M.P.
- 8) Hon. Moses Lessonet, M.P.
- 9) Hon. John Mbadi, M.P.
- 10) Hon. Sophia Noor, M.P.
- 11) Hon. Emilio Kathuri, M.P.

In Attendance

- | | |
|--------------------------|-------------------------------|
| 1) Mr. Fredrick Muthengi | - Parliamentary Budget Office |
| 2) Mr. Gilbert Kipkirui | - Parliamentary Budget Office |
| 3) Mr. Benjamin Ngimor | - Parliamentary Budget Office |
| 4) Mr. Erick Kanyi | - Parliamentary Budget Office |

AGENDA

- 1) Preliminaries/Confirmation of Agenda
- 2) Adoption of Report on Inconsistencies
- 3) Any Other Business

MIN. NO. 28/2012: PRELIMINARIES

The meeting started with a word of prayer at 11.20 am. The Chairman of the Budget Committee welcomed all present to the meeting.

MIN.NO. 29/2012: ADOPTION OF THE REPORT ON
INCONSISTENCIES

The meeting was informed that report had been circulated to all members of the Joint Committee. It was observed that it had been difficult to raise a majority of members to adopt the report given the members' busy schedules. Members observed tabling of the report was long overdue and should have been tabled latest early August 2012. It was noted that the Joint Committee should complete its task within the provided time period and that no further extension would be sought.

After lengthy deliberations, members agreed to table a minority report. The committee went clause by clause of the report and unanimously adopted the report. The secretariat was urged to prepare the report for tabling the next week.


MIN. NO. 30/2012: Any Other Business

The Chair of Defense and Foreign Relations Committee informed the meeting that the recommendations of the Departmental Committee were not considered in the final 2012/13 budget even after the House has approved the recommendations. It was noted that the Treasury ought to implement all resolutions of the House without exceptions.

The Secretariat was urged to prepare a summary of budget allocations for each agency as resolved the House for discussion in the next meeting.

MIN.NO. 31/2012: ADJOURNMENT

Members of the Budget Committee were informed that the next meeting was scheduled for 13th September 2012. There being no any other business, the meeting ended at 12.00 pm.

Signed.......... Date.....13/09/2012.....
(Hon. Elias Mbau, M.P)

Signed.......... Date.....13/9/2012.....
(Hon. Chris Okemo, M.P)

Paper tabbed on
17/9/12. at 230pm
by Hon. Sambu on
behalf of the Budget
Committee

AS

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT-FOURTH SESSION

JOINT COMMITTEE OF THE BUDGET COMMITTEE AND
DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING AND TRADE

REPORT ON INACCURANCIES/INCONSISTENCIES IN
TREASURY TAX/REVENUE ACCOUNTS FOR 2007/2008

SEPTEMBER, 2012

VOLUME II - APPENDICES

2

PRESENTATION TO THE JOINT COMMITTEE ON INVESTIGATION OF
THE STATUS OF REVENUE ACCOUNTS OF GOVERNMENT OF KENYA
FOR 2007/2008
BY THE FINANCIAL SECRETARY, MINISTRY OF FINANCE
ON 12TH JULY, 2012

Mr. Chairman, following your invitation to appear before the Joint Committee to explain the causes of any material differences that might have been queried by the Controller and Auditor-General in the Report for Financial Year 2007/2008, I wish to provide explanations on the same as follows:

Qualified Revenue Statements for Financial Year 2007/2008

It is true that after auditing the Revenue Accounts for the Financial Year 2007/2008 the Controller and Auditor-General certified three accounts as correct while the remaining thirteen (13) revenue statements were not certified during the year under review. The accounts that were accepted and certified included the following:

1. Revenue Head 1410000 - Property Income, Sub-head 1410200 - Profits and Dividends
2. Revenue Head 1430000 - Fines, Penalties and Forfeitures, Sub-head 1430100 - Fines, Penalties and Forfeitures and Other Charges
3. Revenue Head 1140000 - Taxes on Goods and Services, Sub-head 1140600 - Royalties (including Mining Revenue)

The remaining thirteen (13) revenue statements were qualified by the Auditor-General due to one or more of the following reasons:

1. Timing differences between revenues received by KRA, the revenue-holding account at the Treasury and the Exchequer account
2. Uncaptured receipts and posting errors in the revenue ledger accounts; and
3. Unavailability of reconciliation statements by the time the audit was being concluded.

I wish to assure the Committee that these anomalies were addressed through reconciliations which were later availed to the Auditor-General for audit review and were confirmed correct. This demonstrates that the revenue statements were not qualified because of fraud or loss of money but due to pending reconciliations which were later satisfactorily finalized. Please find copies of reconciliation statements regarding which the Auditor-General had raised issues, marked as Appendix No. 1,

for evidence. I wish to clarify further that these issues were presented before the Public Accounts Committee, together with the reconciliations and were fully interrogated and investigated.

Actual Revenue Receipts for Financial Year 2007/2008

Mr. Chairman, Sir, I wish to confirm to this Committee that the actual revenue received into the Exchequer during Financial Year 2007/2008 against all the revenue accounts was Kshs.516,108,407,205.15. This was the final revenue position after all Receivers of Revenue had remitted the collections for the year, availed supporting documents for the same and reconciliations had also been done on the same. This is the revenue position that was reported to Parliament by the Controller and Auditor-General (Appendix No. 2).

Inconsistency between Printed Revenue Estimates and Actual Exchequer Position for Financial Year 2007/2008

The Ministry presented to the House the Estimates of Revenue for Financial Year 2009/2010, which incorporated the interim position of actual receipts for 2007/2008, amounting to Kshs.446,098,740,921.00, compared to the final audited receipts of Kshs.516,108,407,205.15 (a shortfall of Kshs.70,009,666,284.15).

It is regretted that the actual receipts as reflected in the Printed Revenue Estimates tabled in Parliament in June, 2009 did not capture the final audited revenue position and the Ministry has since ensured that future revenue estimates will only reflect the actual audited final revenue position and not the initial raw data on the same. Mr. Chairman, Sir, further analysis between Printed Revenue Estimates and actual receipts as per the Exchequer has been done and reasons for the variances provided as Appendix No. 3 for further evidence. I have also enclosed a schedule comparing the actual receipts as per the Exchequer and actual receipts as per KRA together with remarks on causes of the variances as Appendix No. 4 for further clarification.

I wish to assure the Committee, Mr. Chairman, Sir, that the procedures adopted for revenue collection do not allow for withdrawal of cash for expenditure while in transit. Hence all revenue collected progressively moves from the collection accounts with the Receivers of Revenue to the Exchequer Account without leakages in between. No revenue was, therefore, lost during the year under focus.

Interventions

Mr. Chairman, Sir, the Ministry of Finance has put in place the following interventions to ensure that revenue collections are accurately captured and reported, both to Parliament and to the public:

1. The Treasury, KRA and other Receivers of Revenue have embarked on monthly revenue reconciliations aimed at clarifying any variations in a timely manner.
2. The Auditor-General has been enabled to track Exchequer inflows and data on a continuous basis, up to and including the final collection date of the year.
3. The Ministry, through its Audit Committee/Task Force closely liaises with the Auditor-General's office to ensure timely provision of required documents, data and explanations to avoid audit observations escalating into major audit issues.
4. The actual revenue data to be published in the Estimates of Revenue will be based on audited the final revenue position to ensure consistency of data being availed to both Parliament and the public.
5. The Ministry is computerizing its financial management systems and soon a revenue management module will be developed and integrated with the reengineered IFMIS. It is expected that online revenue management will avoid inconsistencies and inaccuracies in revenue, data and reports. It will also enable online interrogation on the status of revenue by the public.

With the above remarks, Mr. Chairman, Sir, I wish to assure the members of the Committee and the public at large that public revenue is being managed properly by the various Receivers of Revenue under the supervision of the Treasury. Thank you.



MUTUA KILAKA, CBS, SS
FINANCIAL SECRETARY AND ACCOUNTING OFFICER FOR VOTE 7

Appendix I

AUDIT QUERY 2007/2008

PARAGRAPH 1

(REF AA 51/2007/2008)

REVENUE HEAD 1140000 - TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2008

PAID AND OTHER TAXES

Records maintained by Kenya Revenue Authority show that a total of Kshs. 166,152,969,569.00 (inclusive of 5% LATF) was collected as follows:-

	AMOUNT
PAID	166,152,969,569.00
OTHER INCOME	80,012,729,460.00
	<u>166,152,969,569.00</u>

On the other hand however, the statement reflects actual receipts of Kshs. 177,555,275,349.45 comprising ~~PAID OF KSHS. 81,680,929,280.20~~ other income Tax of Kshs. 86,695,983,472.40 and income Tax share of LATF of Ksh. 9,178,362,642.85 (5%). The resultant difference of Kshs. 11,402,305,780.45 has not been reconciled or explained.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

**KENYA REVENUE AUTHORITY
DOMESTIC TAXES DEPARTMENT**

PAYE

FINANCIAL YEAR 2007/2008
BANK RECONCILIATION

Balance as per KRA Report (Cashbook)
(See Appendix 1)
For the Financial Year 2007/2008

02.07.07	Previous yr (2007/2008) collections transferred in July 2008	23,520,039.25
Add	TSC collections reported on 30.06.07	584,441,056.15
	Telkom 30.06.07 reported separately	25,861,294.00
	Adjustments	861,213.46
		<u>634,683,602.86</u>
Less	Cash in transit	(58,223,070.95)

TOTAL CBK BANKINGS FOR THE FINANCIAL YEAR 2007/2008
(See Appendix 2)

ADD	02.07.07	Amount in Treasury not in CBK	294,221,346.40
	25.09.07	Amount in Treasury not in CBK	53,833,249.10
	17.08.07	Amount in Treasury not in CBK	156,886,409.15
	27.03.08	Amount in Treasury not in CBK	147,834,563.50
	20.06.08	Amount in Treasury not in CBK	1,000.00
			<u>652,776,568.15</u>

LESS	27.08.08	Amount in CBK not in Treasury	817,645.02
	17.08.08	Amount in CBK not in Treasury	71,708,011.72
	07.09.08	Amount in CBK not in Treasury	51.30
	01.10.08	Amount in CBK not in Treasury	1,000.00
	10.03.08	Amount in CBK not in Treasury	75.98
	27.03.08	Amount in CBK not in Treasury	156,384,468.50
	30.06.08	Cash in transit	1,099,552,018.25
	2007-2008	LATF 5%	4,335,835,031.95
		Amount in CBK not in Treasury	24,249,674.92
			<u>1.22</u>
			<u>(5,688,547,978.86)</u>

TREASURY AMOUNT AS AT THE CLOSURE
(See Appendix 3)

86,716,700,640.91

86,140,240,109.00

81,680,929,230.20

KENYA REVENUE AUTHORITY
DOMESTIC TAXES DEPARTMENT

PAYE

FINANCIAL YEAR 2007/2008
 BANK RECONCILIATION

Balance as per KRA Report (Cashbook)
 (See Appendix 1)
 For the Financial Year 2007/2008

86,140,240,109.00

02 07 07	Previous yr (2007/2008) collections transferred in July 2008	23,520,039.25
Add	TSC collections reported on 30.06.07	584,441,056.15
	Teikom 30.06.07 reported separately	25,861,294.00
	Adjustments	851,213.46
		<u>634,683,602.86</u>

Less	Cash in transit	(58,223,070.95)
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TOTAL CBK BANKINGS FOR THE FINANCIAL YEAR 2007/2008

86,716,700,640.91

(See Appendix 2)

ADD	02 07 07	Amount in Treasury not in CBK	294,221,346.40
	25 09 07	Amount in Treasury not in CBK	53,833,249.10
	17 08 07	Amount in Treasury not in CBK	156,886,409.15
	27 03 08	Amount in Treasury not in CBK	147,834,563.50
	20 06 08	Amount in Treasury not in CBK	1,000.00
			<u>652,776,568.15</u>

LESS	27 08 08	Amount in CBK not in Treasury	817,645.02
	17 08 08	Amount in CBK not in Treasury	71,708,011.72
	07 09 08	Amount in CBK not in Treasury	51.30
	01 10 08	Amount in CBK not in Treasury	1,000.00
	10 03 08	Amount in CBK not in Treasury	75.98
	27 03 08	Amount in CBK not in Treasury	156,384,468.50
	30 06 08	Amount in CBK not in Treasury	1,099,552,018.25
	2007 -2008	Cash in transit	4,335,835,031.95
		LATF 5%	24,249,674.92
	25 09 07	Amount in CBK not in Treasury	1.22
			<u>(5,688,547,978.86)</u>

TREASURY AMOUNT AS PER THE QUERY

81,680,929,230.20

(See Appendix 2)

Appendix 3

KENYA NATIONAL AUDIT OFFICE



REPUBLIC OF KENYA

Telegraphic Address:
NAIROBI - KENYA
FAX No.
Telephone: 342360
When replying, please quote

P.O. Box 30084 -00100
NAIROBI

① File
② Copy - Wanyonyi
for response report
A/2/08

Ref: AA51/2007/2008
And date:

4 December 2008

The Financial Secretary,
Ministry of Finance,
P.O. Box 30007,
NAIROBI



Att: Senior Principal Accounts Controller

STATEMENT OF REVENUE HEAD 1110000 - TAXES ON INCOME, PROFITS AND CAPITAL GAINS FOR THE YEAR ENDED 30 JUNE 2008

The audit of the above Revenue Statement revealed the following issues which are brought to your attention for comments and necessary action.

- ① Variations between figures in the Revenue Statement and Kenya Revenue Authority records. *A. Kijaji/1/08*

Records maintained by Kenya Revenue Authority show that a total of Kshs. 166,152,969,569.00 (Inclusive of 5% LATF) was collected as follows:-

	<u>Amount (Kshs.)</u>
PAYE	86,140,240,109.00 → 5
Other Income Tax	80,012,729,460.00 →
Total	<u>166,152,969,569.00 /</u>

On the other hand however, the Statement reflects actual receipts of Kshs. 177,555,275,349.45 comprising PAYE of Kshs. 81,680,929,230.20, Other Income Tax of Kshs. 86,695,983,472.40 and Income Tax share of LATF of Kshs. 9,178,362,642.85. The resultant difference of Kshs. 11,402,305,780.45 has not been explained or reconciled.

AUDIT QUERY 2007/2008

PARAGRAPH 1

(REF AA 51/2007/2008)

REVENUE HEAD 1110000 – TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2008.

PAYE AND ~~OTHER TAXES~~

Records maintained by Kenya Revenue Authority show that a total of Kshs. 166,152,969,569.00 (inclusive of 5% LATF) was collected as follows:-

	AMOUNT
PAYE	86,140,240,109 00
OTHER TAXES	80,012,729,460 00
	<hr/>
	166,152,969,569 00

On the other hand however, the statement reflects actual receipts of Kshs. 177,555,275,349.45 comprising PAYE of Kshs. 81,680,929,230.20, ~~Other taxes of Kshs. 86,695,983,472.40~~ and income Tax share of LATF of Ksh. 9,178,362,642.85 (5%). The resultant difference of Kshs. 11,402,305,780.45 has not been reconciled or explained.

Appendix 3

KENYA NATIONAL AUDIT OFFICE



REPUBLIC OF KENYA

Telegraphic Address:
NAIROBI - KENYA
FAX No.
Telephone: 342360
When replying please quote

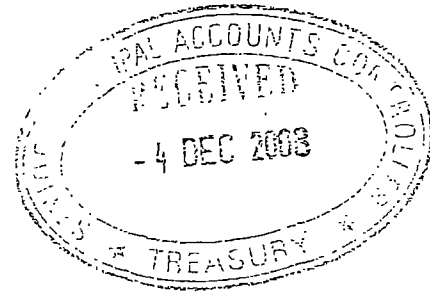
P.O. Box 30084-00100
NAIROBI

① File
② Copy - Wainyana
for report (urgent)
H/12/08

Ref: AA51/2007/2008
And date:

4 December 2008

The Financial Secretary,
Ministry of Finance,
P.O. Box 30007,
NAIROBI



Att: Senior Principal Accounts Controller

STATEMENT OF REVENUE HEAD 1110000 - TAXES ON INCOME, PROFITS AND CAPITAL GAINS FOR THE YEAR ENDED 30 JUNE 2008

The audit of the above Revenue Statement revealed the following issues which are brought to your attention for comments and necessary action.

- ① Variations between figures in the Revenue Statement and Kenya Revenue Authority records. *W. Kijaji/12/08*

Records maintained by Kenya Revenue Authority show that a total of shs.166,152,969,569.00 (Inclusive of 5% LATF) was collected as follows:-

	Amount (Kshs.)
PAYE	86,140,240,109.00 → 5
Other Income Tax	80,012,729,460.00 →
Total	<u>166,152,969,569.00</u> ✓

On the other hand however, the Statement reflects actual receipts of Kshs 177,555,275,349.45 comprising PAYE of Kshs. 81,680,929,230.20, Other Income Tax of Kshs. 86,695,983,472.40 and Income Tax share of LATF of Kshs. 9,178,362,642.85. The resultant difference of Kshs 11,402,305,780.45 has not been explained or reconciled.

OTHER TAXES

KENYA REVENUE AUTHORITY

DOMESTIC TAXES DEPARTMENT

2007/2008 FINANCIAL YEAR REPORT

BANK RECONCILIATION

TOTAL COLLECTIONS AS PER KRA REPORT

80,012,729,460.57

(Appendix 1)

ADD: Provisions for the year

Amount for Telkom reported separately

11,518,961,560.00

91,531,691,020.57

LESS: Cash in Transit

24.08.07	Amount double counted in KRA report	15,368,608.75
30.02.08	Amount double counted in KRA report	54,569,927.20
30.06.08	Overstated revenue collections on 30th June 2008	1,353,190.22
31.05.08	report adjustment	<u>17,686,611.40</u>

(88,978,337.57)

TOTAL CBK BANKINGS FOR THE FINANCIAL YEAR 2007/2008

91,442,712,683.00

(See Appendix 2)

ADD:

02.07.07	Cash in transit 30.06.07	313,897,012.20
02.07.07	Cash in transit 30.06.07	498,809,821.06
04.07.07	Receipts in Treasury and not in CBK	36,023,923.85
23.07.07	Receipts in Treasury and not in CBK	27,639,099.10
16.08.07	Receipts in Treasury and not in CBK	71,708,011.70
03.09.07	Receipts in Treasury and not in CBK	14,911,585.45
04.09.07	Receipts in Treasury and not in CBK	74,079,675.60
24.09.07	Receipts in Treasury and not in CBK	24,249,674.90
26.09.07	Receipts in Treasury and not in CBK	326,052,237.70
02.01.08	Receipts in Treasury and not in CBK	26,845,333.15
07.02.08	Receipts in Treasury and not in CBK	330,226,810.95
19.02.08	Receipts in Treasury and not in CBK	21,621,947.70
28.09.07	Receipts in Treasury and not in CBK	47,338,578.70
24.08.07	Receipts in Treasury and not in CBK	59,893,476.00
30.06.08	Casting cents	10.00

1,873,297,198.06

LESS:

03.07.07	Receipts in CBK and not in Treasury	46,957,470.06
04.07.07	Receipts in CBK and not in Treasury	38,491,004.00
23.07.07	Receipts in CBK and not in Treasury	26,913,149.05
16.08.07	Receipts in CBK and not in Treasury	165,143,588.55
29.08.07	Receipts in CBK and not in Treasury	40,156,149.02
31.08.07	Receipts in CBK and not in Treasury	83,069,757.88
03.09.07	Receipts in CBK and not in Treasury	43,992,430.95
04.09.07	Receipts in CBK and not in Treasury	15,696,405.75
24.09.07	Receipts in CBK and not in Treasury	56,666,478.85
25.09.07	Receipts in CBK and not in Treasury	42,890,478.85
26.09.07	Receipts in CBK and not in Treasury	299,161,092.42
01.10.07	Receipts in CBK and not in Treasury	43,428,469.29
02.01.08	Receipts in CBK and not in Treasury	30,267,723.60
07.02.08	Receipts in CBK and not in Treasury	25,486,847.15
19.02.08	Receipts in CBK and not in Treasury	339,079,511.65
19.03.08	Receipts in CBK and not in Treasury	190.00
30.06.08	Cash in Transit	217,275,261.15
30.06.08	Cash in Transit	273,919,028.10
2007/2008	Provisions for refunds	150,000,000.00
2007 -2008	LATF of 5%	4,547,575,919.69
28.09.07	Receipts in CBK and not in Treasury	55,440,879.70
24.08.07	Receipts in CBK and not in Treasury	<u>78,414,572.95</u>

(6,620,026,408.66)

TOTAL TREASURY RECEIPTS AS PER THE QUERY

86,695,983,472.40

(See Appendix 3)

QUERY 2007/2008

PARAGRAPH 3

(REF AA 50/2007/2008)

REVENUE HEAD 1420000 - SALE OF GOODS AND SERVICES STATEMENT OF REVENUE FOR THE YEAR ENDED 30TH JUNE 2008

FEES UNDER TRAFFIC ACT

Records maintained by the Kenya Revenue Authority show a total of Kshs 1,948,026,533.65 was collected under item 1420201 - Fees under Traffic Act as follows:-

	Ksh.
Road Safety Council (640)	206,583,545.00
Second Hand Purchase Tax (722)	269,745,378.00
Registration and Transfer Fees (740)	577,952,296.00
Road Licences (751)	108,398,128.00
Driving Licence (752)	627,037,980.00
T.L.B Licences (753)	70,412,824.00
Subtotals	<u>1,859,830,151.00</u>
Traffic Fees	89,996,717.00
Subtotals	<u>1,949,826,868.00</u>
Less Agency Fees (KRA)	1,799,934.34
TOTALS	<u>1,951,626,802.34</u>

On the other hand the statement reflects actual receipts of Kshs. 1,880,336,872.75 for the same year leading to unexplained and non reconciled difference of Kshs 67,690,060.91 between two records.

KENYA REVENUE AUTHORITY
 BANK RECONCILIATION STATEMENT
 For the Financial Year 2007/2008
 Traffic Revenue
 DEPT: ROAD TRANSPORT

Balance as per KRA Report (Cashbook)			1,948,026,933.66
ADD			
Mispostings and adjustment			
Understated Traffic Fees (114,330,425+146,126,365-89,996,717)	Appendix I -(a)	170,460,073.00	
LESS			
Overstatement by Treasury of Road Licences (751) - (9,108,398,128-98,748,485)	Appendix I -(b)	9,649,643.00	
Agency Fees (KRA)	Appendix I -(c)	<u>3,409,201.46</u>	13,058,844.46
Adjusted KRA Cashbook (Gross Collections for the Financial Year)			2,105,428,162.20
Amount Banked in Refund Account 04-010-135	Appendix II		(213,508,107.00)
Balance Brought Forward from June 2007, Banked in July 2007			(11,436,386.70)
Mispostings	Appendix III		(146,795.75)
TOTAL AMOUNT AS PER TREASURY REPORT (AS PER THE LEDGER)			1,880,336,872.75
Amount in CBK not in Treasury Report			(105,679,121.90)
Total Bankings as per CBK Statements as at 30/06/2008 -	Appendix IV		1,986,015,994.65

NB :
 Traffic Revenue is collected by both Registrar of Motor Vehicles main collection account 04-010-134 and Registrar of Motor Vehicles payment account 04-010-135.

The Variance between the KRA Reported Cashbook amount and the CBK receipts Statements amount is as a result of revenue collected by RMV Payment account 04-010-135, which being a refunds account to KRA's AIA and the Commissioner of Police, also collects Agency Taxes ; Driving Test Application fees (601) and Motor Vehicles Inspection fees(651).

AUDIT QUERY 2007/2008

PARAGRAPH 1 AND 4

(REF AA 64/2007/2008)

REVENUE HEAD 1140000 - TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2008.

EXCISE DUTY (NET)

KRA records - Ksh. 34,049,962,824.00

Treasury Receipts - Ksh. 61,857,468,348.75

Difference - 27,807,505,524.75

-

BANK RECONCILIATION STATEMENT

Financial year 2007/2008

Excise Duty- A/C 04-010-0175 (REF AA 64/207/208 PARA 1)

DEPT CUSTOMS SERVICES

Balance as per KRA Report (Cashbook)	34,045,102,824.00
ADD: 2007/2008 Provision for refunds (200M*12Months)	2,400,000,000.00
Excise Duty Dom- A/C 04-010-0299	22,069,619,754.75
Excise Duty Airtime- A/C 04-010-0233	6,397,484,549.75
	<hr/>
	64,917,067,168.00

(copy of the Monthly/Financial cumulative report is attached) Appendix 1

LESS: ii Receipts in the Cash Book/KRA- Customs report not in the Bank Statement

30.6.07	Cash in transit 30 06 07	211,679,067.00
30.6.07	Cash in transit 30 06 07	98,378,245.00
30.6.07	Cash in transit 30 06 08	57,500,742.00
11.6.08	VAT Misreported in Excise duty Account	25,271,307.00
17.9.07	Excise Duty misposted to VAT Account	1,115,620.00
17.9.07	Excise misposted to Import Duty Account	164,351,740.00
30.6.08	Excise misposted to Import Duty Account	12,679.00
28.2.08	Excise Duty misposted to VAT Account	59,570.00
30.6.08	NBK adjustment	1,595,901.94
	Casting error in the Report	2,256,420.00
Excise Duty Dom- A/C 04-010-0299		
	Collections for 2006/2007 FY Transferred (Cash in transit)	1,206,122.65
	Adjusted Excise Domestic from VAT	388,549,520.00
		1.36
		<hr/>
		(951,976,935.95)

ADD: iii Receipts in the Bank Statement not in the Cash Book/ KRA - Customs Report

	Collections for 2006/2007 FY Transferred	611,541,699.00
10.6.08	Import Misposted to Excise duty A/c	666,472.00
4.6.08	Import Misposted to Excise duty A/c	787.00
10.6.08	Misposted Import Duty	23,082,083.00
16.4.08	Misposted Import Duty	212,904.00
4.12.07	JKIA adjustment	1,031.00
11.6.08	NBK adjustment	2,938.00
10.6.08	Revenue initially misreported by PCA now corrected	8,816,428.00
25.03.08	Revenue initially misreported by PCA now corrected	1,060,716.00
Excise Duty Dom- A/C 04-010-0299		
	Backdated collections	680,282.90
		<hr/>
		646,265,340.90

Total Central Bank balance as at 30.06.08

 64,611,355,572.95

Cntd

Total Central Bank balance as at 30 06.08

 64,611,355,572.95

(A copy of monthly bankings summary for the year 2007/2008 is attached)

Appendix 2

LESS:	Receipts in CBK and not Treasury	115,576,438.00
5 7 07	Receipts in CBK and not Treasury	137,868,646.00
9 7 07	Receipts in CBK and not Treasury	31,762,929.00
1 10 07	Receipts in CBK and not Treasury	133,523,805.00
2 10 07	Receipts in CBK and not Treasury	160,957,197.00
3 10 07	Receipts in CBK and not Treasury	52,256,014.00
21 12 07	Receipts in CBK and not Treasury	372,959,841.00
30 6 08	Receipts in CBK and not Treasury	445,199,584.00
	Receipts in CBK and not Treasury(refunds)	2,000,000,000.00
	2007/2008 FY Collections(cash in transit)	30,129,026.50
	Adjustment	4,784,292.00
10 7 07	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000.00
7 8 07	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000.00
11 9 07	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000.00
19 10 07	Receipts in CBK and not Treasury(transferred to payment A/c)	11,273,900.00
9 11 07	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000.00
11 12 07	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000.00
3 1 08	Receipts in CBK and not Treasury(transferred to payment A/c)	500,000.00

5 2 08	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000 00
5 4 08	Receipts in CBK and not Treasury(transferred to payment A/c)	1 000 000 00
5 5 08	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000 00
12 06 08	Receipts in CBK and not Treasury(transferred to payment A/c)	1,000,000 00
20 6 08	Receipts in CBK and not Treasury(transferred to payment A/c)	76,661,087 25
28 9 07	Receipts in CBK and not Treasury	6,982,805 95
18 1 08	Receipts in CBK and not Treasury	3,828,490 40
1 2 08	Receipts in CBK and not Treasury	13,813,553 60
5 2 08	Receipts in CBK and not Treasury	13,635 85
6 2 08	Receipts in CBK and not Treasury	4,660,320 00
7 2 08	Receipts in CBK and not Treasury	4,704 90
8 2 08	Receipts in CBK and not Treasury	61,020 00
11 2 08	Receipts in CBK and not Treasury	8,683,091 00
12 2 08	Receipts in CBK and not Treasury	102,020 00
13 2 08	Receipts in CBK and not Treasury	4,168,697 25
14 2 08	Receipts in CBK and not Treasury	60,000 00
15 2 08	Receipts in CBK and not Treasury	53,025 00
18 2 08	Receipts in CBK and not Treasury	1,958,458 00
19 2 08	Receipts in CBK and not Treasury	628,806 70
20 2 08	Receipts in CBK and not Treasury	49,254,045 00
20 3 08	Receipts in CBK and not Treasury	96,210,376 75
		<u>(3,775,165,810 15)</u>

01 07 08	2006/2007 FY Collections(cash in transit)	326,932,847 00
2 07 07	2006/2007 FY Collections(cash in transit)	73,964,700 00
	Receipts in Treasury and not CBK	53 465,084 00
	Receipts in Treasury and not CBK	11,767,097 95
	Receipts in Treasury and not CBK	21,638,841 00
	Receipts in Treasury and not CBK	68,537,734 00
ADD:	Receipts in Treasury and not CBK	372,959,841 00
	Receipts in Treasury and not CBK	36,299,275 70
	Receipts in Treasury and not CBK	55,513,165 30

1,021,278,585.95

THE TREASURY FIGURE AS PER THE ATTACHED SHEDULES OR THE CASHBOOK
(Appendix 4)

61,857,468,348.75

(Attached also is the analysis of the CBK bankings against the Treasury report)
(Appendix2)

QUERY 2007/2008

PARAGRAPH 1 AND 4

(REF AA 60/2007/2008)

REVENUE HEAD 1140000 - TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2008.

IMPORT DUTY (NET) AND IDF

The statement reflects actual receipts of Kshs. 45,857,772,816.60 comprising of Custom Duties of Kshs. 32,944,348,580.05 and other Taxes on International Trade and Transactions of Kshs. 12,913,424,236.55.

On the other hand records maintained by the Kenya Revenue Authority show that a total of Kshs. 44,970,088,516.00 was collected as follows:-

<u>Revenue item</u>	<u>Amount (Kshs.)</u>
Import Duty (Net)	32,539,472,977.00
IDF	12,430,613,539.00
TOTALS	<u>44,970,088,516.00</u>

The difference of kshs. 887,684,300.60. Attached herein are reconciliations for the two accounts.

KENYA REVENUE AUTHORITY

BANK RECONCILIATION STATEMENT

For the Financial year 2007/2008
 Import Duty A/C 04 4304124 (PPT AA 60/2007/2008 PARA 7)
 DEPT: CUSTOMS SERVICES

Balance as per KRA Report (Cashbook)	12,539,472,977.00
ADD: 2007/2008 Provision for refunds (20M*12Months)	240,000,000.00
2007/2008 Exemptions monies meant to be recovered from Treasury	730,000,000.00
	<u>33,009,472,977.00</u>

(copy of the Monthly/Financial cumulative report is attached) Appendix 1

LESS: ii	<u>Receipts in the Cash Book/KRA- Customs report not in the Bank Statement</u>	
30.6.08	Cash in transit 30.06.08	23,420,154.00
30.6.08	Cash in transit 30.06.08	241,837,172.00
30.6.08	Cash in transit 30.06.08	572,415.00
30.6.08	Cash in transit 30.06.08	24,163,644.00
30.6.08	Cash in transit 30.06.08	934.00
10.6.08	Misposted to Excise duty A/c	666,477.00
4.6.08	Misposted to Excise duty A/c	787.00
30.5.08	NBK - JKIA adjustments	35,783.00
2.5.08	NBK - JKIA adjustments	44,910.00
3.6.08	Misreported IDF	296.00
8.2.08	NBK - adjustments	250.00
23.6.08	Misposted to PDF	4.00
11.12.07	Untransferred NBK Kisumu	195,789.00
10.6.08	Misposted to Excise duty A/c	23,087,083.00
16.4.08	Misposted to Excise duty A/c	212,904.00
17.6.08	Misposted to miscellaneous A/c	3,500.00
	Casting error in the Report	11,533.60
		<u>(314,637,097.00)</u>

ADD: iii	<u>Receipts in the Bank Statement not in the Cash Book/ KRA - Customs Report</u>	
	Collections for 2006/2007 FY Transferred	254,797,946.15
12.6.08	VAT Misposted to Import Duty Account	57,001,579.00
19.9.07	Excise misposted to Import Duty Account	174,201,740.00
30.6.08	Excise misposted to Import Duty Account	12,675.00
22.5.08	Jkia adjustments	46,234.00
13.3.08	Coop double transfers	12,426,274.00
31.1.08	IDF misposted to import	1,887,376.00
7.3.08	Miscellaneous initially misreported now corrected by PCA	36,441,600.00
29.4.08	IDF misposted to import	75,600.00
	Coop msa cents adjustment	93.30
		<u>507,028,495.45</u>

Total Central Bank balance as at 30.06.08 33,201,864,375.45

Cntd
 Total Central Bank balance as at 30.06.08 33,201,864,375.45

(A copy of monthly bankings summary for the year 2007/2008 is attached)
 Appendix 2

LESS:	01.07.08 2007/2008 FY Collections(cash in transit)	734,752,946.15
	2007/2008 Provision for refunds (20M*12Months)	240,000,000.00
	12.02.08 Receipts in CBK and not Treasury	1,400.00
	2007/2008 Bank charges	58,531,614.50
	01.10.07 Receipts in CBK and not Treasury	78,480,582.80
	02.10.07 Receipts in CBK and not Treasury	140,965,029.00
	03.12.07 Receipts in CBK and not Treasury	56,537,734.00
	04.12.07 Receipts in CBK and not Treasury	500.00
	16.01.08 Receipts in CBK and not Treasury	650.00
	30.06.08 Receipts in CBK and not Treasury	226,155,126.50
		<u>(1,047,455,582.95)</u>

ADD:	10.07.08 Receipts in Treasury and not CBK	0.80
	25.11.07 Receipts in Treasury and not CBK	0.60
	14.12.07 Receipts in Treasury and not CBK	0.90
	28.01.08 Receipts in Treasury and not CBK	0.05
	05.02.08 Receipts in Treasury and not CBK	0.40
	2.7.07 Receipts in Treasury and not CBK	366,490,653.85
	3.7.07 Receipts in Treasury and not CBK	125,463,752.35
	4.7.07 Receipts in Treasury and not CBK	90,140,304.80
	5.7.07 Receipts in Treasury and not CBK	14,335,171.00
	3.10.07 Receipts in Treasury and not CBK	193,509,902.80
		<u>789,939,787.55</u>

THE TREASURY FIGURE AS PER THE ATTACHED SCHEDULES OR THE CASHBOOK (Appendix 4) 32,944,348,580.05

(Attached also is the analysis of the CBK bankings againsts the Treasury report)
 (Appendix 2)

	CBK
JULY	3,144,264,166.40
AUGUST	2,698,737,228.15
SEPTEMBER	2,758,572,058.55
OCTOBER	3,126,651,143.30
NOVEMBER	2,868,463,605.70
DECEMBER	2,071,921,072.25

JANUARY	2 977 280,348 00
FEBRUARY	3 028,435,188 65
MARCH	3 032 695 566 80
APRIL	2,257 024 827 85
MAY	2 670 598 767 15
JUNE	2 464 820 400 65
	33,201 864,375 45

QUERY 2007/2008

PARAGRAPH 2

(REF AA 15/2007/2008)

REVENUE HEAD 1160000 - OTHER TAXES FOR THE YEAR ENDED 30TH JUNE 2008.

STAMP DUTY

The statement reflects actual receipts of Kshs. 4,584,430,435.30 while the records maintained by Kenya Revenue Authority reflects actual receipts of Kshs. 4,532,751,118.00. the resultant difference of Kshs. 51,679,317.30 between the tow sets of records has not been explained or reconciled

BANK RECONCILIATION STATEMENT

For the financial year 2007/2008

Traffic Revenue

Balance as per KRA Report (Cashbook)		4,532,751,118.00
For the Financial Year 2007/2008		
ADD		
	03.07.07	500,000.00
	20.08.07	1,259,073.35
	27.08.07	277,091.50
	03.09.07	500,000.00
	11.09.07	0.10
	02.10.07	47,254,659.80
	15.10.07	2,722,500.00
	01.11.07	500,000.00
	03.12.07	500,000.00
	02.01.08	1,000,000.00
	16.01.08	3,121,042.00
	01.02.08	500,000.00
	15.02.08	201,395.65
	03.03.08	500,000.00
	29.04.08	496,417.50
	02.05.08	3,582.50
	13.05.08	0.10
Land rent misposted		16,838,845.50
30th June 2008 collections		43,202,208.00
		119,376,816.00

LESS			
	02 07.07	(34,993,231.05)	
	19 09 07	(3,562,726 00)	
	19 09.07	(755,174 00)	
	27.09.07	(7,570,549 00)	
	09 11.07	(321.50)	
Misposted stampduty into Landrenta/c	19 10.07	(3,361,091 70)	
Cash intransit		(17,068,504 55)	
			(67,311,597 80)
			4,584,816,336.20

KENYA REVENUE AUTHORITY

BANK RECONCILIATION STATEMENT

For the financial year 2007/2008

Stamp Duty

Balance as per KRA Report (Cashbook)		4,532,751,118.00
For the Financial Year 2007/2008		
ADD		
03.07 07	Receipt in CBK not in treasury	500,000 00
20 08.07	Receipt in CBK not in treasury	1,259,073.35
27.08.07	Receipt in CBK not in treasury	277,091.50
03 09.07	Receipt in CBK not in treasury	500,000.00
11.09 07	Receipt in CBK not in treasury	0.10
02 10 07	Receipt in CBK not in treasury	47,254,659.80
15.10.07	Receipt in CBK not in treasury	2,722,500 00
01 11 07	Receipt in CBK not in treasury	500,000 00
03.12 07	Receipt in CBK not in treasury	500,000.00
02 01.08	Receipt in CBK not in treasury	1,000,000.00
16 01 08	Receipt in CBK not in treasury	3,121,042.00
01.02 08	Receipt in CBK not in treasury	500,000 00
15 02.08	Receipt in CBK not in treasury	201,395.65
03 03 08	Receipt in CBK not in treasury	500,000.00
29 04 08	Receipt in CBK not in treasury	496,417.50
02.05 08	Receipt in CBK not in treasury	3,582 50
13 05 08	Receipt in CBK not in treasury	0.10
30 06 08	Land rent misposted	16,838,845 50
30th june 2008 collections		43,202,208 00
		<u>119,376,816.00</u>

LESS

02 07 07	Receipts in Treasury not in CBK	(34,993,231 05)	
02 07 07	Receipts in Treasury not in CBK	(385,900 90)	
19 09.07	Receipts in Treasury not in CBK	(3,562,726 00)	
19 09 07	Receipts in Treasury not in CBK	(755,174.00)	
27 09.07	Receipts in Treasury not in CBK	(7,570,549.00)	
09.11.07	Receipts in Treasury not in CBK	(321 50)	
	Misposted stampduty into Landrent a/c	(3,361,091.70)	
	Cash intransit 30th June 2007	(17,068,504 55)	<u>(67,697,498 70)</u>
	Balance per Treasury		<u>4,584,430,435.30</u>

QUERY 2007/2008

PARAGRAPH 1 and 4

(REF AA 64/2007/2008)

REVENUE HEAD 1140000 - TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2

Value Added Tax - Imports

KRA records - Ksh. 53,634,410,526.00

Treasury Receipts - Ksh. 53,807,634,460.85

Difference - 173,223,934.85

KENYA REVENUE AUTHORITY

BANK RECONCILIATION STATEMENT

For the Financial year 2007/2008

VAT - Imports A/C 04-010-0127 (REF AA 64/207/208 PARA 1)

DEPT. CUSTOMS SERVICES

Balance as per KRA Report (Cashbook)	53,634,410,526.00
ADD: Casting error in the Report	2,256,420.00
	<u>53,636,666,946.00</u>

(copy of the Monthly/Financial cumulative report is attached) Appendix 1

LESS: ii Receipts in the Cash Book/KRA- Customs report not in the Bank Statement

03.07.07 NBK - nbi adjustment	633,385.00
30.04.08 NBK - nbi adjustment	11,531.00
28.02.08 NBK - nbi adjustment	249,028.00
30.06.08 NBK - nbi adjustment	89,216.00
30.06.08 VAT Misposted to Import Duty Account	57,001,579.00
30.06.08 Cash in Transit	149,364,821.00
30.06.08 Cash in Transit	96,634,897.00
30.06.08 Cash in Transit	28,945,146.00
30.06.08 NBK - Jkia adjustment	60,504.00
casting error	46.15

(332,990,555.15)

ADD: iii Receipts in the Bank Statement not in the Cash Book/ KRA - Customs Report

30.6.07 30.06.07 Cash in transit transferred in July 07	279,509,596.00
11.6.08 VAT Misreported in Excise duty Account	25,271,307.00
17.9.07 Excise Duty misposted to VAT Account	1,115,620.00
28.2.08 Excise Duty misposted to VAT Account	59,570.00
2.7.07 CBK error correction	39,757,707.00
11.3.08 Error correction 11.03.08	6,273,272.00

351,987,072.00

Total Central Bank balance as at 30.06.08

53,655,663,462.85

Cntd

Total Central Bank balance as at 30.06.08

53,655,663,462.85

(A copy of monthly bankings summary for the year 2007/2008 is attached) Appendix 2

LESS: 01.07.07 2007/2008 F/Y Collections(cash in transit)	299,788,759.00
01.10.07 Receipts in CBK and not Treasury	162,275,057.00
02.10.07 Receipts in CBK and not Treasury	239,257,026.00
20.06.08 Receipts in CBK and not Treasury	182,112,855.00
30.06.08 Receipts in CBK and not Treasury	525,433,134.00

(1,408,866,831.00)

ADD: Receipts in Treasury and not CBK	714,732,404.00
Receipts in Treasury and not CBK	96,960,232.00
Receipts in Treasury and not CBK	182,549,364.00
Receipts in Treasury and not CBK	20,279,163.00
Receipts in Treasury and not CBK	374,080,920.00
Receipts in Treasury and not CBK	172,235,746.00

1,560,837,829.00

THE TREASURY FIGURE AS PER THE ATTACHED SHEDULES OR THE CASHBOOK

53,807,634,460.85

(Appendix 4)

(Attached also is the analysis of the CBK bankings againts the Treasury report) (Appendix2)

QUERY 2007/2008

PARAGRAPH 1 and 4

(REF AA 64/2007/2008)

REVENUE HEAD 1140000 - TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2008.

Value Added Tax -Local

KRA records - Ksh. 57,373,875,358.00

Treasury Receipts - Ksh. 61,586,108,468.70

Difference - 4,212,233,110.70

KENYA REVENUE AUTHORITY
BANK RECONCILIATION STATEMENT
 for the financial year 2007/2008
 Value Added Tax - Local

Balance as per KRA Report (Cashbook)		57,773,875,358.00
Add Back 1 Provision for refunds		12,769,000,000.00
Actual KRA collections (Appendix 1)		<u>69,542,875,358.00</u>

ADD:		
30 06 07	Back dated collections	201,268,112.10
20 07 07	Adjusted excise duty	388,549,520.00
30 08 07	Adjusted Sugar Dev Duty	8,978,087.70
14 12 07	Telkom Collections reported separately	3,455,177,146.00
	Adjustments made on the report (Appendix 2)	392,675,608.35

4,446,648,474.15

LESS:		
30 06 08	Cash in transit	66,457,244.55
2007/2008 FY	Bank charges	531,203.65

(66,968,448.20)

Final CBK Balance

73,922,555,383.95

LESS		
12 07 07	Receipt in CBK not in treasury	68,900.00
13 07 07	Receipt in CBK not in treasury	251,750.00
20 07 07	Receipt in CBK not in treasury	391,922,450.00
22 08 07	Receipt in CBK not in treasury	14,307.00
14 09 07	Receipt in CBK not in treasury	81,229,979.90
21 09 07	Receipt in CBK not in treasury	968,747.53
09 10 07	Receipt in CBK not in treasury	279,844,222.48
11 10 07	Receipt in CBK not in treasury	137,925.65
19 10 07	Receipt in CBK not in treasury	493,400.00
27 11 07	Receipt in CBK not in treasury	134,791,453.28
10 01 08	Receipt in CBK not in treasury	455,000.00
14 01 08	Receipt in CBK not in treasury	61,562.93
26 02 08	Receipt in CBK not in treasury	271,410,887.43
20 05 08	Receipt in CBK not in treasury	9,073,525.03
30 06 08	Receipt in CBK not in treasury	218,112,780.78
12 02 08	Receipt in CBK not in treasury	60,428.33
28 02 08	Receipt in CBK not in treasury	386.37
13 02 08	Receipt in CBK not in treasury	175,850.00
15 02 08	Receipt in CBK not in treasury	75,000.00
12 04 08	Receipt in CBK not in treasury	127,669.13
14 04 08	Receipt in CBK not in treasury	204,800.00
12 03 08	Receipt in CBK not in treasury	213,250.00
17 03 08	Receipt in CBK not in treasury	64,700.00
14 11 07	Receipt in CBK not in treasury	62,125.00
16 08 07	Receipt in CBK not in treasury	73,118.78
2007-2008 FY	Receipt in CBK not in treasury (Refunds 1B*12months)	12,000,000,000.00
30 07 08	Receipt in CBK not in treasury	173,462,375.28
30 06 08	error	65,650.74

(13,563,422,245.64)

ADD:

02 07 07	Collections for f/y 2006 /2007 received in treasury (Treasury opening balance)	296,669,739.35
14 09 07	Receipt in Treasury a not in CBK	167,073,795.35
26 11 07	Receipt in Treasury a not in CBK	48,712,637.80
25 02 08	Receipt in Treasury a not in CBK	262,432,799.70
26 03 08	Receipt in Treasury a not in CBK	29.97
20 05 08	Receipt in Treasury a not in CBK	7,999,999.97
28 07 08	Receipt in Treasury a not in CBK	442,786,328.25
22 05 08	Receipt in Treasury a not in CBK	1,300,000.00

1,226,975,330.39

CBK Balance as per Treasury Report
 (Appendix 3)

61,586,108,468.70

ASSET QUERY 2007/2008

PARAGRAPH 1 AND 4

(REF AA 60/2007/2008)

REVENUE HEAD 1150300 - TAXES ON GOODS AND SERVICES FOR THE YEAR ENDED 30TH JUNE 2008.

IMPORT DUTY (NET) AND IDF

The statement reflects actual receipts of Kshs. 45,857,772,816.60 comprising of Custom Duties of Kshs. 32,944,348,580.05 and other Taxes on International Trade and Transactions of Kshs. 12,913,424,236.55.

On the other hand records maintained by the Kenya Revenue Authority show that a total of Kshs. 44,970,088,516.00 was collected as follows:-

<u>Revenue item</u>	<u>Amount (Kshs.)</u>
IMPORT NET	32,539,472,977.00
IDF	12,430,615,539.00
TOTAL KRA	44,970,088,516.00
TOTAL TREASURY	45,857,772,816.60
VARIANCE	(887,684,300.60)

The difference of kshs. 887,684,300.60. Attached herein are reconciliations for the two accounts.

KENYA REVENUE AUTHORITY

BANK RECONCILIATION STATEMENT

For the Financial year 2007/2008
 Import Duty- A/C 1150101 (REF AA 60/2007/2008 PARA 2)
 DEPT: CUSTOMS SERVICES

Balance as per KRA Report (Cashbook)	32,539,472,977.00
ADD: 2007/2008 Provision for refunds (20M*12Months)	240,000,000.00
2007/2008 Exemptions monies meant to be recovered from Treasury	230,000,000.00
	33,009,472,977.00

(copy of the Monthly/Financial cumulative report is attached) Appendix 1

LESS: ii	<u>Receipts in the Cash Book/KRA- Customs report</u> <u>not in the Bank Statement</u>	
	30.6.08 Cash in transit 30.06.08	23,420,154.00
	30.6.08 Cash in transit 30.06.08	241,837,172.00
	30.6.08 Cash in transit 30.06.08	972,415.00
	30.6.08 Cash in transit 30.06.08	24,163,644.00
	30.6.08 Cash in transit 30.06.08	934.00
	10.6.08 Misposted to Excise duty A/c	666,472.00
	4.6.08 Misposted to Excise duty A/c	787.00
	30.5.08 NBK - JKIA adjustments	35,783.00
	2.5.08 NBK - JKIA adjustments	44,910.00
	3.6.08 Misreported IDF	296.00
	8.2.08 NBK - adjustments	250.00
	23.6.08 Misposted to PDF	4.00
	11.12.07 Untransferred NBK Kisumu	195,789.00
	10.6.08 Misposted to Excise duty A/c	23,082,083.00
	16.4.08 Misposted to Excise duty A/c	212,904.00
	17.6.08 Misposted to miscellaneous A/c	3,500.00
	Casting error in the Report	11,933.80

- (314,637,097.00)

ADD: iii	<u>Receipts in the Bank Statement</u> <u>not in the Cash Book/ KRA - Customs Report</u>	
	Collections for 2006/2007 F/Y Transferred	234,782,946.15
	12.6.08 VAT Misposted to Import Duty Account	57,001,979.00
	19.9.07 Excise misposted to Import Duty Account	164,351,740.00
	30.6.08 Excise misposted to Import Duty Account	12,679.00
	22.5.08 Jkia adjustments	48,234.00
	13.3.08 Coop double transfers	12,426,248.00
	31.1.08 IDF misposted to import	1,887,376.00
	7.3.08 Miscellaneous initially misreported now corrected by PCA	36,441,600.00
	29.4.08 IDF misposted to import	75,600.00
	Coop msa cents adjustment	93.30

507,028,495.45

Total Central Bank balance as at 30.06.08	<u>33,201,864,375.45</u>
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Cntd

Total Central Bank balance as at 30.06.08	<u>33,201,864,375.45</u>
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(A copy of monthly bankings summary for the year 2007/2008 is attached)
 Appendix 2

LESS:	01.07.08 2007/2008 F/Y Collections(cash in transit)	234,782,946.15
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2007/2008 Provision for refunds (20M*12Months)	240,000,000.00
12.07.08 Receipts in CBK and not Treasury	1,400.00
2007/2008 Bank charges	58,531,614.50
01.10.07 Receipts in CBK and not Treasury	78,480,582.80
02.10.07 Receipts in CBK and not Treasury	140,965,029.00
03.12.07 Receipts in CBK and not Treasury	68,537,734.00
04.12.07 Receipts in CBK and not Treasury	500.00
16.01.08 Receipts in CBK and not Treasury	650.00
30.06.08 Receipts in CBK and not Treasury	226,155,126.50

(1,047,455,582.95)

ADD:

10.07.08 Receipts in Treasury and not CBK	0.80
25.11.07 Receipts in Treasury and not CBK	0.60
14.12.07 Receipts in Treasury and not CBK	0.90
28.01.08 Receipts in Treasury and not CBK	0.05
05.02.08 Receipts in Treasury and not CBK	0.40
2.7.07 Receipts in Treasury and not CBK	366,490,653.85
3.7.07 Receipts in Treasury and not CBK	125,463,752.35
4.7.07 Receipts in Treasury and not CBK	90,140,304.80
5.7.07 Receipts in Treasury and not CBK	14,335,171.00
3.10.07 Receipts in Treasury and not CBK	193,509,902.80

789,939,767.55

THE TREASURY FIGURE AS PER THE ATTACHED SCHEDULES OR THE CASHBOOK

32,944,348,580.05

IMPORT DUTY 1150101

JULY

COLLECTION DATE	2	3	4	5
CBK CREDIT DATE	5	6	9	10
KRA	70,167,528.00	251,858,410.00	88,740,603.00	228,648,476.00
CBK	70,853,635.00	250,632,892.15	87,032,648.00	236,915,169.00
TREASURY	70,853,635.00	250,632,892.15	87,032,648.00	236,915,169.80
VARIANCE	-	-	-	0.80

IMPORT DUTY 04-010-0124

AUGUST

COLLECTION DATE	1	2	3	6
CBK CREDIT DATE	6	7	8	9
KRA	106,843,610.00	99,999,361.55	185,419,243.95	86,716,937.00
CBK	126,155,717.55	99,573,131.00	162,710,057.70	100,007,469.00
TREASURY	126,155,717.15	95,949,231.00	162,710,057.70	100,007,469.00
VARIANCE	0.40	3,623,900.00	-	-

bank charges

IMPORT DUTY 04-010-0124

SEPTEMBER

COLLECTION DATE	03.09.07	04.08.07	5	6
CBK CREDIT DATE	6	7	10	11
KRA	65,256,193.00	184,551,837.00	98,562,120.00	108,658,847.00
CBK	90,165,455.00	193,061,371.40	105,128,473.00	118,715,836.45
TREASURY	90,165,455.00	193,061,371.40	105,128,473.00	118,715,836.45
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

OCTOBER

COLLECTION DATE	1	2	3	4
CBK CREDIT DATE	4	5	8	9
KRA	83,264,306.00	95,228,128.00	214,906,566.00	100,065,179.00
CBK	110,112,420.00	104,629,525.10	205,464,340.40	127,322,379.50
TREASURY	110,112,420.00	104,629,525.10	205,464,340.40	127,322,379.50
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

NOVEMBER

COLLECTION DATE	01.11.07	02.11.07	05.11.07	06.11.07
CBK CREDIT DATE	06.11.07	07.11.07	8	9
KRA	145,679,932.00	165,461,773.00	95,056,411.00	102,134,290.00
CBK	155,087,860.00	127,960,060.00	134,423,599.00	108,710,774.00

IMPORT DUTY 04-010-0124

JULY

COLLECTION DATE	2	3	4	5
CBK CREDIT DATE	5	6	9	10
KRA	70,167,528.00	251,858,410.00	88,740,603.00	228,648,476.00
CBK	70,853,635.00	250,632,892.15	87,032,648.00	236,915,169.00
TREASURY	70,853,635.00	250,632,892.15	87,032,648.00	236,915,169.80
VARIANCE	-	-	-	0.80

IMPORT DUTY 04-010-0124

AUGUST

COLLECTION DATE	1	2	3	6
CBK CREDIT DATE	6	7	8	9
KRA	106,843,610.00	99,999,361.55	185,419,243.95	86,716,937.00
CBK	126,155,717.55	99,573,131.00	162,710,057.70	100,007,469.00
TREASURY	126,155,717.15	95,949,231.00	162,710,057.70	100,007,469.00
VARIANCE	0.40	3,623,900.00		

bank charges

IMPORT DUTY 04-010-0124

SEPTEMBER

COLLECTION DATE	03.09.07	04.08.07	5	6
CBK CREDIT DATE	6	7	10	11
KRA	65,256,193.00	184,551,837.00	98,562,120.00	108,658,847.00
CBK	90,165,455.00	193,061,371.40	105,128,473.00	118,715,836.45
TREASURY	90,165,455.00	193,061,371.40	105,128,473.00	118,715,836.45
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

OCTOBER

COLLECTION DATE	1	2	3	4
CBK CREDIT DATE	4	5	8	9
KRA	83,264,306.00	95,228,128.00	214,906,566.00	100,065,179.00
CBK	110,112,420.00	104,629,525.10	205,464,340.40	127,322,379.50
TREASURY	110,112,420.00	104,629,525.10	205,464,340.40	127,322,379.50
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

NOVEMBER

COLLECTION DATE	01.11.07	02.11.07	05.11.07	06.11.07
CBK CREDIT DATE	06.11.07	07.11.07	8	9
KRA	145,679,932.00	165,461,773.00	95,056,411.00	102,134,290.00
CBK	155,087,860.00	127,960,060.00	134,423,599.00	108,710,774.00
TREASURY	155,087,860.00	127,293,224.75	134,423,599.00	108,710,774.00

VARIANCE	-	606,835.25	-	-
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IMPORT DUTY 04-010-0124

DECEMBER

COLLECTION DATE	03.12.07	4.12.07	05.12.07	06.12.07
CBK CREDIT DATE	06.12.07	07.12.07		
KRA	101,476,596.00	203,834,142.00	164,408,595.00	162,774,156.00
CBK	109,714,024.00	250,288,144.00	167,792,377.00	104,103,265.00
TREASURY	109,714,024.00	249,590,899.35	167,792,377.00	104,103,265.00
VARIANCE	-	697,244.65	-	-

IMPORT DUTY 04-010-0124

JANUARY

COLLECTION DATE	02.01.08	03.01.08	04.01.08	07.01.08
CBK CREDIT DATE	07.01.08	08.01.08	09.01.08	10.01.08
KRA	29,519,043.00	10,957,073.00	96,748,271.00	113,758,864.00
CBK	14,879,112.00	141,559,097.00	27,267,706.00	233,999,800.00
TREASURY	14,879,112.00	141,559,097.00	27,267,706.00	233,999,800.00
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

FEBRUARY

COLLECTION DATE	1.02.08	4.02.08	5.02.08	6.02.08
CBK CREDIT DATE	6.02.08	7.02.08	8.02.08	11.02.08
KRA	117,169,762.00	96,554,702.00	225,930,623.00	82,403,329.00
CBK	115,175,427.95	119,263,650.00	210,486,974.00	112,832,739.00
TREASURY	115,175,427.95	118,694,433.10	210,486,974.40	112,832,739.00
VARIANCE	-	569,216.90	(0.40)	-

IMPORT DUTY 04-010-0124

MARCH

COLLECTION DATE	3.03.08	4.03.08	5.03.08	6.03.08
CBK CREDIT DATE	5.03.08	6.03.08	7.03.08	10.03.08
KRA	100,496,439.98	194,225,514.98	96,669,657.98	106,744,303.98
CBK	119,894,802.00	194,225,515.50	136,873,584.00	106,744,514.00
TREASURY	119,894,802.00	194,225,515.50	136,873,584.00	106,744,514.00
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

APRIL

COLLECTION DATE	1.04.08	2.04.08	3.04.08	4.04.08
CBK CREDIT DATE	3.04.08	4.04.08	7.04.08	8.04.08
KRA	85,826,377.00	77,795,261.00	88,555,040.00	123,672,190.00
CBK	84,373,347.50	77,354,491.00	88,028,524.00	89,843,587.00

TREASURY	84,373,347.50	77,354,491.00	88,028,524.00	89,843,587.00
VARIANCE	-	-	-	-

IMPORT DUTY 04-010-0124

MAY

COLLECTION DATE	2.05.08	5.05.08	6.05.08	7.05.08
CBK CREDIT DATE	6.05.08	7.05.08	8.05.08	9.05.08
KRA	162,258,192.60	132,270,408.00	117,006,260.00	129,409,416.00
CBK	128,357,737.00	165,392,937.00	116,891,638.00	129,180,353.00
TREASURY	128,357,737.00	165,392,937.00	116,891,638.00	125,491,493.00
VARIANCE	-	-	-	3,688,860.00

bank charges

IMPORT DUTY 04-010-0124

JUNE

COLLECTION DATE	3.06.08	4.06.08	5.06.08	6.06.08
CBK CREDIT DATE	5.06.08	6.06.08	9.06.08	10.06.08
KRA	56,932,342.00	91,872,225.00	91,369,422.00	138,244,862.00
CBK	56,904,246.00	90,665,088.10	91,369,822.00	141,247,064.00
TREASURY	56,904,246.00	90,665,088.10	91,369,822.00	141,247,064.00
VARIANCE	-	-	-	-

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6	9	10	11	12
11	12	13	16	17
398,273,887.00	74,832,194.00	119,142,578.00	148,132,591.00	127,467,605.00
311,298,420.00	80,389,407.00	204,848,283.50	167,566,864.00	124,759,789.00
311,298,420.00	79,911,785.95	204,848,283.50	167,566,864.00	124,759,789.00
-	477,621.05	-	-	-

7	8	9	10	13
10	13	14	15	16
160,020,691.00	96,090,024.65	85,727,999.00	143,168,322.00	96,436,810.00
173,919,521.10	87,653,701.00	104,351,466.60	111,136,754.00	116,385,373.00
173,919,521.10	87,653,701.00	104,351,466.60	111,136,754.00	115,823,830.60
-	-	-	-	561,542.40

7	10	11	12	13
12	13	14	17	18
161,736,426.00	99,443,643.00	118,075,272.00	137,683,096.00	116,683,075.00
107,756,505.20	143,084,712.00	113,095,830.85	138,876,364.90	150,216,563.30
107,756,505.20	143,084,712.00	113,095,830.85	138,876,364.90	150,216,563.30
-	-	-	-	-

5	8	9	11	12
11	12	15	16	17
161,309,868.00	83,459,230.00	102,618,860.00	83,080,656.00	149,826,390.00
102,496,107.00	118,473,000.00	109,240,829.10	79,078,325.00	149,719,241.00
101,224,409.15	118,473,000.00	109,240,829.10	79,078,325.00	149,719,241.00
1,271,697.85	-	-	-	-

07.11.07	8	9	12	13
12	13	14	15	16
125,054,832.00	105,693,618.00	153,940,998.00	115,288,225.00	130,962,940.00
117,040,384.25	121,081,663.25	105,557,214.00	161,998,844.00	123,315,490.15
117,040,384.25	121,081,663.25	105,557,214.00	161,998,844.00	123,315,490.15

07.12.07	10	11	13	14
13	14	17	18	20
148,385,801.00	104,249,623.00	143,252,845.00	119,153,532.00	221,867,217.00
121,678,772.00	147,386,877.00	133,461,630.00	153,953,394.00	165,463,639.00
121,678,772.00	147,386,877.90	133,461,630.00	319,417,033.00	
-	0.90	-	165,463,639.00	165,463,639.00

08.01.08	9	10	11	14
1.01.08	14	15	16	17
150,010,587.00	160,280,583.00	200,561,514.00	214,884,039.00	99,036,629.00
155,146,731.00	193,670,443.75	157,401,873.40	150,875,678.00	159,463,800.00
141,852,751.00	193,135,090.75	157,401,873.40	150,875,028.00	159,463,800.00
13,293,980.00	535,353.00	-	650.00	-
13,293,980.00				

bank charges

7.02.08	8.02.08	11	12	13
12.02.08	13.02.08	13	14	15
190,452,595.00	147,923,507.00	87,982,656.00	198,249,363.00	90,025,937.00
200,782,782.20	172,482,443.40	-	197,963,874.00	90,025,938.00
200,781,382.20	169,436,113.40		197,963,874.00	90,025,938.00
1,400.00	3,046,330.00		-	-

bank charges

7.03.08	10	11	12	13
11.03.08	12	13	14	17
112,266,013.98	83,659,281.98	122,170,486.98	188,750,866.98	330,544,304.98
81,851,944.10	114,051,816.00	134,660,931.00	184,360,047.00	323,982,316.00
81,851,944.10	114,051,816.00	134,660,931.00	184,360,047.00	323,423,168.30
-	-	-	-	559,147.70

7	8	9	10	11
9	10	11	14	15
65,378,881.00	92,879,147.00	92,787,290.00	93,823,677.00	152,439,036.00
97,732,120.00	92,878,202.00	93,051,726.00	93,557,396.00	139,191,039.00

97,732,120.00	92,878,202.00	93,051,726.00	93,156,875.10	139,191,039.00
-	-	-	400,520.90	-

637,756,875.60
132,878,255.60

8.5.08	9.5.08	12	13	14
12.5.08	13.5.08	14	15	16
96,812,599.00	139,781,455.00	120,648,810.00	95,512,717.00	133,515,773.00
96,812,599.00	121,528,743.15	139,150,632.00	95,512,408.00	132,705,073.00
96,812,599.00	121,528,743.15	139,150,632.00	95,512,408.00	132,705,073.00
-	-	-	-	-

9	10	11	12	13
11	12	13	16	17
152,533,275.00	142,974,398.00	153,756,795.00	150,109,965.00	93,019,283.00
152,647,952.45	176,823,493.10	153,756,795.00	150,115,965.25	91,695,147.00
152,647,952.45	176,823,493.10		303,872,760.25	91,695,147.00
-	-	153,756,795.00	(153,756,795.00)	-

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13	16	17	18	19
18	19	20	23	24
155,368,809.35	115,970,867.00	152,154,756.00	136,106,845.00	111,930,765.00
116,763,405.35	153,756,384.40	148,078,126.95	122,967,558.00	136,492,514.00
116,763,405.35	153,756,384.40	148,078,126.95	122,967,558.00	136,492,514.00
-	-	-	-	-

14	15	16	17	20
17	20	21	22	23
116,474,411.00	105,682,879.00	112,603,857.00	151,020,391.80	92,804,469.75
117,036,476.45	104,641,446.00	139,062,823.00	103,437,361.10	113,796,539.00
117,036,476.45	104,641,446.00	139,062,823.00	103,437,361.10	113,796,539.00
-	-	-	-	-

14	17	18	19	20
19	20	21	24	25
159,967,783.00	116,412,186.00	137,026,374.00	111,661,259.00	92,327,323.00
283,825,229.00	133,547,895.85	119,229,648.00	86,331,996.00	92,698,524.80
283,825,229.00	133,547,895.85	119,229,648.00	86,331,996.00	92,698,524.80
-	-	-	-	-

429,584,849.00
405,021,909.00

15	16	17	18	19
18	19	22	23	24
101,229,769.00	183,924,390.00	205,621,058.00	155,205,105.00	151,095,294.00
104,319,691.00	202,874,274.05	203,723,866.25	136,999,327.80	149,102,078.00
104,319,691.00	193,945,194.05	203,723,866.25	136,999,327.80	149,102,078.00
-	8,929,080.00	-	-	-

9,229,080.00
bank charges

14	15	16	19	20
19	20	21	22	23
115,159,989.00	157,755,695.00	174,903,714.00	153,015,019.00	123,075,209.00
110,604,200.50	202,932,850.00	109,811,399.00	179,045,429.00	129,330,216.00
110,604,200.50	202,932,850.00	109,811,399.00	179,045,429.00	129,330,216.00

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17	18	20	21	24
21	24			
161,951,112.00	169,238,661.00	145,416,303.00	243,545,009.00	155,587,784.00
184,056,839.25	184,895,581.00	224,808,674.15	8,736,775.00	144,434,580.00
184,056,839.25	184,895,581.00	204,808,674.15	8,736,775.00	144,434,580.00
-	-	20,000,000.00	-	-

15	16	17	18	21
18	21	22	23	24
198,299,427.00	127,419,936.00	110,874,553.00	124,205,777.00	89,751,292.00
181,824,903.00	129,289,833.00	129,389,776.75	77,020,241.50	107,373,842.90
181,824,903.00	129,289,833.00	129,389,776.75	77,020,241.50	107,373,842.90
-	-	-	-	-



14	15	18	19	20
18	19	20	21	22
105,405,609.00	111,177,923.00	85,450,317.00	94,119,921.00	121,857,129.00
105,396,009.85	99,729,752.00	97,034,274.00	94,406,802.65	121,857,129.00
105,396,009.85	99,729,752.00	97,034,274.00	94,406,802.65	118,372,669.00
-	-	-	-	3,484,460.00

bank charges



14	17	18	19	20
18	19	20	25	26
517,762,531.98	132,926,024.98	151,940,008.00	183,628,517.98	120,587,621.98
361,487,631.35	262,405,538.00	177,224,641.00	183,628,518.00	112,917,999.75
361,487,631.35	262,405,538.00	177,224,641.00	183,628,518.00	112,917,999.75
-	-	-	-	-



14	15	16	17	18
16	17	18	21	22
56,914,572.00	112,529,802.00	116,487,571.00	89,302,072.00	91,256,390.00
70,130,216.00	112,752,917.30	116,274,317.20	89,302,072.00	73,374,306.75

70,130,216.00	112,752,917.30	116,274,317.20	89,302,072.00	73,374,306.75
-	-	-	-	-

608,020,310.00

63,619,111.25

15	16	19	20	21
19	20	21	22	23
118,561,555.00	177,917,933.00	121,751,908.00	108,896,926.00	102,263,620.00
119,372,255.00	159,775,433.45	140,539,328.00	108,945,160.00	100,915,785.00
116,209,356.00	158,972,091.35	140,539,328.00	108,945,160.00	100,915,785.00
3,162,899.00	803,342.10	-	-	-

16	17	18	19	20
18	19	20	23	24
73,271,314.00	138,451,545.00	126,375,189.00	128,505,436.00	106,352,593.00
73,271,322.50	138,922,933.10	126,187,789.00	128,509,184.95	91,308,900.10
	212,194,255.60			90,660,996.10
73,271,322.50	(73,271,322.50)	126,187,789.00	128,509,184.95	647,904.00

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20	23
25	26
146,472,534.00	159,682,194.00
104,270,869.15	197,625,991.00
104,270,869.15	197,625,991.00
-	-

21	22
24	27
93,809,814.00	114,541,880.00
97,572,557.00	120,173,836.00
97,572,557.00	120,173,836.00
-	-

21	24
26	27
150,812,535.00	134,857,394.00
118,046,029.00	225,483,385.00
115,592,249.00	225,483,385.00
2,453,780.00	-

22	23
25	26
118,495,662.00	136,242,200.00
120,713,371.00	134,331,059.00
120,713,371.60	134,331,059.00
0.60	-

21	22
26	27
158,801,203.00	85,476,371.00
129,539,965.00	169,198,467.00
129,539,965.00	169,198,467.00

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-	-

-	-
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22	23
25	28
98,020,938.00	188,947,407.00
110,440,069.00	204,828,027.00
110,440,069.00	204,828,027.05
-	(0.05)

21	22
25	26
140,768,297.00	333,337,747.00
140,843,775.00	306,409,028.50
140,843,775.00	306,409,028.50
-	-

25	26
27	28
73,806,473.98	113,935,179.98
78,803,222.00	115,653,876.00
78,803,222.00	112,666,206.00
-	2,987,670.00

bank charges

21	22
23	24
77,493,511.00	93,280,517.20
94,859,520.00	93,249,462.60

94,859,520.00	93,249,462.60
-	-

22	23
26	27
156,698,502.00	143,888,688.00
157,928,382.30	111,082,875.25
157,928,382.30	111,082,875.25
-	-

23	24
25	26
64,944,593.00	94,314,166.00
79,994,454.60	94,107,584.00
79,994,454.60	87,811,924.00
-	6,295,660.00

KENYA REVENUE AUTHORITY

BANK RECONCILIATION STATEMENT

For the Financial year 2007/2008

PIF/IDF A/C 1150401 (REF AA 60/2007/2008 PARA 4)

DEPT: CUSTOMS SERVICES

Balance as per KRA Report (Cashbook)

12,430,613,539.00

(copy of the Monthly/Financial cumulative report is attached) Appendix 1

LESS: ii Receipts in the Cash Book/KRA- Customs report
not in the Bank Statement

30.6.08	Cash in Transit	10,680,226.00
30.6.09	Cash in Transit	25,035,232.00
7.2.08	Pre IDF	7,120,000.00
31.1.08	IDF misposted to import	1,887,376.00
29.4.08	IDF misposted to import	75,600.00
25.6.08	JKIA adjustment	43,850.00
3.6.08	JKIA baggage adjustment	5,000.00

(44,847,284.00)ADD: iii Receipts in the Bank Statement
not in the Cash Book/ KRA - Customs Report

3.6.08	Misposted in import	296.00
30.6.07	30 06 07 Cash in transit transferred in July 07	75,325,982.00
6.6.08	Misposted RML	3,420,000.00
30.6.08	Pre IDF	10,180,000.00
7.3.08	Misposted RML coop msa	47,202,597.00
7.3.08	Misposted miscellaneous	7,696,502.00
12.6.08	Misposted miscellaneous coop msa	17,677.00
11.6.08	Coop msa adjustment	18,623.00
7.2.08	Pre IDF	7,210,000.00
12.4.07	Wilson RBC	249,139.00
2.10.07	Coop double transfers	4,622,294.00
	Casting error	1,085.40

155,944,195.40

Total Central Bank balance as at 30.06.08

12,541,710,450.40

Cnfd

Total Central Bank balance as at 30.06.08

12,541,710,450.40(A copy of monthly bankings summary for the year 2007/2008 is attached)
Appendix 2

LESS:	1.7.07	2007/2008 F/Y Collections(cash in transit)	62,187,073.00
	1.10.07	Receipts in CBK and not Treasury	41,923,853.00
	12.3.08	Receipts in CBK and not Treasury	46,931,481.00
	20.6.08	Receipts in CBK and not Treasury	50,507,064.00
	30.6.08	Receipts in CBK and not Treasury	145,251,643.00

(346,801,114.00)

ADD:

		Receipts in Treasury and not CBK	3,088,654.00
		Receipts in Treasury and not CBK	10,000.00
		Receipts in Treasury and not CBK	40,295,695.00
		Receipts in Treasury and not CBK	624,631,164.15
		Receipts in Treasury and not CBK	50,489,387.00

718,514,900.15THE TREASURY FIGURE AS PER THE ATTACHED SHEDULES OR THE CASHBOOK
(Appendix 4)12,913,424,236.55

COLLECTION DATE		2	3	4	5	6	9
CBK CREDIT DATE		5	6	9	10	11	12
TREASURY	34,184,020.00	40,471,905.00	28,166,681.00	51,322,070.00	81,766,055.00	31,841,715.00	
CBK	34,184,020.00	40,471,905.00	28,166,681.00	51,322,070.00	81,766,055.00	31,841,715.00	
VARIANCE	-	-	-	-	-	-	-

COLLECTION DATE		1	2	3	6	7	8
CBK CREDIT DATE		6	7	8	9	10	13
TREASURY	43,726,637.00	29,146,843.00	60,436,640.00	109,119,314.00	24,400,982.00	42,634,204.00	
CBK	43,726,637.00	29,146,843.00	60,436,640.00	109,119,314.00	24,400,982.00	42,634,204.00	
VARIANCE	-	-	-	-	-	-	-

COLLECTION DATE	03.09.07	04.08.07		5	6	7	10
CBK CREDIT DATE		6	7	10	11	12	13
TREASURY	28,459,059.00	27,223,929.00	84,012,508.00	46,187,888.00	29,291,531.00	120,999,278.00	
CBK	28,459,059.00	27,223,929.00	84,012,508.00	46,187,888.00	29,291,531.00	120,999,278.00	
VARIANCE	-	-	-	-	-	-	-

COLLECTION DATE		1	2	3	4	5	8
CBK CREDIT DATE		4	5	8	9	11	12
TREASURY	52,871,540.00	44,889,912.00	44,381,012.00	84,964,179.00	45,819,934.00	103,615,933.00	
CBK	52,871,540.00	44,889,912.00	44,381,012.00	84,964,179.00	45,819,934.00	103,615,933.00	
VARIANCE	-	-	-	-	-	-	-

COLLECTION DATE	01.11.07	02.11.07	05.11.07	06.11.07	07.11.07		8
CBK CREDIT DATE	06.11.07	07.11.07		8	9	12	13
TREASURY	35,495,344.00	55,996,588.00	60,574,632.00	80,124,528.00	39,081,356.00	38,989,835.00	
CBK	35,495,344.00	55,996,588.00	60,574,632.00	80,124,528.00	39,081,356.00	38,989,835.00	
VARIANCE	-	-	-	-	-	-	-

COLLECTION DATE	03.12.07	4.12.07	05.12.07	06.12.07	07.12.07	10
CBK CREDIT DATE	06.12.07	07.12.07		10		11
TREASURY	30,844,903.00	68,969,937.00	46,765,930.00	45,754,720.00	25,660,826.00	45,459,616.00
CBK	30,844,903.00	68,969,937.00	46,765,930.00	45,754,720.00	25,660,826.00	45,459,616.00
VARIANCE	-	-	-	-	-	-

COLLECTION DATE	02.01.08	03.01.08	04.01.08	07.01.08	08.01.08	9
CBK CREDIT DATE	07.01.08	08.01.08	09.01.08	10.01.08	11.01.08	14
TREASURY	81,151,576.00	63,195,228.00	44,246,407.00	94,241,537.00	37,227,615.00	48,604,216.00
CBK	81,151,576.00	63,195,228.00	44,246,407.00	94,241,537.00	37,227,615.00	48,604,216.00
VARIANCE	-	-	-	-	-	-

COLLECTION DATE	1.02.08	4.02.08	5.02.08	6.02.08	7.02.08	8.02.08
CBK CREDIT DATE	6.02.08	7.02.08	8.02.08	11.02.08	12.02.08	13.02.08
TREASURY	40,730,556.00	48,115,638.00	60,229,656.00	36,600,406.00	32,256,063.00	152,128,546.00
CBK	40,730,556.00	48,115,638.00	60,229,656.00	36,600,406.00	32,256,063.00	152,128,546.00
VARIANCE	-	-	-	-	-	-

COLLECTION DATE	3.03.08	4.03.08	5.03.08	6.03.08	7.03.08	10
CBK CREDIT DATE	5.03.08	6.03.08	7.03.08	10.03.08	11.03.08	12
TREASURY	51,222,572.00	41,858,647.00	78,935,092.00	26,374,478.00	28,557,880.00	
CBK	51,222,572.00	41,858,647.00	78,935,092.00	26,374,478.00	28,557,880.00	46,931,481.00
VARIANCE	-	-	-	-	-	-46,931,481.00

COLLECTION DATE	1.04.08	2.04.08	3.04.08	4.04.08	7
CBK CREDIT DATE	3.04.08	4.04.08	7.04.08	8.04.08	9
TREASURY	30,676,505.00	55,961,404.00	44,614,878.00	69,059,117.00	45,980,629.00
CBK	30,676,505.00	55,961,404.00	44,614,878.00	69,059,117.00	45,980,629.00
VARIANCE	-	-	-	-	-

COLLECTION DATE	2.05.08	5.05.08	6.05.08	7.05.08	8.5.08	9.5.08
CBK CREDIT DATE	6.05.08	7.05.08	8.05.08	9.05.08	12.5.08	13.5.08
TREASURY	65,145,770.00	46,863,522.00	59,868,947.00	26,097,607.00	35,862,367.00	52,408,309.00
CBK	65,145,770.00	46,863,522.00	59,868,947.00	26,097,607.00	35,862,367.00	52,408,309.00
VARIANCE	-	-	-	-	-	-

COLLECTION DATE	3.06.08	4.06.08	5.06.08	6.06.08		9	10
CBK CREDIT DATE	5.06.08	6.06.08	9.06.08	10.06.08		11	12
TREASURY	75,910,477.00	55,171,174.00	33,804,994.00	36,643,146.00	46,576,642.00	36,691,280.00	
CBK	75,910,477.00	55,171,174.00	33,804,994.00	36,643,146.00	46,576,642.00	36,691,280.00	
VARIANCE	-	-	-	-	-	-	-

10	11	12	13	16	17	18	19
13	16	17	18	19	20	23	24
39,706,428.00	76,310,239.00	34,480,421.00	45,981,854.00	41,015,219.00	32,700,502.00	31,155,368.00	37,040,002.00
39,706,428.00	76,310,239.00	34,480,421.00	45,981,854.00	41,015,219.00	32,700,502.00	31,155,368.00	37,040,002.00
-	-	-	-	-	-	-	-

9	10	13	14	15	16	17	20
14	15	16	17	20	21	22	23
72,632,719.00	24,440,204.00	32,507,852.00	39,373,249.00	48,407,674.00	46,406,507.00	31,470,365.00	23,454,530.00
72,632,719.00	24,440,204.00	32,507,852.00	39,373,249.00	48,407,674.00	46,406,507.00	31,470,365.00	23,454,530.00
-	-	-	-	-	-	-	-

11	12	13	14	17	18	19	20
14	17	18	19	20	21	24	25
22,825,718.00	46,043,678.00	45,127,998.00	32,538,486.00	47,516,892.00	33,747,550.00	29,431,894.00	29,349,887.00
22,825,718.00	46,043,678.00	45,127,998.00	32,538,486.00	47,516,892.00	33,747,550.00	29,431,894.00	29,349,887.00
-	-	-	-	-	-	-	-

9	11	12	15	16	17	18	19
15	16	17	18	19	22	23	24
116,034,988.00	65,388,256.00	36,647,700.00	50,543,620.00	35,837,752.00	42,191,257.00	32,953,132.00	31,749,695.00
116,034,988.00	65,388,256.00	36,647,700.00	50,543,620.00	35,837,752.00	42,191,257.00	32,953,132.00	31,749,695.00
-	-	-	-	-	-	-	-

9	12	13	14	15	16	19	20
14	15	16	19	20	21	22	23
27,809,897.00	62,062,630.00	32,915,153.00	93,364,257.00	54,026,215.00	18,636,173.00	45,256,848.00	38,001,851.00
27,809,897.00	62,062,630.00	32,915,153.00	93,364,257.00	54,026,215.00	18,636,173.00	45,256,848.00	38,001,851.00
-	-	-	-	-	-	-	-

	12	13	14	15	16	19	20	21
	14	15	16	19	20	21	22	23
75,233,855.00	35,212,445.00	35,312,015.00	56,221,050.00	32,043,260.00	40,722,461.00	121,012,843.00	65,484,730.00	
75,233,855.00	35,212,445.00	35,312,015.00	56,221,050.00	32,043,260.00	40,722,461.00	121,012,843.00	65,484,730.00	
-	-	-	-	-	-	-	-	-

	11	12	13	16	17	18	19	20
	13	16	17	18	19	20	23	24
118,752,365.00		36,494,379.00	102,313,031.00				70,217,738.00	
48,747,382.00	70,004,983.00	36,494,379.00	22,583,217.00	79,729,814.00	50,507,064.00	46,938,101.00	23,279,637.00	
70,004,983.00	-	70,004,983.00	-	79,729,814.00	-	50,507,064.00	23,279,637.00	-

20	23	24	25	26	27	30
25	26	27	30	31	01.08.07	02.08.07
27,938,495.00	106,729,907.00	29,983,816.00	80,103,851.00	31,428,827.00	23,520,354.00	53,767,090.00
27,938,495.00	106,729,907.00	29,983,816.00	80,103,851.00	31,428,827.00	23,520,354.00	53,757,090.00
-	-	-	-	-	-	10,000.00

21	22	23	24	27	28	29	30
24	27	28	29	30	31	03.09.07	04.09.07
32,537,718.00	52,416,681.00	77,099,473.00	26,093,443.00	36,589,904.00	42,074,232.00	33,132,283.00	32,732,905.00
32,537,718.00	52,416,681.00	77,099,473.00	26,093,443.00	36,589,904.00	42,074,232.00	33,132,283.00	32,732,905.00
-	-	-	-	-	-	-	-

21	24	25	26	27	28	TOTALS
26	27	28	01.10.07	02.10.07	03.10.07	
54,948,141.00	59,880,494.00	38,100,175.00	76,366,340.00	18,821,913.00	870,873,359.00	
54,948,141.00	59,880,494.00	38,100,175.00	41,923,853.00	76,366,340.00	18,821,913.00	912,797,212.00
-	-	-	-41,923,853.00	-	-	-41,923,853.00

22	23	24	25	26	29	30	31
25	26	29	30	31	01.11.07	02.11.07	05.11.07
42,317,615.00	38,447,925.00	102,599,071.40	41,241,687.00	50,778,907.00	38,777,482.00	13,406,686.00	49,534,346.00
42,317,615.00	38,447,925.00	102,599,071.40	41,241,687.00	50,778,907.00	38,777,482.00	13,406,686.00	49,534,346.00
-	-	-	-	-	-	-	-

21	22	23	26	27	28	29	30
26	27	28	29	30	03.12.07	04.12.07	05.12.07
58,923,192.00	58,755,269.00	40,034,635.00	56,319,886.00	142,703,069.00	60,472,547.00	37,692,537.00	21,118,318.00
58,923,192.00	58,755,269.00	40,034,635.00	56,319,886.00	142,703,069.00	60,472,547.00	37,692,537.00	21,118,318.00
-	-	-	-	-	-	-	-

22	23	26	27	28	29	30	TOTALS
26	27	28	29	30			
44,333,396.00	32,482,336.00	109,359,482.00	46,133,577.00	35,585,673.00	35,793,037.00	76,206,971.00	1,127,383,653.00
44,333,396.00	32,482,336.00	109,359,482.00	46,133,577.00	35,585,673.00	35,793,037.00	76,206,971.00	1,127,383,653.00
-	-	-	-	-	-	-	-

23	24	25	26	27	30	TOTALS
25	26	27	30			
40,435,374.00	38,909,199.00	43,223,966.00	145,251,643.00			735,143,765.00
40,435,374.00	38,909,199.00	43,223,966.00	145,251,643.00			930,902,472.00
-	-	-	-145,251,643.00	-	-	-195,758,707.00

TOTALS
981,685,632.00
981,675,632.00
10,000.00

05.09.07	31	TOTALS
50,432,263.00		1,011,266,622.00
50,432,263.00		1,011,266,622.00
-		-

TOTALS
1,164,992,629.40
1,164,992,629.40
-

TOTALS
1,158,354,760.00
1,158,354,760.00
-

TOTALS
691,332,136.00
691,332,136.00
-

TOTALS
1,266,354,189.00
1,266,354,189.00
-

TOTALS
1,163,325,926.00
1,163,325,926.00
-

	TOTALS
	917,923,884.00
	964,855,365.00
-	46,931,481.00

	TOTALS
	1,106,282,781.00
	1,106,282,781.00
-	-

VARIANCE BETWEEN ACTUAL RECEIPTS AND REVISED ESTIMATES - 2007/2008

DETAILS	PRINTED ESTIMATES		REVISED ESTIMATES		ACTUAL RECEIPTS as per		VARIANCE	COMMENTS
	2007/2008	2007/2008	2007/2008	2007/2008	Exchequer 2007/2008	2007/2008		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Taxes on Income, Profit and Capital Gains	151,767,000,000.00	165,155,000,000.00	168,376,912,702.60	168,376,912,702.60	3,221,912,702.60		The shortfall was expected from employment of additional teachers, employment of whom was postponed to a later date.	
PAYE	79,427,000,000.00	85,169,000,000.00	81,680,929,230.20	81,680,929,230.20	(3,488,070,769.80)		Excess realised from more aggressive enforcement operations	
INCOME TAX from CORPORATIONS	72,340,000,000.00	79,986,000,000.00	86,555,983,472.40	86,555,983,472.40	6,709,983,472.40			
Taxes on Property	331,340,786.00	301,594,914.00	-	301,594,914.00	(301,594,914.00)			
Immovable Property (Stand Premia on Town Plots)	46,000,000.00	25,277,328.00	-	25,277,328.00	(25,277,328.00)		Collected under item "Other Taxes not Elsewhere Classified" below.	
Financial and Capital Transactions	285,340,786.00	276,317,586.00	-	276,317,586.00	(276,317,586.00)			
Total VAT	111,820,000,000.00	115,014,000,000.00	115,393,742,929.55	115,393,742,929.55	379,742,929.55			
VAT on Domestic Goods and Services	59,828,000,000.00	59,827,000,000.00	61,586,108,468.70	61,586,108,468.70	1,759,108,468.70		Under-forecasted into VAT on imports	
VAT On Imported Goods and Services	51,992,000,000.00	55,187,000,000.00	53,807,634,460.85	53,807,634,460.85	(1,379,365,539.15)		Over-forecasted into VAT on domestics	
Taxes on Goods & Services (Excluding AIA)	67,476,525,736.00	64,934,585,911.00	63,925,604,629.85	63,925,604,629.85	(1,008,981,281.15)		Slowdown in the economy due to post-election violence	
Excise Taxes	65,551,000,000.00	64,289,000,000.00	61,857,468,359.10	61,857,468,359.10	(2,431,531,640.90)			
Taxes on Specific Services	15,261,633.00	-	-	-	-			
Licences Under Traffic Act	944,230,000.00	110,210,840.00	1,880,336,872.75	1,880,336,872.75	1,770,126,032.75		Typographical error in the Revised Estimates	
Royalties	397,000,000.00	257,000,000.00	187,799,398.00	187,799,398.00	(69,200,602.00)		Slowdown in the economy due to post-election violence and increased maritime risks in the high seas due to piracy	
Taxes on Goods and Services Collected as AIA	569,034,103.00	278,375,071.00	-	278,375,071.00	(278,375,071.00)			
Other Taxes on Goods and Services	-	-	-	-	-			
Taxes on Inter. Trade & Transactions	44,024,000,000.00	47,149,000,000.00	45,857,772,816.60	45,857,772,816.60	(1,091,227,183.40)			
Custom Duties	32,337,000,000.00	33,403,000,000.00	32,944,348,580.05	32,944,348,580.05	(458,651,419.95)			
Export Levies	-	200,000,000.00	-	200,000,000.00	-		Slowdown in the economy due to post-election violence and increased maritime risk in the high seas due to piracy.	
Exemptions on Customs and other Import Duties	11,687,000,000.00	13,546,000,000.00	12,913,424,236.55	12,913,424,236.55	(632,575,763.45)			
Other Taxes on Int. Trade & Transactions	-	-	-	-	-			
Other Taxes (not elsewhere classified)	3,337,625,115.00	4,288,624,929.00	4,584,430,435.50	4,584,430,435.50	295,805,506.50		Within acceptable margin	
Stamp Duty	3,337,625,115.00	4,288,624,929.00	4,584,430,435.50	4,584,430,435.50	295,805,506.50			
Social Security Contributions	-	1,000,000,000.00	-	1,000,000,000.00	(1,000,000,000.00)			
Contributions from Government Employees to Social and Welfare Schemes within Government	-	1,000,000,000.00	-	1,000,000,000.00	(1,000,000,000.00)		Collection into NSSF outside Exchequer	
Grants from Foreign Government	36,481,423,733.00	33,153,000,000.00	20,077,231,195.75	20,077,231,195.75	(13,075,768,804.25)			
Grants - Cash through Exchequer	15,240,633,935.00	15,912,000,000.00	11,887,485,396.95	11,887,485,396.95	(4,024,514,603.05)		Delayed release of Official Development Assistance (ODA)	
Grants - Direct Payments	21,240,789,798.00	17,241,000,000.00	8,189,745,798.80	8,189,745,798.80	(9,051,254,201.20)			

VARIANCE BETWEEN ACTUAL RECEIPTS AND REVISED ESTIMATES - 2007/2008

DETAILS	PRINTED ESTIMATES 2007/2008 Kshs.	REVISED ESTIMATES 2007/2008 Kshs.	ACTUAL RECEIPTS as per Exchequer 2007/2008 Kshs.	VARIANCE Kshs.	COMMENTS
Grants From International Organizations	3,806,000,000.00	3,759,000,000.00	-	(3,759,000,000.00)	
Grants From International Organizations - Cash through Exchequer	-	3,759,000,000.00	-	(3,759,000,000.00)	Delayed release of Official Development Assistance (ODA)
Property Income	6,990,967,178.00	4,082,522,553.00	5,080,746,219.45	998,223,666.45	
Interest Received	1,067,000,000.00	635,000,000.00	572,016,914.55	(62,983,085.45)	Non-performing on-lent loans
Profits and Dividends from CBK	2,000,000,000.00	-	-	-	
Other Profits and Dividends	2,703,000,000.00	2,038,000,000.00	3,133,350,633.50	1,095,350,633.50	More dividends declared from parastatals than anticipated
Rent Of Land	1,220,967,178.00	1,409,522,553.00	1,375,378,671.40	(34,143,881.60)	
Wedyue Housing Scheme Rents	-	-	-	-	Within acceptable limits
Sale Of Goods and Services	41,900,000,000.00	76,416,000,000.00	75,988,457,100.00	(427,542,900.00)	
Sale of KENGEN Shares	2,500,000,000.00	-	-	-	
Sale of MUMIAS Shares	-	2,000,000,000.00	-	(2,000,000,000.00)	
Sales Of KE-RE Shares	33,800,000,000.00	50,000,000,000.00	49,887,137,100.00	(112,862,900.00)	
Sales of Telkom Shares	5,600,000,000.00	24,416,000,000.00	24,301,320,000.00	(114,680,000.00)	Within acceptable limits
Administrative Fees and Charges	1,696,541,189.00	998,671,692.00	-	(998,671,692.00)	
Fees under Traffic Act	698,738,367.00	169,372,225.00	-	(169,372,225.00)	
Motor Drivers Licenses	540,770,000.00	819,099,348.00	-	(819,099,348.00)	
Other Land Revenue	443,517,723.00	3,091,807.00	-	(3,091,807.00)	
Land Adjudication and Case Fees	636,780.00	1,625,324.00	-	(1,625,324.00)	Collected under item "Other Taxes not Elsewhere"
Sale of Freehold Interest in Agricultural Land	12,878,319.00	5,482,988.00	-	(5,482,988.00)	Classified "below"
Fines, Penalties and Forfeitures	406,000,000.00	141,000,000.00	158,521,084.00	17,521,084.00	Within acceptable limits
Other Receipts not Classified Elsewhere	7,913,000,000.00	6,419,000,000.00	15,956,423,390.40	9,537,423,390.40	
Miscellaneous Revenue	7,913,000,000.00	6,419,000,000.00	15,956,423,390.40	9,537,423,390.40	Includes receipts from other categories
Repayment from Domestic Lending and On-lending	700,000,000.00	628,000,000.00	708,564,701.45	86,171,818.45	
Loans to Non-Financial Public Enterprises	697,882,968.00	622,392,883.00	708,564,701.45	86,171,818.45	Previously non-performing loans realised
Loans to Financial Institutions	2,117,032.00	5,607,117.00	-	-	
Other- Land Revenue (Ministry Of Lands)	-	-	-	-	
Other- Other Receipts (OP)	-	-	-	-	
at Domestic Borrowing from Monetary Authorities (Central Bank)	33,959,000,000.00	34,000,000,000.00	-	-	
TOTAL	512,609,423,737.00	556,439,999,999.00	516,108,407,205.15	(6,125,985,676.85)	

VARIANCE BETWEEN ACTUAL RECEIPTS AND REVISED ESTIMATES - 2007/2008

DETAILS	PRINTED ESTIMATES 2007/2008 Kshs.	REVISED ESTIMATES 2007/2008 Kshs.	ACTUAL RECEIPTS as per Exchequer 2007/2008 Kshs.	VARIANCE Kshs.	COMMENTS
Total Ordinary Revenue					
Total Grants					
Appropriations-in-Aid					
Total Net Domestic Borrowing					
Total Revenue					

APPENDIX NO. 3: VOTE 7 - MINISTRY OF FINANCE

VARIANCE BETWEEN ACTUAL RECEIPTS AS PER LEDGER AND ACTUAL RECEIPTS AS PER EXCHEQUER

DETAILS	ACTUAL RECEIPTS as per	ACTUAL RECEIPTS as per	VARIANCE
	Ledger 2007/2008	Exchequer 2007/2008	
	Kshs.	Kshs	Kshs
Taxes on Income, Profit and Capital Gains	156,824,100,000.00	168,376,912,702.60	11,552,812,702.60
PAYE	81,655,350,000.00	81,680,929,230.20	25,579,230.20
INCOME TAX from CORPORATIONS	75,168,750,000.00	86,695,983,472.40	11,527,233,472.40
Taxes on Property	331,895,301.00	-	(331,895,301.00)
Total VAT	111,904,508,116.00	115,393,742,929.55	3,489,234,813.55
VAT on Domestic Goods and Services	58,277,000,000.00	61,586,108,468.70	3,309,108,468.70
VAT On Imported Goods and Services	53,627,508,116.00	53,807,634,460.85	180,126,344.85
Taxes on Goods & Services (Excluding AIA)	62,231,095,428.00	63,925,604,629.85	1,694,509,201.85
Excise Taxes	61,905,511,272.00	61,857,468,359.10	(48,042,912.90)
Taxes on Specific Services	-	-	-
Fees Under Traffic Act	70,000,000.00	1,880,336,872.75	1,810,336,872.75
Licenses	187,799,398.00	187,799,398.00	-
Taxes on Goods and Services Collected as AIA	-	-	-
Other Taxes on Goods and Services	67,784,758.00	-	(67,784,758.00)
Taxes on Inter. Trade & Transactions	45,857,772,816.00	45,857,772,816.60	0.60
Custom Duties	32,944,348,580.00	32,944,348,580.05	0.05
Export Levies	-	-	-
Exemptions on Customs and other Import Duties	-	-	-
Other Taxes on Int Trade & Transactions	12,913,424,236.00	12,913,424,236.55	0.55
Other Taxes (not elsewhere classified)	4,536,387,522.00	4,584,430,435.50	48,042,913.50
Stamp Duty	4,536,387,522.00	4,584,430,435.50	48,042,913.50
Social Security Contributions	1,062,000,000.00	-	(1,062,000,000.00)
Contributions from Government Employees to Social and Welfare Schemes within Government	1,062,000,000.00	-	(1,062,000,000.00)
Grants from Foreign Government	22,954,246,774.00	20,077,231,195.75	(2,877,015,578.25)
Grants From International Organizations	3,759,295,312.00	-	(3,759,295,312.00)
Property Income	5,004,260,992.00	5,080,746,219.45	76,485,227.45
Interest Received	572,016,914.00	572,016,914.55	0.55
Profits and Dividends from CBK	-	-	-
Other Profits and Dividends	3,133,350,633.00	3,133,350,633.50	0.50
Rent Of Land	1,297,434,958.00	1,375,378,671.40	77,943,713.40
Webuye Housing Scheme Rents	1,458,487.00	-	(1,458,487.00)
Sale Of Goods and Services	1,554,926,797.00	75,988,457,100.00	74,433,530,303.00
Administrative Fees and Charges	-	-	-
Fees under Traffic Act	-	-	-
Motor Drivers Licenses	-	-	-
Other Land Revenue	-	-	-
Land Adjudication and Case Fees	-	-	-
Sale of Freehold Interest in Agricultural Land	-	-	-
Fines, Penalties and Forfeitures	158,521,084.00	158,521,084.00	-

APPENDIX NO. 3 VOTE 7 - MINISTRY OF FINANCE
 VARIANCE BETWEEN ACTUAL RECEIPTS AS PER LEDGER AND ACTUAL RECEIPTS AS PER EXCHEQUER

Other Receipts not Classified Elsewhere	7,402,166,078.00	15,956,423,390.40	8,554,257,312.40
Miscellaneous Revenue	7,402,166,078.00	15,956,423,390.40	8,554,257,312.40
Repayment from Domestic Lending and On-lending	708,564,701.00	708,564,701.45	0.45
Loans to Non-Financial Public Enterprises	708,564,701.00	708,564,701.45	0.45
Loans to Financial Institutions	-	-	-
Other- Land Revenue (Ministry Of Lands)	-	-	-
Other- Other Receipts (OP)	-	-	-
Net Domestic Borrowing from Monetary Authorities (Central Bank)	-	-	-
TOTAL	424,289,740,921.00	516,108,407,205.15	91,818,666,284.15
Total Ordinary Revenue			-
Total Grants			-
Appropriations-in-Aid	35,700,000,000.00		(35,700,000,000.00)
Total Net Domestic Borrowing	(13,891,000,000.00)		13,891,000,000.00
Total Revenue	446,098,740,921.00		70,009,666,284.15

Figures as per the Ledger are interim figures captured as at 30th June, 2008. These figures are subject to change as final figures are obtained from various receivers of revenue. These are the figures captured in the audited Appropriation Accounts. The figures as per the Exchequer have incorporated the final figures as obtained from the receivers of revenue. Reconciliation is, therefore, usually done between the two sets of records to fully account for the difference between initial and final figures. Reconciliations were later done and availed for audit verification.

APPENDIX NO. 4: VOTE 7 - MINISTRY OF FINANCE
 VARIANCE BETWEEN ACTUAL RECEIPTS AS PER EXCHEQUER AND ACTUAL RECEIPTS AS PER KRA

DETAILS	ACTUAL RECEIPTS as per	ACTUAL RECEIPTS as per	VARIANCE	COMMENT
	Exchequer 2007/2008	KRA 2007/2008	Kshs.	
	Kshs.	Kshs.	Kshs.	
Taxes on Income, Profit and Capital Gains	168,376,912,702.60	166,152,969,569.00	2,223,943,133.60	
PAYE	81,680,929,230.20	86,140,240,109.00	(4,459,310,878.80)	Timing difference in remittance to the Exchequer
INCOME TAX from CORPORATIONS	86,695,983,472.40	80,012,729,460.00	6,683,254,012.40	2006/2007 balance b/f remitted
Taxes on Property	-	-	-	
Total VAT	115,393,742,929.55	111,008,285,884.00	4,385,457,045.55	
VAT on Domestic Goods and Services	61,586,108,468.70	57,373,875,558.00	4,212,233,110.70	
VAT On Imported Goods and Services	53,807,534,460.85	53,634,410,526.00	173,123,934.85	2006/2007 balance b/f remitted
Taxes on Goods & Services (Excluding AIA)	63,925,604,629.85	-	27,927,614,872.19	
Excise Taxes	61,857,468,359.10	54,049,962,824.00	27,807,505,535.10	2006/2007 balance b/f remitted
Licences Under Traffic Act	1,880,336,872.75	1,948,026,933.66	(67,690,060.91)	Timing difference in remittance to the Exchequer
Royalties	187,799,398.00	-	187,799,398.00	Different Receiver of Revenue
Taxes on Goods and Services Collected as AIA	-	-	-	
Other Taxes on Goods and Services	-	-	-	
Taxes on Inter. Trade & Transactions	45,857,772,816.60	44,970,088,516.00	887,684,300.60	
Custom Duties	32,944,348,580.05	32,539,472,977.00	404,875,603.05	2006/2007 balance b/f remitted
Export Levies	-	-	-	
Exemptions on Customs and other Import Duties	-	-	-	
Other Taxes on Int. Trade & Transactions	12,913,424,236.55	12,430,615,539.00	482,808,697.55	2006/2007 balance b/f remitted
Other Taxes (not elsewhere classified)	4,584,430,435.50	4,532,751,118.00	51,679,317.50	
Stamp Duty	4,584,430,435.50	4,532,751,118.00	51,679,317.50	2006/2007 balance b/f remitted
Social Security Contributions	-	-	-	
Contributions from Government Employees to Social and Welfare Schemes within Government	-	-	-	
Grants from Foreign Government	20,077,231,195.75	-	20,077,231,195.75	
Grants From International Organizations	-	-	-	
Property Income	5,080,746,219.45	-	3,823,730,870.45	
Interest Received	572,016,914.55	-	572,016,914.55	
Profits and Dividends from CBK	-	-	-	
Other Profits and Dividends	3,133,350,633.50	-	3,133,350,633.50	Different Receiver of Revenue
Rent Of Land	1,375,378,671.40	1,257,015,349.00	118,363,322.40	2006/2007 balance b/f remitted
Webuye Housing Scheme Rents	-	-	-	

APPENDIX NO. 4: VOTE 7 - MINISTRY OF FINANCE
 VARIANCE BETWEEN ACTUAL RECEIPTS AS PER EXCHEQUER AND ACTUAL RECEIPTS AS PER KRA

DETAILS	ACTUAL RECEIPTS as per Exchequer 2007/2008 Kshs.	ACTUAL RECEIPTS as per KRA 2007/2008 Kshs.	VARIANCE Kshs.	COMMENTS
Sale Of Goods and Services	75,988,457,100.00	-	75,988,457,100.00	Different Receiver of Revenue
Administrative Fees and Charges	-	-	-	
Fees under Traffic Act	-	-	-	
Motor Drivers Licenses	-	-	-	
Other Land Revenue	-	-	-	
Land Adjudication and Case Fees	-	-	-	
Sale of Freehold Interest in Agricultural Land	-	-	-	
Fines, Penalties and Forfeitures	158,521,084.00	-	158,521,084.00	Different Receiver of Revenue
Other Receipts not Classified Elsewhere	15,956,423,390.40	-	15,956,423,390.40	Different Receiver of Revenue
Miscellaneous Revenue	15,956,423,390.40	-	15,956,423,390.40	Different Receiver of Revenue
Repayment from Domestic Lending and On-lending Loans to Non-Financial Public Enterprises	708,564,701.45	-	708,564,701.45	Different Receiver of Revenue
Loans to Financial Institutions	708,564,701.45	-	708,564,701.45	Different Receiver of Revenue
Other- Land Revenue (Ministry Of Lands)	-	-	-	
Other- Other Receipts (OP)	-	-	-	
Domestic Borrowing	-	-	-	
Net Domestic Borrowing from Monetary Authorities (Central Bank)	-	-	-	
TOTAL	516,108,407,205.15	326,664,095,087.00	152,189,307,011.49	
Total Ordinary Revenue				
Total Grants				
Appropriations-in-Aid				
Total Net Domestic Borrowing				
Total Revenue				

3

KRA RESPONSE TO INACCURACIES/INCONSISTENCIES IN
TREASURY TAX/REVENUE ACCOUNTS FOR FY 2007/08

1. Revenue Collected in the 2007/2008 Financial Year

During the Financial Year 2007/08, Kenya Revenue Authority (KRA) collected a total of Kshs.433,920 million against a target of Kshs.424,671 million which represents a performance rate of 102.2%. (For details see Annex 1)

The analysis of the total revenue collected during the year is as follows:

Revenue type	KShs. (Million)
Exchequer	407,819
Agency	26,101
TOTAL	433,920

2. Collection and Accounting of Revenue

Collection of Revenue is done through KRA cash office and commercial-banks.

The Revenue collected is accounted on daily basis by verifying bank statements and relevant record collection sheet. A daily Revenue Report is generated for management decision making.

(a) Modes of payments

Revenue collection is made at various paying points using various methods. These methods include the following;

(i) *Cheque/Cash*

All payments of amounts less than Kshs 1 million can be paid using either cash or cheque through KRA Cash Office or commercial banks. Collections through the Cash Office are subsequently banked the following working day at the Central Bank of Kenya.

(ii) *Payments made through RTGS*

All payments can be made through Real Time Gross Settlement System (RTGS). However, it is mandatory for all payments above Kshs 1 million to

be made via RTGS. Taxpayers are required to initiate RTGS transactions through their commercial banks to accounts at Central Bank of Kenya and KRA appointed commercial banks for onward transmission to CBK.

(iii) *Payment through Electronic Funds Transfer (EFT)*

For payments of less than Kshs 1 million a taxpayer can give instructions for transmission of funds from his domicile bank to either the Central bank main Collections accounts or to the commercial banks collection Accounts in case of online payment.

3. Banking

All the KRA revenue departments operate separate Collection Accounts for all the revenue items, being either Exchequer or Agency Taxes. These Accounts have been opened at both the commercial banks and Central Bank of Kenya (CBK). All collections at the commercial banks are transferred to corresponding tax heads accounts maintained at Central Bank by the second working day.

All collections made at KRA Cash offices are either banked directly to Central Bank or commercial banks where there are no CBK branches for transmission to CBK.

4. Reconciliation

Reconciliation for all revenue tax head accounts is done on monthly basis, however there is daily tracking of revenue from commercial bank to Central Bank of Kenya. It is done in three levels.

Level 1: Reconciliation for accounts held at Commercial Banks

The reconciliation for the collections made at the Commercial banks is done on daily and monthly basis, where payment slips/returns are matched to bank statements. Revenue monitoring is also done using daily system generated reports.

Movement of revenue collected at various commercial bank accounts are monitored on daily basis to ensure the correct amounts are reflected and transferred to the CBK.

Bank statements are collected on daily basis from the banks. KRA compares the collection data from the commercial bank with the transfers to CBK. Verification of collection by commercial banks is done against payment slips and returns. Any variances or omissions discovered are addressed immediately with the respective bank.

Level 2: Reconciliation for accounts held at CBK

Reconciliation of collections to various collection accounts at CBK is done on daily and monthly basis.

The bank statements are reconciled against the cashbook, systems reports and other bank documents such as debit/credit slips. Any variances or omissions discovered are immediately cleared with the bank. Finally a bank reconciliation statement is prepared and maintained.

Level 3: Reconciliation of KRA, CBK and Treasury figures

A team comprising of KRA, Treasury and CBK officers meets fortnightly to reconcile revenue collected and reported to Treasury by KRA against the transfers to the Exchequer. Differences between these three sets of figures is inevitable due to mainly:

- Timing difference
- Adjustment for LATF
- Transposition errors
- Misposting
- Omissions
- Under/overcasts

Any discrepancies are adjusted accordingly.

Annex 1: Revenue Performance 2007/2008- Kshs million

	Actual	Target	Variance	Perf. Rate (%)
CUSTOMS SERVICES				
<i>Exchequer Revenue</i>				
Gross Import Duty	32,780	32,577	203	100.6
Less Provision For Refunds	240	240		100.0
Net Import Duty	32,540	32,337	203	100.6
Gross Excise Duty	36,450	37,859	(1,409)	96.3
Less Provision For Refunds	2,400	2,400		100.0
Net Excise Duty	34,050	35,459	(1,409)	96.0
VAT - Imports	53,637	51,992	1,645	103.2
Import Declaration Fees	12,431	11,687	744	106.4
<i>Sub Total of Exchequer Revenue</i>	<i>132,657</i>	<i>131,475</i>	<i>1,182</i>	<i>100.9</i>
<i>Agency Revenue</i>				
Airport Revenue	1,921	2,367	(446)	81.2
Aviation Revenue	1,694	1,925	(231)	88.0
Petroleum Development Fund	1,318	1,421	(103)	92.7
Road Maintenance Levy	18,896	20,274	(1,378)	93.2
K.A.A. Concession Fees	71	67	3.3	104.9
Road Transit Toll Levy	352	408	(55)	86.4
Sugar Levy	176	626	(450)	28.1
Miscellaneous	222		222	
<i>Sub Total of Agency Revenue</i>	<i>24,650</i>	<i>27,089</i>	<i>(2,439)</i>	<i>91.0</i>
TOTAL CUSTOMS SERVICES	157,307	158,564	(1,257)	99.2
DOMESTIC TAXES				
<i>Exchequer Revenue</i>				
VAT-Gross Collection	69,543	71,997	(2,454)	96.6
Provision for Refunds	12,169	12,169		100.0
VAT Domestic	57,374	59,828	(2,454)	95.9
P. A. Y. E	86,140	79,427	6,713	108.5
Other Income Tax	80,013	72,229	7,784	110.8
Turnover Tax	28	111		
Excise Duty Domestic	22,070	23,542	(1,472)	93.7
Excise Tax on Airtime	6,397	6,550	(153)	97.7
Stamp Duty	4,533	3,338	1,195	135.8
Land Rent	1,257	1,221	36	102.9
Telkom Kenya Ltd	15,000	15,000		100.0
<i>Sub-Total Exchequer Revenue</i>	<i>272,812</i>	<i>261,246</i>	<i>11,566</i>	<i>104.4</i>
<i>Agency Revenue</i>				

	Actual	Target	Variance	Perf. Rate (%)
KEBS - Levy	335	354	(19.1)	94.6
Sugar Levy	1,117	1,570	(453)	71.1
<i>Sub Total of Agency Revenue</i>	<i>1,452</i>	<i>1,924</i>	<i>(472)</i>	<i>75.5</i>
Gross Receipts	271,432	260,338	11,094	104.3
TOTAL DOMESTIC TAXES	259,263	248,169	11,094	104.5
TOTAL DTD INCLUDING TELKOM	274,263	263,169	11,094	104.2
ROAD TRANSPORT				
Exchequer Revenue	2,350	2,469	(119)	95.2
Agency Revenue		469	(469)	0
TOTAL ROAD TRANSPORT	2,350	2,938	(588)	80.0
Total Exchequer Revenue	392,819	380,190	12,629	103.3
Total Agency Revenue	26,101	29,482	(3,380)	88.5
TOTAL	418,920	409,671	9,249	102.3
TOTAL INCLUDING TELKOM	433,920	424,671	9,249	102.2

Annex 2: Provisions for refunds

The provisions for refunds are provided on monthly basis on the following tax heads:

Tax Head	Amount (Million)
Excise duty oils	200
Import duty ordinary	20
Stamp duty	0.5
Excise duty domestic	1
VAT	1,076
Other Taxes (Income Tax)	50 (quarterly)

5% on Income Tax, PAYE and Turn over Tax (TOT) is transferred to Local Authority Transfer Fund (LATF). In 2007/08 total LATF transfer was Kshs 8,883 million (PAYE: KShs 4,336 million, other taxes: KShs 4,548 million).

KENYA REVENUE AUTHORITY

BANK RECONCILIATION STATEMENT

For the financial year 2007/2008

Stamp Duty

Balance as per KRA Report (Cashbook)		4,532,751,118.00
For the Financial Year 2007/2008		
ADD:		
03.07.07	Receipt in CBK not in treasury	113,376,816.00
	(mispostings and cash in transit)	
	and Provision for refunds	6,000,000.00
		<u>119,376,816.00</u>
LESS:		
02.07.07	Receipts in Treasury not in CBK	(50,628,994.15)
	Cash intransit 30th June 2008	(17,068,504.55)
		<u>(67,697,498.70)</u>
Balance per Treasury		<u>4,584,430,435.30</u>

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C.806 Vol. II/12

18 July 2012

KENYA NATIONAL AUDIT OFFICE

Mr. Patrick Gichohi, C.B.S.,
Clerk of the National Assembly,
Parliament Building,
P.O. Box 41842-00100,
NAIROBI.

Dear Mr. Gichohi

**INACCURACIES/INCONSISTENCIES IN TREASURY
TAX/REVENUE ACCOUNTS FOR THE FINANCIAL YEARS 2007/08**

Reference is made to your letter No. NA/BC.FP & T. PAC/L-12/05 dated 5 July 2012 regarding the above subject and my subsequent representation to the Joint Committee on 11 July 2012.

Please find six (6) copies of the final representation to the Joint Committee on Investigations of the Status of Revenue Accounts of the Government of Kenya for 2007/2008 by the Auditor-General.

Yours Sincerely

Edward R. O. Ouko
AUDITOR-GENERAL

Encl.

REPRESENTATION TO THE JOINT COMMITTEE ON INVESTIGATION OF THE
STATUS OF REVENUE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR
2007/2008

i. Introduction

Mr. Chairman, following your invitation to appear before the Joint Committee to explain the causes of any material differences that might have been queried by the Controller and Auditor General in the Report for Financial Year 2007/2008, I wish to provide explanations on the same as follows:

1.2. The specific issues raised by the Joint Committee include:-

- (i) Actual receipts as per the audited 2007/2008 exchequer account differ from actual receipts reflected in the printed revenue estimates for 2009/2010 by ksh.70,009,666,284.15.
- (ii) Reasons why thirteen (13) out sixteen (16) revenue statements were not accepted by the Auditor-General.
- (iii) Confirmation of revenue collection for the financial year 2007/2008

1.3. Background Information

- The accounts of Government of Kenya for the year ended 30 June 2008 were prepared and submitted to KENAO for audit within the statutory date of 30 September 2008.
- The accounts were audited and the audit report on the accounts for the year ended 30 June 2008 was signed by the then Controller and Auditor General on 28 May 2009.
- In the report, thirteen (13) out of a total of sixteen (16) revenue statements were not satisfied and were therefore rejected.

- Subsequently, further audit evidence and reconciliations were presented to KENAO for review.
- The audit report on the revenue statements was discussed by Public Accounts Committee (PAC) on 23 October 2009 upon which Treasury officials and Ministry of Finance Accounting Officer gave evidence to the Committee.
- The accuracy of further audit evidence and reconciliations provided were certified by the then Controller and Auditor General. This is also supported by the report of the Public Accounts Committee on the Government of Kenya Accounts for 2007/2008 (pages 37 to 50). I have reviewed the files and the underlying records and see no cause for alarm.
- However, I will now explain in detail, which explanation was also verbally given to this Joint Committee, the position of each of the Joint Committee concerns raised in 1.2 above.

2. Actual receipts as per the audited 2007/2008 exchequer account differ from actual receipts reflected in the printed revenue estimates for 2009/2010 by ksh.70,009,666,284.15.

- 2.1. In 2009/2010 Estimates of Revenue of the Government of Kenya for the year ended 30 June 2010 tabled in Parliament erroneously reflected comparative figures for 2007/2008 actual revenue totaling Kshs.446,098,740,921.00 instead of the audited actual revenue figure of Kshs.516,108,407,205.15 thereby occasioning a difference of Kshs.70,009,66,284.15. Treasury put without consultation 2007/2008 comparative actual revenue figure of Kshs.446,098,740,921.00 in the 2009/2010 estimates of revenue instead of the audited actual revenue figure of Kshs.516,108,407,205.15 which was also the figure certified by the Controller and Auditor General and Public Accounts Committee, and which figure we also confirm today.

For record purposes, we reiterate that the difference of Kshs.70,009,666,284.15 between the audited actual revenue figure for 2007/2008 of

Kshs.510,108,407,203.46 and the figure appearing in the 2009/2010 estimates of revenue of Kshs.448,093,740,821.00 was committed by Treasury, for which the Financial Secretary has taken responsibility and apologized. However, we confirm that the error did not result in loss of Government Revenue for 2007/2008 (see attached appendix).

3. Reasons why thirteen (13) out sixteen (16) revenue statements were not accepted by the Auditor-General

3.1. Out of sixteen (16) Statements of Revenue for 2007/2008 audited, only the following three (3) were accepted by the Auditor-General:-

Revenue Head	Description
(i) 1410000-Subhead 1410200	Property Income -- Profits and Dividends
(ii) 1430100 – Fines and Forfeitures	Judicial Department
(iii) 160-210 – Forest and Mining	Ministry of Environment

3.2. - The following ten (10) Statements prepared by the Ministry of Finance and three (3) prepared by the other Ministries were not accepted.

Ministry of Finance

Revenue Head	Description
(i) 1110000	Taxes on Income, Profits and Capital Gains
(ii) 1140000	Taxes on Good and Services
(iii) 1150000	Taxes on International Trade and Transactions
(iv) 1160000	Other Taxes Not Elsewhere Classified
(v) 1140000	Sub-Head 1410100 Loan Interest Receipts
(vi) 1410000	Sub-Head 1410401 – Property Income -- Rent of Land

- (vii) 1450000 Other Receipts Not Classified Elsewhere
- (viii) 4510000 Repayments from Domestic Lending and On-Lending
- (ix) 1420000 Sale of Goods and Services
- (x) Head DR 1 Statement of Development Revenue

Other Ministries

- (i) 170 – 010 Tourist and Wildlife (Office of the President)
- (ii) 210 – 010 Trading Licenses (Office of the President)
- (iii) 150 – 360 Lands Revenue (Ministry of Lands)

3.3. The Main reason for rejecting the Statements was due to unreconciled differences between the statement figures and KRA figures occasioned by the following weaknesses in the accounting system of revenue receipts:-

- (i) Failure to reconcile on time KRA revenue figures with Central Bank of Kenya (CBK) and Treasury main figures to clear and explain timing differences.
- (ii) Posting errors in the ledger account.
- (iii) Failure to capture on time all revenue receipts in the ledger occasioning revision of the final trial balance as at 30 June 2008.

3.4. I wish to confirm that after the report of Controller and Auditor General, Treasury prepared reconciliations for all the affected statements of revenue which I have reviewed and confirmed correct.

4. Confirmation of Revenue Collection for the Financial Year 2007/2008

I wish to confirm the revenue receipts collected in 2007/2008 was Kshs.516,108,407,205.15 made up of ordinary revenue of Kshs.419,334,154,207.95 and other revenue of Kshs.96,774,252,997.20 as detailed below:

Ordinary Revenue

Revenue Head	Details	Amount (Kshs.)
1110000	Taxes on Income, Profits and Capital Gains	168,376,912,702.60
1140000	Taxes on Goods and Services	177,439,010,666.65
1150000	Taxes on International Trade and Transactions	45,857,772,816.60
1160000	Other Taxes (Not Elsewhere Classified)	4,584,430,435.50
1410000	Property Income	5,080,746,219.45
1420000	Sales of Goods and Services	1,880,336,872.75
1430000	Fines, Penalties and Forfeitures	158,521,084.00
1450000	Other Receipts Not Classified Elsewhere	<u>15,956,423,390.40</u>
	Total	<u>419,334,154,207.95</u>

Other Revenue

1420100	Sales of Market Establishments	75,988,457,100.00
4510000	Repayments from Domestic Lending and On-Lending	708,564,701.45
	Grants and Loans	<u>20,077,231,195.75</u>
	Total	<u>96,774,252,997.20</u>

5. Annex

I have attached the following two appendixes for clarity.

- Annex 1 - The difference of Kshs.70,009,666,284.15 between 2007/2008 Audited Revenue receipts and the figures appearing as 2007/2008 Actual Revenue Comparatives and the Audited Figures.
- Annex 2 - Detailed Report of Auditor General presented earlier to this Joint Committee.



Edward R. O. Ouko
AUDITOR-GENERAL

Annex 1

The Difference of Kshs.70,009,666,284.15 between 2007/2008 Audited Revenue Receipts and the Figures appearing as 2007/2008 Actual Revenue Comparatives and the Audited Figures

Head No.	Details	Actual Receipts as per Audited Exchequer Accounts	Actual Receipts as Per Printed Estimates	Variance
		Kshs.	Kshs.	Kshs.
1110000	Taxes on Income, Profits and Capital Gains	168,376,912,702.60	156,824,100,000.00	11,552,812,702.60
1120000	Taxes on Payroll and Workforce			-
1130000	Taxes on Property		331,895,301.00	(331,895,301.00)
1140000	Taxes on Goods and Services	177,439,010,686.65	174,135,603,544.00	3,303,407,142.65
1150000	Taxes on International Trade & Transactions	45,857,772,816.60	45,857,772,816.00	0.60
1160000	Other Taxes (not elsewhere classified)	4,584,450,435.50	4,536,387,522.00	48,042,913.50
1210000	Social Security Contributions		1,062,000,000.00	(1,062,000,000.00)
1310000	Grants from Foreign Governments			
1320000	Grant from International Organizations			-
1330000	Grants from Other Level of Government			-
1410000	Property Income	5,080,746,219.45	5,004,260,992.00	76,485,227.45
1420000	Sales of Goods and Services	1,880,336,872.75	1,554,926,797.00	325,410,075.75
1430000	Fines Penalties and Forfeitures	158,521,084.00	158,521,084.00	-
1440000	Receipts from Voluntary transfers other than grants			-
1450000	Other Receipts Not Classified Elsewhere	15,956,423,390.40	7,402,166,078.00	8,554,257,312.40
4510000	Repayments from Domestic Lending and On-lending	708,564,701.45	708,564,701.00	0.45
	Sale of Market establishments	75,988,457,100.00		75,988,457,100.00
	Total Ordinary Revenue	496,031,176,009.40	397,576,198,835.00	98,454,977,174.40
	Total Grants	20,077,231,195.75	26,713,542,086.00	(6,636,310,890.25)
	Appropriations-In-Aid		35,700,000,000.00	(35,700,000,000.00)
	Total Net Domestic Borrowing		(13,891,000,000.00)	13,891,000,000.00
	Total Revenue			-
	GRAND TOTAL	516,108,407,205.15	446,098,740,921.00	70,009,666,284.15

Reasons why thirteen (13) out of sixteen (16) revenue statements were not accepted by the Auditor-General

The following are my comments on audit issues raised in the various audited Statements of Revenue for 2007/2008:-

(a) Out of the sixteen (16) Statements of Revenue for 2007/2008 audited, only the following three (3) were accepted by the Auditor-General:-

Revenue Head	Description
i) 1410000 – Sub Head 1410200 – Property Income – Profits and Dividends	
ii) 1430100 – Fines and Forfeitures	Judicial Department
iii) 160-210 – Forest and Mining	Ministry of Environment

(b) The following ten (10) Statements are prepared by the Ministry of Finance and three (3) prepared by other ministries were not accepted due to various unexplained variations as detailed below;

Ministry of Finance

Revenue Head	Description
i) 1110000	Taxes of Income, Profits and Capital Gains
ii) 1140000	Taxes on Goods and Services
iii) 1150000	Taxes on International Trade and Transactions
iv) 1160000	Other Taxes Not Elsewhere Classified

v) 1140000	Sub-Head 1410100 Loan Interest Receipts
vi) 1410000	Sub-Head 1410401 – Property Income – Rent of Land
vii) 1450000	Other Receipts Not Classified Elsewhere
viii) 4510000	Repayments from Domestic Lending and On-lending
ix) 1420000	Sales of Goods and Services
x) Head DR I	Statement of Development Revenue

Other Ministries

i) 170 – 010	Tourist and Wildlife (Office of the President)
ii) 210 – 010	Trading Licences (Office of the President)
iii) 150 – 360	Lands Revenue (Ministry of Lands)

1. REVENUE STATEMENT HEAD 1110000 – TAXES ON INCOME, PROFITS AND CAPITAL GAINS

a) Qualification Issue

- Unexplained difference of Kshs.11,093,780,541.40 between the Statement's actual receipts figure of Kshs.177,246,750,110.40 and Kshs.166,152,969,569.00 reflected in records maintained by Kenya Revenue Authority(KRA).

Clearance

- The difference of Kshs.11,093,780,541.40 is made up of the following variances:-

Revenue	Amount as Per	Amount as Per	Variance
---------	---------------	---------------	----------

Item:	Revenue		KRA records	
	Statement			
	Kshs.		Kshs.	Kshs.
PAYE	81,680,929,230.20		86,140,240,109.00	(4,459,310,878.85)
OIT	86,695,983,472.40		80,012,729,460.00	6,683,254,012.40
LATF	<u>8,869,837,407.80</u>		<u>-</u>	<u>8,869,837,407.80</u>
Total	<u>177,246,750,110.40</u>		<u>166,152,969,569.00</u>	<u>11,093,780,541.40</u>

i) Pay As You Earn (P.AY.E)

- Reconciliation for the difference of Kshs. 4,459,310,878.85 between the figure of Kshs.81, 680,929,230.20 reflected in the Revenue Statement and KRA figure of Kshs. 86,140,240,109.00 is as follows;

	Amount Kshs
Balance of per KRA Records as at 30 June 2008	86,140,240,109.00
Add: 2006/2007 collections transferred in July 2007	634,683,602.86
Less: Cash in transit from other banks as at 30/6/08	<u>(58,223,070.95)</u>
Total Banking for 2007/2008	86,716,700,640.91
Add: Amount in Treasury not in CBK	652,776,568.15
Less: Amount in CBK not in Treasury	1,352,712,947.00
Less LATF 5%	<u>4,335,835,031.95</u>
Balance as per Revenue Statement	<u>81,630,929,230.20</u>

Appendix II

ii) Other Income Tax (OIT)

- Reconciliation for the difference of Kshs. 6,683,254,012.40 between the figure of Kshs.86, 695,983,472.40 reflected in the Revenue Statement and KRA figure of Kshs. 80,012,729,460.00 is as shown;

	Amount Kshs
Balance as per KRA Records	80,012,729,460.57
Add: Previous year <u>provision</u>	11,518,961,560.00
Less: Cash in transit	<u>(88,978,337.57)</u>
Total banking for 2007/2008	91,442,712,683.00
Add: Cash in transit 30.6.07	812,706,833.26
Add Receipts in Treasury not in CBK	1,060,590,364.80
Less: Receipts in CBK not in Treasury	(1,581,256,199.72)
Cash in transit	(491,194,289.25)
5% LATF	<u>(4,547,575,919.69)</u>
Amount as per Revenue Statement	<u><u>86,695,983,472.40</u></u>

APPENDIX III

b) Qualification Issue

- Unexplained difference of Kshs.120, 420,998.00 between the Ministry of Finance LATF disbursements figure of Kshs.8, 648,006,036.00 reflected in the Statement and Kshs.8,768,427,034.00 shown LATF Accounts prepared by the Ministry of Local Government.

Clearance

- The Local Authorities Transfer Fund (LATF), whose purpose is to facilitate disbursements of funds to local authorities, is administered by the Permanent Secretary, Ministry of Local Government. Each financial year, five per cent (5%) of all tax collected under the Income Tax Act (P.A.Y.E and Other Income Tax) is paid into LATF Account maintained at the Central Bank of Kenya.
- After the Permanent Secretary, Ministry of Local Government authorizes disbursements of LATF monies to local authorities; the Treasury approves and directs Central Bank of Kenya to release the funds directly to the local authorities.
- During the year under review, the Permanent Secretary, Ministry of Local Government authorized disbursements of Kshs.8, 768,427,034.00 to various local authorities. However, and according to Treasury records, only an amount of Kshs.8, 648,006,036.00 was released to the local authorities. The resultant difference of Kshs.120, 420,998.00 represents funds which had not been released from the LATF Account for disbursement to the local authorities by the end of the financial year.
- As at 30 June 2008, the total amount held by CBK in the LATF Account was Kshs. 2,811,475,595.50

APPENDIX III a

2. REVENUE STATEMENT HEAD 1140000 – TAXES ON GOODS AND SERVICES

a) Qualification Issue

- Unreconciled difference of Kshs.3,725,958,227.30 between the Statement actual receipts figure of Kshs.177,251,211,178.30 and Kshs.173,525,253,051.00 reflected in records maintained by KRA.

Clearance

- The difference of Kshs.3,725,958,227.30 is made up of the following variances:-

Revenue Item	Amount as Per Revenue Statement Kshs.	Amount as Per KRA records Kshs.	Variance Kshs.
VAT-Local	61,586,108,468.70	57,373,875,358.00	4,212,233,110.70
VAT-Imports	53,807,634,460.85	53,634,410,526.00	173,223,934.85
Excise Taxes	<u>61,857,468,348.75</u>	<u>62,516,967,167.00</u>	<u>(659,498,818.25)</u>
Total	<u>177,251,211,278.30</u>	<u>173,525,253,051.00</u>	<u>3,725,958,227.30</u>

- Reconciliations in respect of VAT - Local, VAT-Imports and Excise Taxes are shown below

VAT Local

	Amount (Kshs)
Amount of collections as per KRA Records	57,373,875,358.00
Add: money provided by Treasury for VAT Refunds	<u>12,169,000,000.00</u>
Sub total	69,542,875,358.00
Add: Collections reported separately(Telkom)	4,446,648,474.15
Less: Cash in transit from collecting Banks	<u>(66,968,448.20)</u>
_Actual Bank balance	73,922,555,383.95

Less: Receipts in CBK not in Treasury	(13,563,422,245.64)
Add: Receipts in Treasury not in CBK	<u>1,226,975,330.39</u>
Amount as per Revenue Statement	<u>61,586,108,468.70</u>

Appendix IV a

VAT – IMPORTS

	Amount (Kshs.)
Amount as per KRA Records	53,634,410,526.00
Add: Casting Error	<u>2,256,420.00</u>
Receipts as per KRA	53,636,666,946.00
Less: Receipts in KRA Cashbook not in Bank (Cash in transit from commercial banks to KRA)	(332,990,555.15)
Add: Receipts in Bank not in KRA (Cash in transit as at 30 June 2007but received in 2008)	<u>351,987,072.00</u>
CBK balance	53,655,663,462.85
Less: Receipts in CBK not in Treasury	(1,408,866,831.00)
Add: Receipt in Treasury not in CBK	<u>1,560,837,829.00</u>
Amount as per Revenue Statement	<u>53,807,634,460.85</u>

APPENDIX IV b

EXCISE TAXES

Amount (Kshs.)

Amount as per KRA Records	62,517,067,168.00
Add: Provisions for Refunds	<u>2,400,000,000.00</u>
	64,917,067,168.95
Less: Receipts in Cashbook not in Bank	(951,976,935.96)
Add: Receipts in Bank not in Cashbook	<u>646,265,340.90</u>
CBK balance	64,611,355,572.95
Less: Receipts in CBK not in Treasury	(3,775,165,810.15)
Add: Receipts in Treasury not in CBK	<u>1,021,278,585.95</u>
Amount as per Revenue Statement	<u>61,857,468,348.75</u>

APPENDIX IV c

b) Qualification Issues

- Unexplained difference of Kshs.60, 135,349,498.40 between the actual receipt figure of Kshs.177, 251,211,278.30 and Kshs.117, 115,861,779.00 reflected in the Ministry's Ledger.
- Excise Taxes of Kshs.61, 857,468,348.75 reflected in the Statement were omitted from the Ministry's Ledger.

Clearance

- The two balances were reconciled as follows:-

	Amount (Kshs.)
Receipts as per Ministry's Ledger	117, 115,861,779.00
Add: Excise Taxes omitted from the Ledger	61, 857,468,348.75

Less: Credit balance from previous year	<u>1,722,118,850.35</u>
Receipts as per Revenue Statement	<u>177,251,211,278.30</u>

- The 2007/2008 Ledger was subsequently amended to reflect the total receipts as per the Revenue Statement.

3 REVENUE STATEMENT HEAD 1150000 – TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS

a) Qualification Issue

- Unreconciled difference of Kshs.887, 684,300.60 between the actual receipts figure of Kshs.45, 857,772,816.60 reflected in the Statement and Kshs.44,970,088,516.00 reflected in records maintained by KRA.

Clearance

- The difference of Kshs.887,684,300.60 is made up of the following variances:-

Revenue Item	Amount as Per Revenue Statement Kshs.	Amount as Per KRA records Kshs.	Variance Kshs.
Customs			
Duty	32,944,348,580.05	32,539,472,977.00	404,875,603.05
Other			
Taxes	<u>12,913,424,236.55</u>	<u>12,430,615,539.00</u>	<u>482,808,697.53</u>

Total	<u>45,857,772,816.60</u>	<u>44,970,038,516.00</u>	<u>887,684,300.60</u>
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- Reconciliation in respect of Customs Duty and Other Taxes has been prepared as shown;

CUSTOMS DUTY

	Amount (Kshs.)
Amount as per KRA	32,539,472,977.00
Add: money from Treasury for refunds and Exemptions	<u>470,000,000.00</u>
	33,009,472,977.00
Less: Receipts in KRA not in Bank	(314,637,097.00)
Add: Receipts in Bank not in KRA	<u>507,028,495.45</u>
Balance as per CBK	33,201,864,374.45
Less: Receipts in CBK not in Treasury	(1,047,455,582.95)
Add; Receipts in Treasury not in CBK	<u>789,939,787.55</u>
Amount as per Revenue Statement	<u>32,944,348,580.05</u>

APPENDIX V a

OTHER TAXES

	Amount (Kshs.)
Balance as per KRA records	12,430,613,539.00
Less: Receipts in Cashbook not in Bank	(44,847,284.00)

Add: Receipts in Bank not in Cashbook	155,944,195.40
Bank balance	12,541,710,450.40
Less: Receipts in CBK not in Treasury	(346,801,114.00)
Add: Receipts in Treasury not in CBK	718,514,900.15
Amount as per Revenue Statement	<u>12,913,424,236.55</u>

APPENDIX V b

b) Qualification Issue

- Unreconciled difference of Kshs.367,449,065.85 between the Statement actual receipts figure of Kshs.45,857,772,816.60 and Kshs.45,490,323,750.75 reflected Ministry's Ledger.

Clearance

- The difference of Kshs.367,449,065.85 represents receipts not entered in the Ledger. The 2007/2008 Ledger was later adjusted to reflect the omitted amount and confirmed.

4 REVENUE STATEMENT HEAD 1160000 – OTHER TAXES NOT ELSEWHERE CLASSIFIED

Qualification Issue

- Unexplained difference of Kshs.51,679,317.30 between the Ministry actual receipts of Kshs.4,584,430,435.30 and KRA figure of Kshs.4,532,751,118.00.

Clearance

- Reconciliation for the difference of Kshs.51, 676,317.30 was later availed as shown;

STAMP DUTY

	Amount (Kshs.)
Amount as per KRA	4,532,571,118.00
Add: Receipts in CBK not in Treasury	119,376,816.00
Less: Receipts in Treasury not in CBK	<u>(67,697,498.70)</u>
Balance as per Treasury	<u>4,584,430,435.30</u>

APPENDIX VI

5 STATEMENT OF REVENUE HEAD 1410000-SUBHEAD 1410100-STATEMENT OF PROPERTY INCOME – LOAN INTEREST RECEIPTS FROM DOMESTIC AND ON-LENDING

a) Qualification Issue

- Unexplained difference of Kshs.200,762,900.85 between the Statement of Revenue payments to the Exchequer figure of Kshs.371,254,013.70 and Treasury Exchequer figure of Kshs.572,016,914.55.

Clearance

- The difference of Kshs.200,762,909.85 was attributed to receipts relating to 2006/2007 financial year but posted to the Exchequer records during the 2007/2008 financial as follows:-

<u>Date of Receipts</u>	<u>Amount (Kshs.)</u>
30.6.2007	4,628,514.20
30.6.2007	<u>196,134,395.00</u>
Total	<u>200,762,909.85</u> ✓

b) Qualification Issues

- Unreconciled difference of Kshs.108, 267,742.70 between the Statement actual receipts of Kshs.371, 254,013.70 and Kshs.262, 986,271.00 reflected in Ministry's Ledger.
 - Unreconciled difference of Kshs.3,368,828.00 between the Statement actual receipts of Kshs.371,254,013.70 and Kshs.367,885,185.70 supported by receipt vouchers.

Clearance

- The difference of Kshs.108,267,742.70 was attributed to uncaptured receipts in the ledger and was reconciled as follows:-

	Amount (Kshs.)
Interest Revenue as per Ministry's Ledger	262,986,271.00
Add: Uncaptured receipts as at	
30 June 2008	108,288,916.90
Less: Directors Fee's captured as	
Interest receipts	<u>(21,174.20)</u>
Interest Receipts as per Revenue Statement	<u>371,254,013.70</u>

The 2007/2008 Ledger was later adjusted to reflect the correct receipts.

- The difference of Kshs.3,368,828.00 was reconciled as follows:-

	Amount (Kshs.)
Total Receipts as per Receipt Vouchers	367,885,185.70
Add: Receipts supported by vouchers not availed for audit	3,368,583.45
Rounding off figure	<u>244.55</u>
Actual Interest receipts	<u>371,254,013.70</u>

The receipt vouchers were later availed.

**6 REVENUE STATEMENT HEAD 1410000 – PROPERTY INCOME – SUB HEAD
1410401 – RENT OF LAND**

Qualification Issue

- Unexplained difference of Kshs.118, 363,222.40 between the Statement actual receipts of Kshs. 1,375,378,571.00 and KRA figure of Kshs.1, 257,015,349.00.

Clearance

- The difference of Kshs.118, 363,222.40 was attributed to credits paid directly to the Exchequer by the Ministry of Lands.

8. REVENUE STATEMENT HEAD 4510000 – REPAYMENTS FROM DOMESTIC LENDING AND ON-LENDING

Qualification Issues

- Unexplained difference of Kshs.236,131,179.90 between the Statement payments to Exchequer figure of Kshs.472,433,521.55 and the Exchequer records figure of Kshs.708,564,701.45.
- Unexplained difference of Kshs.61,740,522.10 between the Statement actual receipts figure of Kshs.472,433,521.55 and the Ministry's Ledger figure of Kshs.410,692,999.45.

Clearance

- The difference of Kshs.236,131,179.90 represents receipts received on 30 June 2008 but captured in the Exchequer records in 2008/2009 financial year.
- The receipts of Kshs.61,740,522.10 were subsequently captured in the amended 2007/2008 Ledger.

9. REVENUE STATEMENT HEAD 1420000 – SALE OF GOODS AND SERVICES

Qualification Issues

- Unexplained difference of Kshs.67,690,060.91 between the Statement actual receipts of Kshs.1,880,336,872.75 in respect of Fees Under Traffic Act and Motor Drivers Licenses and the KRA figure of Kshs.1,948,026,933.66.

- Unexplained difference of Kshs.30, 869,263.75 between the Statement actual receipts of Kshs.1, 880,336,872.75 and the figure of Kshs.1, 911,206,136.70 reflected in the Ministry's Ledger.

Clearance

- The receipts were subsequently captured in the amended 2007/2008 Ledger.

10. STATEMENT OF DEVELOPMENT REVENUE – HEAD DRI

Qualification Issue

- Unexplained difference of Kshs.73,908,047.75 between the Statement payments to Exchequer figure of Kshs.20,003,323,148.00 and Treasury Exchequer records figure of Kshs.20,077,231,195.75.

Clearance

- The difference of Kshs.73,908,047.75 represents receipts received on 30 June 2008 but captured in the Exchequer records in 2008/2009 financial year.

5

**MARS GROUP KENYA SUBMISSIONS TO THE JOINT COMMITTEE OF BUDGET,
PUBLIC ACCOUNTS AND FINANCE, PLANNING & TRADE.**

19TH JULY 2012

RE: INCONSISTENCIES IN THE REVENUE ACCOUNTS FOR THE FY 2007-2008

Mr. Chairman: This submission is on behalf of Mars Group Kenya a Leadership, Governance and Accountability watchdog organization, and it is on the State of Revenue Reporting by the Government of Kenya with specific detail to the Revenue Accounts for the Financial Year that ended on 30th June 2008.

Mr. Chairman: We trust our information today will be useful to Parliament and we hope that we will continue to contribute towards the ability of the National Assembly to carry out its watchdog role over the funds of the Kenyan people.

Mr. Chairman: With your permission we will now present our submission on the subject matter before this Joint Committee. We have three issues to address and the first one is:-

1. Revenue Accounts failing Audits

Mr. Chairman: Early April 2011 Mars Group Kenya completed a report entitled "*Revenue Accounting by the Government of Kenya: unsatisfactory state of affairs!*" We shared the same with the budget committee on 22 June 2011.

Mr. Chairman: The logic behind the release of this report was that not as much attention was being focused on tracking revenues of the Government of Kenya despite frequent reporting by the Auditor General decrying inconsistent



revenue accounting by the Treasury over the years. The report intended to red-flag the issue of revenue accounting by the Treasury with a view to getting greater transparency and accountability for the benefit of Kenyan taxpayers. Mars Group discussed the report with Hon. John Mbadi MP, who agreed with us that there was reason for concern and that he would ask for a ministerial statement from the Minister for Finance to explain to the National Assembly why there were discrepancies in the revenue accounting of taxes collected from Kenyans.

Mr. Chairman: Hon. John Mbadi MP, sought the ministerial statement on April 21st 2011 and for a whole year the Minister for Finance was unable to bring the statement to Parliament, giving various unsatisfactory reasons for not doing so, and ultimately causing the Speaker to impose sanctions against the ministry of Finance. When the Statement was eventually delivered to the Honorable house, the answer was found to be wanting and this Joint Committee was mandated to investigate and report back to the House in 4 weeks. This casual attitude by the Ministry of Finance to respond to questions on accountability of Public funds by our Members of Parliament is unacceptable and we believe Parliament will stamp its Authority on the Treasury in exercising its oversight role. Parliament is the Supreme body in the accountability relationship relating to collection of revenue and control of use of public finances.

Mr. Chairman: The Ministerial Statement brought to the house on 15th May 2012 by the Minister of finance raises many issues of grave concern. The first issue we wish to address is that of revenue accounts failing Audit tests (***We attach the Ministerial Statement annex MGK 001 (pages 1-9 of annexure) to this submission, which is extracts of the official Hansard of the National Assembly Tuesday 15th May, 2012 on this matter for your reference***)

Mr. Chairman: With Permission we refer the committee to the Part of the statement at *annex MGK 001 which can be found at page 2 of the annexure*



where the Minister of Finance states as follows:

“ Mr. Deputy Speaker, Sir, with regard to the question of the number of revenue statements for the financial year 2007/2008 that were certified by the Controller and Auditor-General, I would like to confirm that only two statements were certified. These were the Property Income Interest Received Account, and the Dividends and Fines, Penalties and Forfeitures Account. For the financial year 2008/2009, all the 14 statements were qualified.”

The Report of the Controller and Auditor-General for the financial year 2007/2008 provided specific reasons as to why each revenue statement was excluded from his certificate, and this was basically for accounting reasons. The Report of the Controller and Auditor-General for the financial year 2007/2008 has already been discussed by the PAC, and the Committee has given specific recommendations on actions to be taken by the respective receivers of revenue. Indeed, revenue receivers have been taking action as directed by the PAC, through the Treasury.”

Mr. Deputy Speaker, Sir, therefore, I wish to say that the action by the PAC is in order, and this is being implemented.”

Mr. Chairman: The truth is that, Kenya’s Auditor General has in his three latest reports excluded from the general certificate the great majority of Statements of Revenue of the Government of Kenya. In 2008, the Auditor General certified only **three** Statements of revenue and only **one** as presenting a fair revenue position of the government of Kenya for the year ending 2009. This sad state of affairs continues with the Auditor General able to certify only **Five** Statements of revenue as presenting a fair revenue position of the government of Kenya for



the year ending 2010. (We attach annex MGK 002 (Page 10 of annexure) to this submission, which is a copy of the of Appendix B at page 265 of the C&AG report which contains a list of revenue accounts excluded from certificate by the C&AG for the Financial years 2007-2008, and annex MGK 003 (Page 11 of annexure) which is a summary of revenues excluded from certificate by the C&AG for the Financial years 2007-2008, 2008-2009 & 2009-2010)

Mr. Chairman: Out of the Kshs 516 Billion for the FY2007/8 collected on 16 revenue accounts only Kshs 3.4 Billion was certified on 3 accounts as follows:

Revenue Head	Kshs Amount
revenue head 1410000 Property Income, sub head 1410200 - Profits and Dividends	3,133,350,633.50
revenue head 1430000 Fines, Penalties & Foreitures, sub head 1430100 - Fines, Penalties & Foreitures	158,521,084.00
revenue head 1140000 Taxes on Goods & services, sub head 1140600 - Royalties	187,799,398.00
Total	3,479,671,115.50

Mr. Chairman: Simply put, the current position is that almost all revenue



accounts fail and continue to fail audit tests annually. The amount of the money involved in the concerned statements is as follows:

1. FY 2007 - 2008 KES 498,920,681,246.35

(Refer to annex MGK 004 (Page 12 - 16 of annexure) for tabulation of Audit queries and annex MGK 005 (Page 17 -25 of annexure) for reasons given by C&AG for exclusion of Revenue accounts from certificate for the FY 2007-2008)

2. FY 2008 - 2009 KES 215,098,237,274.38

(Refer to annex MGK 006 (Page 26 - 30 of annexure) for tabulation of Audit queries and annex MGK 007 (Page 31 - 38 of annexure) for reasons given by C&AG for exclusion of Revenue accounts from certificate for the FY 2008-2009)

3. FY 2009 - 2010 KES 239,262,793,105.76

(Refer to annex MGK 008 (Page 39 - 43 of annexure) for tabulation of Audit queries and annex MGK 009 (Page 44 - 51 of annexure) for reasons given by C&AG for exclusion of Revenue accounts from certificate for the FY 2009-2010)

Mr. Chairman: The number of Audit queries raised by the Auditor general for the financial year 2007/2008 is 57 in respect to revenue accounts. We are aware that the Auditor General testified before you on Wednesday 11th July, 2012. The Auditor General addressed 18 of the queries and did not deal with 39 of the queries in his own report. Treasury while testifying before you on the same day, dealt only with KRA audit queries. Unsatisfactory responses we

might add.

Mr. Chairman: The reasons for exclusion from General Certificate given by the Auditor general are numerous. Examples include

- Statements of Revenue reflect differences between figures reflected in the Statements and those reflected in the supporting documents
- Statements of Revenue received reflect receipts which materially differ from those reflected in Kenya Revenue Authority (KRA) records
- Payments to the Exchequer differ with amounts reflected in the Exchequer records
- Amounts carried forward differ with those reflected in the relevant Statement of Assets and Liabilities
- Revenue is accounted for under heads under which it was not estimated with the Heads reflected in the Estimates reflecting nil receipts
- Receipts are at times lumped together under one item

Mr. Chairman: Until we see the Report for 2010/2011, which is ready, and tabled in the National Assembly, we are unable to say how many revenue accounts have passed the audit test this time. Suffice to say the pattern is almost certain to recur.

Mr. Chairman: To emphasize our concerns, we quote directly from a statement extracted from the Report of the Controller and Auditor General on the Appropriation Accounts, other Public Accounts and the Accounts of the Funds of the Republic of Kenya for the year ended June 2007:



" 55. I am concerned by the lack of attention in the preparation of Statements of Revenue as indicated in the reports under each Revenue Head. Many Statements of Revenue reflect differences between figures reflected in the Statements and those reflected in the supporting documents. For example, most of the revenue is collected by Kenya Revenue Authority (KRA) but the Receiver of Revenue is the Financial Secretary. However, the Statements of Revenue received reflect receipts which materially differ from those reflected in KRA records. They also reflect payments to the Exchequer which differ with amounts reflected in the Exchequer records. Even amounts carried forward differ with those reflected in the relevant Statement of Assets and Liabilities. Such differences are not explained or reconciled and therefore cast doubts on the accuracy of the Statements of Revenue. As a result, many Statements of Revenue have been excluded from the general certificate... No explanation has been given for this unsatisfactory state of affairs."

Mr. Chairman: We wish to demonstrate using 5 examples, why the Minister of Finance should account to Parliament for Revenue accounts failing the Audit tests. Indeed the Minister acknowledged himself that *"The Report of the Controller and Auditor-General for the financial year 2007/2008 provided specific reasons as to why each revenue statement was excluded from his certificate,"* and added that *"this was basically for accounting reasons"*

We refer the Committee to annex MGK 004 (Page 12 - 16 of annexure) for tabulation of revenue Audit queries excluded from certificate for the FY 2007-2008 and annex MGK 005 (Page 17 -25 of annexure) which has the detailed reasons given by the Controller and Auditor General for the exclusion to demonstrate the problems using examples for the FY2007 - 2008.

Example 1 records maintained at KRA differ from Statement of Revenue)

Refer to paragraph 72 - **Paragraph 72:** Taxes on Income, Profits, and Capital Gains for the year ended 30th June 2008 reflects actual receipts of Kshs **177,246,750,110.40**. Records at the Kenya Revenue Authority (K.R.A) reflect actual receipts of Kshs **166,152,969,569.00**. The resultant difference of Kshs **11,093,780,541.40** has not been reconciled and explained.

Refer to paragraph 79 - **Paragraph 79:** The statement of Revenue for head 1140000-Taxes on goods and services for the year ended 30 June 2008 reflects actual receipts of **Kshs 177,251,211,278.30** comprising of **Kshs 61,586,108,468.70**, **Kshs 53,807,634,460.85** and under local VAT, VAT-imports and Excise taxes. Records maintained at the K.R.A show a different figure for total receipts of **Kshs 173,525,253,051.00** made up of **Kshs 57,373,875,358.00**, **Kshs 53,634,410,526.00** and **Kshs 62,516,967,167.00** relating to VAT local, VAT Imports and Excise taxes. The difference of **Kshs 3,725,958,227.30** between the two sets of records is yet to be explained and reconciled.

Mr. Chairman: Example 1 recurs at paragraphs 84,89,99, and 115 of the 2007-2008 report of the Controller & Auditor General. But what explanations can the treasury give for these differences. **6 out of the 57 queries by the Auditor General relate to unreconciled and unexplained differences between the Revenue Statements and KRA records.**

Mr. Chairman: You will see that if you look at the annexes for 2008-2009 and 2009-2010, the same issues arise. At this Point it would be prudent to remind the Committee of the statement by the Controller & Auditor General from 2007 that *“Many Statements of Revenue reflect differences between figures reflected in the Statements and those reflected in the supporting documents. For example,*

most of the revenue is collected by Kenya Revenue Authority (KRA) but the Receiver of Revenue is the Financial Secretary. However, the Statements of Revenue received reflect receipts which materially differ from those reflected in KRA records"

Example 2 (payments to the Exchequer differ with amounts reflected in the Exchequer records)

Refer to paragraph 92 - Paragraph 92: The Statement reflects payments to the Exchequer of **Kshs 371,254,013.70** while the records maintained at the Exchequer show a figure of **Kshs 572,016,914.55**. The difference of **Kshs 200,762,900.85** has yet to be reconciled and explained.

Refer to paragraph 97 - Paragraph 97: The Statement of Revenue for Head 1410000-Sub Head 1410200-Property Income for the year ended 30 June 2008 reflects a figure of **Kshs 2,914,370,680.05** as having paid to the Exchequer. Records maintained at the Exchequer shows a balance of **Kshs 3,133,350,633.50**. The difference of **Kshs 218,979,953.45** has yet to be reconciled. The amount of **Kshs 2,914,370,680.05** also differs with the amount of **Kshs 2,965,275,674.05** shown in the ledger by **Kshs 50,904,994.00**. Again this difference has yet to be explained and reconciled

Mr. Chairman: Example 2 recurs at paragraphs 35,81,86,90, and 105 of the 2007-2008 report of the Controller & Auditor General. But what explanations can the treasury give for these differences and failure to remit funds to the Exchequer. You will see that if you look at the annexes for 2008-2009 and 2009-

2010, the same issues arise.

Example 3 (Actual receipts differ with amounts reflected in the ledger)

Refer to paragraph 75 - Paragraph 75: Actual receipts reflected in the Statement total **Kshs 177,246,750,110.40** while the ledger shows a total of **Kshs 172,965,015,195.55**. The difference of **Kshs 4,281,734,914.85** has not been explained nor reconciled

Refer to paragraph 101 - Paragraph 101: Actual receipts of **Kshs 15,956,423,389.60** differ with the amount of **Kshs 13,904,256,454.75** reflected in the Ministry's Ledger. The difference of **Kshs 2,052,166,934.85** has not been explained or reconciled.

Mr. Chairman: Example 3 recurs at paragraphs 80,85, and 93 of the 2007-2008 report of the Controller & Auditor General. But what explanations can the treasury give for these differences in Actual receipts and ledger balances? You will see that if you look at the annexes for 2008-2009 and 2009-2010, the same issues arise.

Example 4 (Amounts carried forward differ with those reflected in the relevant Statement of Assets and Liabilities)

Refer to paragraph 76 - Paragraph 76: The statement shows a balance carried

forward to 2008/2009 of Kshs **3,148,921,514.05**. The statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 shows a figure **Kshs 8,647,022,282.19** against the same account. The difference of Kshs 5,498,100,768.14 has not been reconciled and explained.

Refer to paragraph 81 - Paragraph 81: A carried forward net balance of **Kshs 446,379,166.10** made up of both VAT and Customs excise is reflected in the statement. The statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 reflects a net total of **Kshs 2,177,957,773.20**. The difference of Kshs 2,624,336,939.30 has not been reconciled. Furthermore no reason has been provided for not remitting the balance of Kshs 446,379,166.10 to the Exchequer.

Mr. Chairman: Example 4 recurs at paragraphs 86,90, 98,94,102, 106 and 36 of the 2007-2008 report of the Controller & Auditor General. But again, what explanations can the treasury give for these differences in Actual revenue balances carried forward and brought forward? You will see that if you look at the annexes for 2008-2009 and 2009-2010, the same issues arise.

Example 5 (Arrears of Revenue due unaccounted for)

Refer to paragraph 78 - Paragraph 78: The statement does not show details of Arrears of Revenue due as at 30 April 2008 and uncollected as at 30 June 2008. As a result it cannot confirm whether Arrears of Revenue totaling Kshs 125,166,946,067.00, made up of PAYE and Other Income Tax of Kshs 8,038,915,157.00 and Kshs 117,128,030,910.00 as at 30 June 2007 had been recovered as at 30 June 2008.

Refer to paragraph 82 - Paragraph 82: The statement does not show details of Arrears of Revenue uncollected as at 30 June 2008. Due to this it has not been possible to confirm whether arrears totaling Kshs 91,734,032,909.00 as at 30 June 2007 had been recovered

Mr. Chairman: Example 5 recurs at paragraphs 87,96, and 108 of the 2007-2008 report of the Controller & Auditor General. But what explanations can the treasury give for the Arrears in revenue not being accounted for? You will see that if you look at the annexes for the next 2 financial years, the same issues arise.

Mr. Chairman: We urge your Committee to scrutinize line by line, the revenue accounts and the reasons given by the Auditor General for failing revenue accounts at Audit. We would like to remind the committee, that according to the Minister of Finance, the reasons for non-certification *“are basically auditing issues and more of reporting time”*

Mr. Chairman: As your committee seeks to address the issues arising from the foregoing, the following may assist the members of the Joint Committee:

What is the role of the treasury?

Government Financial Management Act

3 - Ministerial responsibility

The Minister shall manage the Consolidated fund and be responsible for all matters



relating to public financial affairs that are not assigned to any other Minister

4. - Treasury duties.

4) *The Treasury shall –*

(a) establish procedures and systems for proper and effective management of government money and property;

(b) establish accounting procedures and systems for the government to properly account for government money and property;

(c) superintend the expenditure of government money to ensure that it can be properly accounted for;

(d) prepare and submit accounts for each financial year under the Public Audit Act, 2003 for audit by the Controller and Auditor-General; and'

(e) ensure- that the accounts prepared under paragraph. (d) comply with the provisions of this Act.

Public Audit Act

Treasury accounts

3. (1) *For each financial year, the Treasury shall prepare accounts showing fully the financial position of the government at the end of the year and submit the accounts to the Controller and Auditor-General*

(2) *The accounts shall include the following–*

(a) a statement of receipts into and issues from the exchequer account;

(b) summaries of the following-

(i) the appropriation accounts prepared by accounting officers under section 4 (2)(a);

(ii) *the statements, prepared by accounting officers under section 4 (2)(b), of the outstanding amounts in respect of loans issued by the government; and*

(iii) *the statements of receipts and disbursements prepared by the receivers of revenue under section 5 (2)(a);*

(3) *The accounts must be submitted within three months after the end of the financial year.*

(4) *Notwithstanding subsection (3), the summaries required under subsection (2)(b) need not be submitted until four months after the end of the financial year.*

Receiver of revenue accounts.

5. (1) *For each financial year, each receiver of revenue shall prepare accounts in respect of the revenue in respect of which the receiver of revenue is appointed and submit the accounts to the Controller and Auditor-General.*

(2) *The accounts shall include the following-*

(a) *a statement of receipts and disbursements in such form as the Treasury may direct; and*

(b) *a statement of arrears of revenue.*

(3) *The accounts must be submitted within three months after the end of the financial year.*



What is the Role of the C&AG

Public Audit Act

Audit

8. The Controller and Auditor-General shall audit the accounts submitted under sections 3 to 7 and shall express an opinion on the accounts based on the results of each audit stating whether:—

(a) all information and explanations considered necessary for the audit were received;

(b) proper records were maintained of all transactions as required under the generally accepted accounting practices;

(c) the accounts are in agreement with the records referred to under paragraph (b);

(d) in his opinion, the accounts reflected fairly the financial position of the entity audited.

Report on Audit

9. (1) The Controller and Auditor-General shall prepare a report on the audit conducted under section 8 and submit the report to the Minister responsible for finance and such report shall include the matters covered under section 8 and any other information he may consider appropriate including but not limited to matters concerning efficiency in the usage of resources.

(2) Without limiting what may be included in the report, the report shall indicate whether—

(a) the information and explanations that were required to perform the examination and audit were received; and

(b) the accounts have been properly maintained.

(3) Without limiting what may be included in the report, the report shall identify cases in which—

(a) money has been spent in a way that was not efficient or economical;

(b) the rules and procedures followed, or the records kept, were inadequate to safeguard property and the collection of revenue;

(c) money that should have been paid into the exchequer account was not so paid;

2. Reporting Actual Revenue Receipts to the National Assembly

Mr. Chairman: It also appears that the Treasury has been keeping different sets of books for the revenue collected and is now involved in an intricate web of a possible cover up and deception as it continues to present different revenue figures to the Controller and Auditor General and to Parliament. The actual revenue receipts as captured by the Controller and Auditor General in the exchequer account differ significantly with the actual revenue receipts presented to Parliament in the estimates of Revenue.

Mr. Chairman: The question we would like your Committee to consider “Whether it is possible that treasury can maintain different sets of revenue accounts for the same financial period? The Same treasury, but with different revenue positions? ”

Mr. Chairman: We invite you to refer to annex MGK 010 (Page 52 - 53 of annexure) which is an extract from the controller & Auditor Generals report



for the FY 2007-2008 on receipts into the Exchequer Account. We also refer to the document annex MGK 011 (Page 54 - 60 of annexure) which is the Estimates of Revenue of the Government of Kenya for the year ending 30th June 2010. You will agree with us, that this document was tabled in Parliament in June 2009. This document Mr. Chairman records and therefore reports to Parliament the Actual revenue receipts for the FY 2007-2008 - the financial year your committee is tasked to investigate.

Mr. Chairman: We refer our table in annex MGK 012 (Page 61 of annexure). The actual receipts into the Exchequer account in the Auditor General's document annexed MGK 010 (Page 52 - 53 of annexure) have been entered into Column A of the table. You will note that the Auditor General has made 38 entries. Column B is derived from the Estimates of Revenue published by the Ministry for Finance at annex MGK 011 (Page 54 - 60 of annexure). All the entries state themselves to be Actual revenue for FY2007 -2008. Column C is the difference in Actual Revenue as stated in the 2 documents.

Mr. Chairman: Out of the 38 entries only 18 reflect the same actual revenue receipts.

Mr. Chairman: The Actual receipts into the Exchequer Account were submitted to the Auditor General by the Permanent Secretary, Ministry of Finance on 11 September 2008, some 2 months and 13 days after the end of the financial year 2007-2008. The Controller & Auditor General after Audit gives his certificate for the Exchequer Account on May 28 2009. As of 28th May 2009, both the treasury and the Controller & Auditor General agree on the receipts into the Exchequer Account. **Refer to (annex MGK 013 (Page 62 of annexure) which is the summary of the Exchequer Account for the FY 2007-2008 by the PS, Treasury and the Certificate therein of the Controller & Auditor General.**

Mr. Chairman: What is shocking, is that in June 2009, a month after receiving the Auditor General's signature on the Exchequer Account for FY 2007-2008, the Minister of Finance presents a totally different set of Actual Revenue

Receipts to Parliament. So blatant that for example, he tells Parliament:

1. Ordinary Revenue is KES 397,576,198,835.00 while the Exchequer Account records ordinary revenue as KES 496,031,176,009.40. A difference of KES 98,454,977,174.40. Revenue Receipts under declared. WHY?
2. Total Grants/Loans revenue is KES 26,713,542,086.00 while the Exchequer account records Grants/Loans revenue as KES 20,077,231,195.75. A difference of KES 6,636,310,890.25. Revenue Receipts over stated. WHY?
3. Miscellaneous Revenue is KES 7,402,166,078.00 while the Exchequer account records Miscellaneous Revenue as KES 15,956,423,390.40. A difference of KES 8,554,257,312.40. Miscellaneous revenue Receipts under stated. WHY?
4. Net Domestic Borrowing (CBK) is KES -13,891,000,000.00 while the Exchequer account records Net Domestic Borrowing (CBK) as KES 0.00. A difference of KES -13,891,000,000.008. Net Domestic Borrowing (CBK) that does not exist WHY?
5. Income tax from corporations is KES 79,125,000,000.00 while the Exchequer account records Income tax from corporations as KES 86,695,983,472.40. A difference of KES 7,570,983,472.40 Income tax from corporations under stated. WHY?

Mr. Chairman: Where do the timing issues the Minister referred to on May 15TH 2012 arise? This is plain mischief that could be related to theft of Billions of Shillings. Is under declaring the revenue to Parliament likely to cause a gap, where such revenue goes missing?

Mr. Chairman: Further issues with Actual receipts are illustrated in the



examples listed in (annex MGK 014 (Page 63-68 of annexure))

Mr. Chairman: All these issues discussed recur in the FY 2008-2009 and 2009-2010. And now we move on to the final issue before this Joint Committee.

3. Approved Revenue Estimates - Parliamentary Authority

Mr. Chairman: The estimates of Revenue as tabled in parliament by the Finance Minister which reflect the final revised estimates of revenue differ at every revenue line item from the estimates of revenue as captured by the Controller and Auditor General in his reports.

Mr. Chairman: We would like to refer you to the documents annex MGK 010 (Page 52 - 53 of annexure) , annex MGK 015 (Page 69 - 76 of annexure), annex MGK 016 (Page 77 of annexure) and annex MGK 017 (Page 78 of annexure) .

Mr. Chairman: The Treasury cannot alter the approved revised estimates of revenue. This fact was confirmed by the famous "computer error" when Parliament recalled 2008-9 supplementary estimates for this very reason, restating the fact that what Parliament approves is the final approval. The implications of treasury altering these figures are very serious and grave.

Mr. Chairman: If you look at annex MGK 010 (Page 52 - 53 of annexure) you will see the original estimates for FY 2007-2008 as captured in the C&AG audit report totaling to KES 522,372,682,070.00. These figures have been entered in



Column A of the table at annex MGK 016 (Page 77 of annexure). Column B is the final revised estimates for FY 2007-2008 as captured in the Estimates of Revenue for the year ending 30th June, 2009 at annex MGK 015 (Page 69 - 76 of annexure). Column B shows Revised Estimates as KES 558,439,999,999.00. A Net negative difference of KES (36,067,317,929.00).

Mr. Chairman: We would like to now demonstrate the problem. And there are two scenarios' both which appear to be very serious. If you look at Column D at annex MGK 016 (Page 77 of annexure), we input again the Original estimates as captured in the C&AG report at annex MGK 010 (Page 52 - 53 of annexure) the amount is KES 522,372,682,070.00 while Column E captures the Actual revenue receipts as reported to Parliament in June 2009 at annex MGK 011 (Page 54 - 60 of annexure) as KES 494,371,368,021.00. This means that if we use the original 2007-2008 estimates and the actual receipts for 2007-2008 as declared to Parliament, there is a net under collection of KES 28,001,314,049.00

Mr. Chairman: What did the Auditor General Audit?. If you look again at annex MGK 016 (Page 77 of annexure). In Column G, we input again the Original estimates as captured in the C&AG report at annex MGK 010 (Page 52 - 53 of annexure) the amount is KES 522,372,682,070.00 while Column H captures the Actual revenue receipts in the Exchequer account at annex MGK 010 (Page 52 - 53 of annexure) as KES 516,108,407,205.15. This means that if we use the Controller and Auditor Generals' audited Accounts for the FY 2007-2008 as the true position, then there is a net under collection of KES 6,264,274,864.85. The final net under collection would be KES 6,256,173,113.10 taking into account the Exchequer Account opening Balance as at 1st July 2007 of KES 8,101,751.75.



Mr. Chairman: We then pose the question. Does the Controller and Auditor General's Audit report represent the correct Under (Over) collection of revenue or is it the treasury that has misrepresented the position to Parliament in this scenario?

Mr. Chairman: The matter becomes even more serious if you use the revised estimates as reported to Parliament. Lets look at scenario 2. We refer you to annex MGK 017 (Page 78 of annexure). If you look at Column D, we input the final revised estimates for FY 2007-2008 as captured in the Estimates of Revenue for the year ending 30th June, 2009 at annex MGK 015 (Page 69 - 76 of annexure). The amount is KES 558,439,999,999.00 while Column E captures the Actual revenue receipts as reported to Parliament in June 2009 at annex MGK 011 (Page 54 - 60 of annexure) as KES 494,371,368,021.00. This means that if we use the revised 2007-2008 estimates and the actual receipts for 2007-2008 as declared to Parliament, there is a net under collection of KES 64,068,631,978.00

Mr. Chairman: If you look again at annex MGK 017 (Page 78 of annexure). In Column G, we input again the final revised estimates for FY 2007-2008 as captured in the Estimates of Revenue for the year ending 30th June, 2009 at annex MGK 015 (Page 69 - 76 of annexure). The amount is KES 558,183,256,999.00 . Column H captures the Actual revenue receipts in the Exchequer account at annex MGK 010 (Page 52 - 53 of annexure) as KES 516,108,407,205.15. This means that if we use the Revised estimates as Parliaments final authority, and revenues collected as in the Exchequer account, then there is a net under collection of KES 42,074,849,793.85. The final net under collection would be KES 42,066,748,042.10 taking into account the Exchequer Account opening Balance as at 1st July 2007 of KES 8,101,751.75

Mr. Chairman: We are concerned; that there can be so many possible revenue

positions in the same Financial Year, and that it is even now possible that the Audit reports might not reflect the actual revenue position of the Government of Kenya.

Mr. Chairman: Kenyans expected the Minister of Finance to answer the issues raised by the Controller and Auditor General and asked by our representatives on the floor of the House -

1. How many revenue accounts Failed the Audit test and Why?
2. Do the Actual revenue receipts as reported to parliament faithfully reflect the actual receipts as captured by the controller & Auditor General In the exchequer account?
3. Do the revised estimates of revenue tabled in Parliament reflect the actual approval by given by parliament?

Mr. Chairman: Mars Group Kenya previously had the opportunity to appear before a Joint Parliamentary Enquiry by the Budget and Finance Committees into the Supplementary Estimates of the Financial Year 2008-2009. Our findings of discrepancies in the Supplementary Estimates triggered the enquiry and resulted in the adoption of a unanimous report which included a recommendation that an independent forensic audit should be done by an independent body to look into past three years of the National Budget including the Consolidated Fund Services to determine whether there might have been other inaccuracies or inconsistencies in the last two years in addition to the current year. Unfortunately 3 years later the Independent Forensic Audit has not yet been commissioned. It is now worrying that it appears that Parliament does not implement its own resolutions. Had the Audit been done, Parliament would have spotted this issue and dealt with it conclusively.

Mr. Chairman: This Committee needs to ask treasury to provide the following:



A detailed response to each of the 57 Auditors queries and a memorandum supporting the same.

A certificate from the Auditor General clearing each of the 57 issues according to International Accounting Standards.

Mr. Chairman: We wish to make the following recommendations to the Joint Committee:

1. That an Independent Forensic Audit into the Revenue Accounts of the Government of Kenya for the Financial Years 2007- 2008,2008-2009, 2009-2010,2010-2011,2011-2012 be commissioned and conducted to determine the true Revenue position of the Government, whether there is misappropriation of Revenue, and to identify the loopholes/weaknesses in the Financial systems and provide recommendations on how to seal the loopholes.
2. The immediate withdrawal of all falsified documents tabled in Parliament, and a special resolution to resubmit and adopt clear, accurate documents for the renewed authority of Parliament.
3. That the Committee recommends the immediate retirement of the Accounting Officers at the Treasury responsible for Revenue Collection and Accounting for failing to keep proper, authentic records, and preparing documents for the sole purpose of misleading Parliament to approve false documents.
4. That the Committee recommends the implementation of the resolution of the National Assembly of May 2009, that an independent forensic audit should be done by an independent body to look into past three years of the National Budget including the Consolidated Fund Services to determine whether there might have been other inaccuracies or inconsistencies in the last two years in addition to the current year.
5. That the Committee recommends to parliament the need to involve




the Controller of Budget as per the mandate in the Constitution. To oversee the implementation of the Budget which includes Expenditure and Revenue. The Controller of Budget should in her Quarterly reports to Parliament include revenue accounting. These reports must be Independent.

Mr. Chairman: We appear before you today in good faith. We mention this because we do what we do because we believe in parliamentary democracy and accountability. As such we have always appeared before Parliament when invited to do so and we at Mars Group have never declined nor failed to appear before a committee of Parliament.

Mr. Chairman: We are grateful to your Committee, our elected representatives, for taking time to hear us. With your kind permission we wish to submit our Memorandum and supporting documents. We request that Under Article 35 of the Constitution of Kenya, and in the Public Interest, that our entire submissions and supporting documents be annexed to your final report. We would be happy to take any clarifications.

Dated at Nairobi this 19 day of July 2012 and signed: for Mars Group Kenya


Jayne Mati


Mwalimu Mati

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LIST OF MGK
ANNEXURES

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**NATIONAL ASSEMBLY
OFFICIAL REPORT**

Tuesday, 15th May, 2012
The House met at 2.30 p.m.
[Mr. Deputy Speaker in the Chair]

Page 27 Tuesday, 15th May, 2012

MINISTERIAL STATEMENTS

INACCURACIES/INCONSISTENCIES IN TREASURY TAX/ REVENUE ACCOUNTS


The Minister for Finance (Mr. Githae): Mr. Deputy Speaker, Sir, on Thursday, 21st April, 2011, the Member of Parliament for Gwasi, hon. Mbadi, sought a Ministerial Statement on the Tax Account at the Treasury. In particular, he wanted explanation made to the House on the following:-

- (i) whether our Tax Account, and especially the revenue rates are properly kept;
 - (ii) the number of revenue statements that were certified by the Controller and Auditor-General for the financial years 2007/2008 and 2008/2009;
 - (iii) the actual receipts of revenue for the financial years 2007/2008 and 2008/2009 in respect of various Budgetary Heads, including Mining, Profits and Dividends, Fines and Penalties, Other Charges, Taxes on Income, Profits and Capital Gains; Taxes on Goods and Services, Taxes on International Trade and Transactions, Other Taxes Not Classified; Property Income Interest Receivable, Property Income, Rents on Land, Sale of Goods and Services, Other Records not Classified; Repayment from Domestic Lending and On-lending, Tourism and Wildlife, and Trading Licences;
- and,
- (iv) whether the receipts of the revenue for the financial years 2007/2008 and 2008/2009, as declared to Parliament in the Estimates of Revenue, reflected the actual receipts into the Exchequer Account for the respective Revenue Heads for the same period.

On 15th March, 2012, the Chair directed the Minister for Finance to issue a Ministerial Statement in relation to the receipts of revenue for the financial years 2007/2008 and 2008/2009 as only the accounts for the financial years 2008 and 2009 were already receiving attention by the Public Accounts Committee (PAC).

Mr. Deputy Speaker, Sir, I beg to, first of all, tell this august House that revenue collection and accounting is a process, and that it involves various stakeholders. The taxpayer pays his or her taxes due directly to the tax collector or indirectly into the Kenya Revenue Authority (KRA) collection accounts in the banks appointed by the KRA. On receiving the tax revenue payments, the revenue collector remits the same to the appointed receiver of that revenue, who subsequently remits the same to the Exchequer Account.

The KRA is legally appointed collector of Income Tax, Customs Duty, Excise Duty and Value Added Tax (VAT). Collectors of other revenues, who largely include Ministry

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Departments, are appointed by respective receivers of revenue, who are in turn appointed by the Treasury.

Mr. Deputy Speaker, Sir, from the above description, you appreciate that the process of collecting and accounting for revenue involves parties who are independent of each other, and who maintain their own separate sets of books of accounts. Indeed, the revenue records maintained by these parties often show different revenue positions and, therefore, require reconciliation – in some cases, on monthly basis and in other cases even on a daily basis.

Let me underscore the fact that variances are usually explained by the timing differences when revenues are received and then ultimately remitted to the Exchequer.

For instance, when a taxpayer pays his or her taxes through the KRA collection account in a bank, the KRA immediately recognises the receipts in their books but such receipts take time to be reflected in the receiver's account at the Central Bank of Kenya (CBK) and subsequently to the Exchequer Account.

Mr. Deputy Speaker, Sir, with this background, I now wish to respond to the specific questions raised by hon. Mbadi.

First, I am not aware of a Tax Account under the Government Financial Management Act but I presume that the hon. Member was referring to the Exchequer Account.

Let me clarify that for all revenues due to the Government – tax, non-tax and proceeds from borrowing – are paid into the Exchequer Account, which is properly kept and indeed audited on a daily basis by officers from the Office of the Controller and Auditor-General. As part of his or her legal mandate, the Auditor-General also keeps a mirror account of the Exchequer Account.

Mr. Deputy Speaker, Sir, with regard to the question of the number of revenue statements for the financial year 2007/2008 that were certified by the Controller and Auditor-General, I would like to confirm that only two statements were certified. These were the Property Income Interest Received Account, and the Dividends and Fines, Penalties and Forfeitures Account. For the financial year 2008/2009, all the 14 statements were qualified.

The Report of the Controller and Auditor-General for the financial year 2007/2008 provided specific reasons as to why each revenue statement was excluded from his certificate, and this was basically for accounting reasons. The Report of the Controller and Auditor-General for the financial year 2007/2008 has already been discussed by the PAC, and the Committee has given specific recommendations on actions to be taken by the respective receivers of revenue. Indeed, revenue receivers have been taking action as directed by the PAC, through the Treasury.

Mr. Deputy Speaker, Sir, therefore, I wish to say that the action by the PAC is in order, and this is being implemented.

Regarding the question as to whether the receipts for the financial year 2007/2008, as declared to Parliament in the Estimates of Revenue, reflect the actual receipts into the Exchequer Account for the respective Heads and for the same period, I wish to clarify that the actual receipts for that year, as reflected in the Printed Estimates of Revenue, were based on

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un-audited revenue returns because at the time of reporting to Parliament the accounts were in the process of being audited. So, preparation of the Printed Estimates of Revenue was based on unaudited accounts.

Mr. Deputy Speaker, Sir, in conclusion, let me reassure this House and the public at large that the Treasury remains fully committed to ensuring full accountability and optimal utilisation of all revenues collected and received by the Government of Kenya.

Indeed, we have strived to uphold a high level of transparency in dealing with public finances. We have continued to demonstrate this, in accordance with the Fiscal Management Act, by publishing in the Kenya Gazette, on monthly basis, the Statement of Revenues and Net Issues out of the Exchequer Account.

In addition, we submit to this House the Quarterly Economic and Budgetary Report, as required by the law. Indeed, the later publication can also be downloaded from the Treasury's website for wider access.

Thank you.

Mr. Mbadi: Mr. Deputy Speaker, Sir, the Statement by the Minister sounded like a Paper prepared for a seminar, but not a clear explanation on accountability to the National Assembly on the part of the Government.

According to the Minister, only two out of 14 revenue accounts were certified. According to my information, three out of the 14 revenue accounts were certified. So, I have added him one account that was also certified. These are the Mining Account, the Profits and Dividends Account, and the Fines and Penalties Account; which are the smallest revenue accounts. All the other major revenue accounts such as the Taxes on Income Account, the VAT Account, the Corporation Tax, *et cetera*, were only qualified.

Mr. Deputy Speaker, Sir, in accounting language, "qualified" means they were not certified. When the Minister says that the accounts were qualified in the following year, it may mislead one to think that everything was perfect. It means that all the 14 accounts did not meet the threshold of auditing standards. Revenue is collected and banked in the Exchequer Account.

The Constitution is very clear under Article 206, which states that there is established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the national Government. This actually has been uplifted from the other Constitution that we did away with in August, 2010. So, it is just a law that has been in place all this time. Once the money is banked, that is what the Controller and Auditor-General is given and that is what should be reported to this House. Could the Minister now address the following three pertinent issues?

First, could the Minister tell this House why, for example, taxes on income - and I want to be very particular, Pay-As-You-Earn--- According to the Exchequer Account, what was given to the Controller and Auditor-General for 2007/2008 was Kshs81.6 billion. To Parliament you reported Kshs85.9 billion. That is over-reporting by Kshs4.3 billion.

On taxes on corporations, to the Controller and Auditor-General you reported Kshs86 billion, but to Parliament you reported Kshs79 billion. It is now the opposite. That is under-declaring

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to Parliament of Kshs 7 billion. I could go on and on, but the most interesting one is net domestic borrowing. You reported to the Controller and Auditor-General that for the year 2007/2008 you collected zero. This is very straightforward. On this one you do not need any book reconciliation because it is the CBK borrowing. So, if you are telling the Controller and Auditor-General that you collected zero and yet you come to Parliament and report that you borrowed Kshs 13.8 billion then the question is, if you borrowed that money, where did you bank it such that the Controller and Auditor-General could not find it in the Exchequer Account?

Mr. Deputy Speaker, Sir, finally, I want to take the Minister to task for saying that the reason why there is a difference between the figures given to the Controller and Auditor-General who is now the Auditor-General and what was given to Parliament is because the figures given to Parliament were based on unaudited revenue returns. Could the Minister tell us why these figures were based on unaudited revenue returns and yet he reported to Parliament in June, 2009 and the audit was conducted between September, 2008 and May, 2009? The audit report was actually out by May, 2009 and he reported to Parliament in June, 2009. Why did he then base it on unaudited accounts? Does it really make sense? So, this is a very big issue and the Minister should not treat it casually as if that this is just mere book entry. The Controller and Auditor-General is telling this Parliament--- Remember that this Parliament has employed the Controller and Auditor-General to be auditing on its behalf and be reporting to Parliament. The Controller and Auditor-General is telling us: "Parliament, I have done my work. I cannot certify these accounts because they do not make sense to me. There is a total sum of Kshs 489 billion for the 2007/2008 Financial Year that I cannot give my opinion on."

I think this House deserves clear reasons as to why the Controller and Auditor-General found it difficult to certify our accounts; why the figures in the Exchequer account where we should keep all our money are different from what the Minister has given us on the Floor of the House.

Thank you, Mr. Deputy Speaker, Sir.

The Minister for Finance (Mr. Githae): Mr. Deputy Speaker, Sir, as I explained, the balance differences will always be there. They will be there this year and they will be there next year. Why? Basically because of timing differences.

As I said, if you look at the whole scenario where you as an individual, for example, if you pay to the Kenya Revenue Authority (KRA) as a collector it recognizes that tax immediately. But if you pay to the bank on behalf of the KRA, there is a difference of one or two days before the money is actually reflected in the KRA account. It is even worse where it is another collector. So, if you do--

Mr. Mbadi: On a point of order, Mr. Deputy Speaker, Sir.

The Minister for Finance (Mr. Githae): Mr. Deputy Speaker, Sir, let me explain so that the hon. Member can understand the timing differences.

Mr. Mbadi: On a point of order, Mr. Deputy Speaker, Sir. I would have allowed the Minister to continue with his time differences. The Minister can tell this House what it may not understand. However, can he just explain to us, for example, in his timing difference, the net domestic borrowing? The Central Bank of Kenya is the one which gets the money through

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borrowing and reports. Why is it that the Minister reported to the Controller and Auditor-General that there was zero in the Exchequer Account for that year and yet he reported to Parliament Kshs13.8 billion? It is just as simple as that. One can understand the Minister's talk about paying through banks, PAYE, VAT and whatever. However, can he explain the need of domestic borrowing, for example, where it is the CBK which borrows? That should go directly to the Exchequer Account. Can the Minister tell me, for example, why there was that difference? That is where he told the Controller and Auditor-General that we did not borrow anything according to his records in the Exchequer Account but he came to Parliament one month later to report to us that he borrowed Kshs13 billion. How does this tally with the Minister's timing difference?

The Minister for Finance (Mr. Githae): Thank you, Mr. Deputy Speaker, Sir. Let me begin from the beginning. As I said, differences in balances will always be there. They were there last year, they will be there this year and they will be there next year, basically, because of timing differences. I was giving you the example when you pay your taxes. If you pay them directly to the KRA it is recognized immediately but if you pay to a collector, it takes some time. There are other collectors who take more time before this is recognized. Ultimately, the total taxes will find their way into the Exchequer. So, depending at what time you are looking at the figures, there will be time differences. That is why reconciliations are done — I said some on daily basis---

Mr. Njuguna: On a point of order, Mr. Deputy Speaker, Sir.

The Minister for Finance (Mr. Githae): Mr. Deputy Speaker, Sir, I think they do not want to hear the answer

Mr. Deputy Speaker: Proceed, Mr. Minister!

The Minister for Finance (Mr. Githae): Mr. Deputy Speaker, Sir, depending on when you ask for the books of account, there will be these timing differences. I assure you that they will be there and that is why there is reconciliation. In this particular case, since the figures were being audited, what we reported to Parliament were the unaudited accounts.

Coming to the specific accounts - and I thank Mr. Mbadi - they are three. In fact, I mentioned them but the calculation is wrong. There were three that were satisfied by the Auditor-General. If you look at the reasons for non-certification, you will see that they are basically auditing issues and more of reporting time. Again there are other collectors who do not remit their accounts immediately. So, it will take time. There are others, for example, which are shown as having been received but ultimately this has not been remitted to the Auditor-General. Again, this depends on the timing. For example, if you closed your books today, you will have a different figure but when those figures on the net borrowing are taken to the Exchequer Account tomorrow, they will be different. So, these timing differences will be there.

Mr. Deputy Speaker, Sir, the most important thing is that not a single cent of Kenyan money has been lost and it will not be lost under my watch. Thank you.

Mr. Mbadi: On a point of order, Mr. Deputy Speaker, Sir. I do know whether the House is convinced, but you will agree with me that if there is timing difference, it should be systematic and consistent; if PAYE is low in terms of this date, the corporation tax should be

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the name and the Value Added Tax (VAT) should be the same. Why is it that we have a difference, for some the report to Parliament is higher and for others the report to Parliament is lower? How then would we be sure that this is a timing difference?

Mr. Deputy Speaker, Sir, I was very clear to the Minister that he reported to this House in June after the audit was concluded. Why did the Ministry choose to bring to this House what they are calling "unaudited" accounts? The Minister has not addressed himself to that. Again, when you are presenting the books to the auditor, it is assumed that you have done reconciliations. Can the Minister tell us, these figures that he gave to Parliament, where did they come from? Did they come from the Exchequer Account? Is he giving us figures from the Kenya Revenue Authority (KRA)? Can he explain to us where these figures are from? These figures are different from what is in the Exchequer Account, where we expect our money to be banked. If today, I come to this House and tell you that you gave me Kshs50,000 to bank in your account and I give you a banking slip that shows a banking of shs35,000, and then I tell you there is a reconciliation and timing difference. Am I not supposed to explain to you how that timing difference has resulted into the difference in the amount?

Mr. Deputy Speaker, Sir, I would expect the Minister to be very clear and forthright to the people of Kenya. You are new in this Ministry. You might not even know how the money disappeared; chances are that money disappeared. This is because the Auditor-General is saying, "I do not know how much this country is collecting".

Mr. Deputy Speaker: Order, Minister! Allow another request for clarification!

Mr. Ogindo: Mr. Deputy Speaker, Sir, I rise to seek clarification from the Minister. According to the Constitution, the Auditor-General is required to audit the books after eight months. Previously, audits have been done after a reasonable period of time. The question of timing difference does not, therefore, arise. This is because the only tax that is collected through agents is VAT. The remittance is done in not more than a week's period. The auditing is done after about three months. Therefore, the question of timing does not arise.

Having said that, Article 216 says that the revenue allocation shall be based on the revenue collected by the central Government. At this point when we are going into devolution, it is very important that we get the figures of revenue accurately. Could the Minister clarify the differences in view of the fact that we want to know the accurate figure to be used for revenue allocation?

Mr. Deputy Speaker: We are going to allow the Member of Parliament for Lari to seek one clarification; that is the last clarification.

Mr. Njuguna: Mr. Deputy Speaker, Sir, it is sad and a bad signal to this House, and even the country, that 14 accounts were presented to the Auditor-General and only three qualified. What measures is the Minister taking to make sure that the remaining 11 accounts are qualified? In addition, what measures will the Government take to make sure that this will not happen in this country in future, as the Minister tries to display a degree of accountability and transparency in his new Ministry?

The Minister for Finance (Mr. Githae): Mr. Deputy Speaker, Sir, beginning with the last question by the Member for Lari, it is not our intention to have the accounts qualified. In fact, to the contrary we would like the accounts not to be qualified by the Auditor-General.

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Coming to the other issue raised by Mr. Ogindo, the funds that are to be remitted to the county governments will be based on the last year's audited accounts for every year. That is what the Constitution says. Those are the figures that have been used by the Treasury and the Commission on Revenue Allocation (CRA).

Coming to the other issues that were raised, as I said these accounts are reconciled on a daily basis. I have a schedule here which I would like to share with Mr. Mbadi. It shows that for every account you would have what was estimated, the actual receipt and the amount paid to the Exchequer, as per the revenue statement, and then the actual receipts in the Exchequer Account. You will find that in any given day there will always be differences. Even for reporting purposes, if you close your books today and the other institution accepts the figure from the following day, there will be a difference. I would like to share this list with Mr. Mbadi. As I said, we have absolutely nothing to hide. He can actually see even the causes for the differences. Sometimes payment is made directly by the collector of revenue. Sometimes some loanees pay directly. If dividend income is declared it may not be received until sometime later. Therefore, these differences will always be there.

Mr. Okemo: On a point of order, Mr. Deputy Speaker, Sir. From the information available to me, these same accounts we are querying here are exactly under scrutiny, currently, by the Public Accounts Committee (PAC) whose report will be brought here because the qualification means there must be reasons which have been given why the 11 accounts were not satisfactory. Therefore, unless we want to anticipate what is going to be in that report--- Why can we not give the PAC the opportunity to complete their work and bring the report to Parliament?

Mr. Deputy Speaker: Mr. Okemo, for the benefit of the Chair when will that report be ready? Chair of the PAC, are you in concurrence with what Mr. Chris Okemo is saying?

Dr. Khalwale: Mr. Deputy Speaker, Sir, we have lost a bit of time because of the work we are doing on the special audit of De La Rue; therefore, probably in another two weeks to three weeks, we will have concluded and presented the report to the House.

Mr. Mbadi: On a point of information, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Who do you wish to inform?

Mr. Mbadi: The hon. Chair of the Committee.

Mr. Deputy Speaker: Dr. Khalwale, you should be ready to have that information.

Dr. Khalwale: Mr. Deputy Speaker, Sir, I can only get reliable information from Members of the Committee if I am not right about it.

Mr. Mbadi: On a point of order, Mr. Deputy Speaker, Sir. It is very sad that the Chair of the PAC is not even aware of the work of his Committee. You had ruled that the accounts of 2007/2008 had been looked at by the PAC. They have been tabled there and adopted. You made a specific ruling that the 2008/2009 accounts, which are before the Committee, will not be addressed by the Minister. However, the 2007/2008 accounts were finalized by the Committee, and a report brought here; it had only one small paragraph on revenue to be

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addressed. That is why the Minister is addressing this issue. It is very sad that the Chair of the PAC is not even sure. When I want to inform him, he behaves in a funny way.

Mr. Deputy Speaker: Fair enough! He is a medical doctor! He is not an accountant like you! Proceed, nonetheless. Dr. Khalwale, listen to the experts at times. It helps.

Mr. Mbadi: Mr. Deputy Speaker, Sir, this is my final plea to the Chair. Let me put this matter very clearly; the accounts we are referring to were for the year that ended on 30th June, 2008. These accounts were audited between September 2008 and May 2009 and a report issued by the Controller and Auditor-General in May 2009. The financial statements I am referring to, which were brought to this House, were brought in June, 2009, 12 months after the end of the financial year. Therefore, the figures that were tabled before the House should have been the same ones that the Controller and Auditor-General was given.

Mr. Deputy Speaker, Sir, from the Minister's answer, either he has not reconciled himself to the gist of this matter or he has deliberately been misled by his Office. I want you to help this House and this country because this is taxpayers' money. We are talking about the Kshs489 billion in question. The Controller and Auditor-General is not sure. If today you asked the Minister how much we collected as a country in that particular year, he may not answer us because the figures he gave the auditor are different from what he gave to this Parliament. So my concern is that this matter needs to be revisited by this House. We need to take this matter to either the Revenue sub-committee of the Budget Committee or the Public Accounts Committee (PAC) to specifically look at the revenue.

Otherwise, we may approve and give a clean bill of health to the Government to proceed with inaccuracies. The following year the amount was less but in 2007/2008, it is shocking.

Mr. Ogindo: On a point of order, Mr. Deputy Speaker, Sir. Is the Minister in order to persistently mislead this House that the differences in account of revenue are as a result of timing difference? The Government accounting system is cash based and the cutoff point is very clear; 30th June and the Government does not engage in accrual. So, the Government can never put in its books dividends that it has not received. I want to invite you to find the Minister's answer unacceptable and hollow. I want you to order that this matter be taken up by the Budget Committee because Kshs489 billion is a mind boggling sum if it is being included or excluded as revenue. It is going to affect the operations of this Government and also the county governments. I invite you to find the Minister's answer unacceptable!

Mr. Deputy Speaker: Mr. Okemo, maybe you can help us and help this House because you are the former Minister for Finance. Indeed, the Chair finds this mind boggling and finds reason to direct the matter to the Budget Committee as well as the Departmental Committee on Finance as a joint committee.

Mr. Okemo: Mr. Deputy Speaker, Sir, personally, I think to help the House I would recommend that this matter which involves accounts for the year 2007/2008 be referred back to the PAC because all audit queries or all accounts that have queries are the responsibility of the PAC and they can incorporate the Budget Committee and the Departmental Committee on Finance and we can then interrogate this issue because they are actually very genuine concerns, in my view. That, indeed, if there are issues that cannot be explained between the revenue collected as reported by the Minister, then this must be looked into much more deeply.

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Mr. Deputy Speaker: Clearly, the Chair also finds reason or cause to give a direction because the amounts and the figures and the disparity is clearly mind boggling and we have a responsibility, as much as possible, to the extent we can do it within our means; to use the relevant Committees to interrogate this issue at length. The Chair directs a joint Committee of the Budget, the PAC and the Departmental Committee on Finance to be led by the Budget Committee because the PAC Chairman has already said he is too busy with some other issues-

So proceed with speed and report back to this House in a maximum of two weeks. If you can do it in one week, so much the better! Clearly as the argument goes, we want to see if the money that we have contributed as taxes and for any reason that it does not look like it is tallying up, then there is need for the House with its own limited understanding and knowledge to use the relevant Committees who can also seek experts in the process both inside and outside Parliament to get to the bottom of this and report to this House in a maximum of two weeks.

Next Order!

(Several hon. Members stood up in their places)

Not on the same!

Mr. Ogindo: Mr. Deputy Speaker, Sir, I thank you for your ruling but I want you to appreciate that the Budget Committee today is seized of the Budget process which takes precedence over this thing. If we give it the same time within which we are processing the Budget, it might not work. So, I would plead that you give us a month.

Dr. Khalwale: It is on a different matter, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: No; on the same! Mr. Okemo, much as you are not rising on a point of order---

Mr. Okemo: Mr. Deputy Speaker, Sir, I think I want to support Mr. Ogindo's observation that we finish the Budget process and then maybe deal with this one more exhaustively.

Mr. Deputy Speaker: Fair enough! I will revise my earlier direction and direct that this matter be done within a month; four weeks!

(Applause)

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APPENDIX B

LIST OF ACCOUNTS EXCLUDED FROM THE CERTIFICATE:-

CONSOLIDATED FUND SERVICES:

Statement of Subscriptions by the Government of Kenya to International Organizations.

SUMMARY:

Summary of Statements of Revenue (Recurrent).
Summary of Statements of Revenue (Development).
Summary of Statements of Outstanding Loans.
Summary of Statements of Obligations Guaranteed by the Government of Kenya.
Summary of Statements of Participation by the Government of Kenya in Quasi-Government Organizations and Other Statutory Organizations.
Summary of Statements of Investments by the Government of Kenya in Local Companies.

APPROPRIATION ACCOUNTS - RECURRENT:

Vote R.7, R.11, R.13, R.14, R.18, R.20, R.35, R.49, R.59.

APPROPRIATION ACCOUNTS - DEVELOPMENT:

Votes D.4, D.7, D.11, D.13, D.14, D.18, D.23, D.25, D.40, D.49, D.59.

STATEMENTS OF REVENUE - RECURRENT:

1110000, 1140000, 1150000, 1160000, 1410000-1410100, 1410000-1410401,
1420000, 1450000, 4510000, 150-360, 170-010, 210-010.

STATEMENTS OF REVENUE - DEVELOPMENT:

Development Revenue - Head DR.1.

STATEMENTS OF OUTSTANDING LOANS:

Ministry of Finance.

STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA:

Ministry of Finance.
Ministry of Agriculture.
Ministry of Transport.


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Annex MGK 003 List of Revenue Accounts of the GOK excluded from General Certificate

Source: Reports of the Controller and Auditor General on the Appropriation Accounts, other public accounts and the accounts of the funds of the republic of Kenya for the year 2007 -2008, 2008-2007, and 2009-2010

Revenue Statements	FY 2007 -2008	FY 2008-2009	FY 2009-2010
160 -210 Mining revenue -royalties	Certified	Certified	Certified
1410000-1410200 Profits & dividends	Certified	Excluded	Excluded
1430100 Fines, Penalties, Forfeitures & other Charges	Certified 3,479 Billion	Excluded	Certified
1110000 Taxes on Income, Profits & Capital Gains	Excluded	Excluded	Excluded
1140000 Taxes on Goods and Services	Excluded	Excluded	Excluded
1150000 Taxes on International Trade and Transactions	Excluded	Excluded	Excluded
1160000 Other Taxes (not elsewhere classified)	Excluded	Excluded	Excluded
1410000-1410100 Property Income - Interests Received	Excluded	Excluded	Excluded
1410000-1410401 Property Income -Rent of Land	Excluded	Excluded	Certified
1420000 Sales of Goods and Services	Excluded	Excluded	Excluded
1450000 Other Receipts Not Classified Elsewhere	Excluded	Excluded	Excluded
4510000 Repayments from Domestic Lending and On-Lending	Excluded	Excluded	Excluded
150-360	Excluded	Excluded	Excluded
170-010 Tourism & wildlife (OP)	Excluded	Excluded	Certified
210-010 Trading licences (OP)	Excluded	Excluded	Certified
Revenue Head DR.	Excluded	Excluded	Excluded

3,479 Billion



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**REVENUE HEADS ACCOUNTS OF THE GOK EXCLUDED FROM CERTIFICATE BY
CONTROLLER & AUDITOR GENERAL FOR THE FINANCIAL YEAR 2007 -2008**

Statement of Revenue Head 111000	
- Taxes on Income, Profits, and Capital Gains	
Paragraph 72	11,093,780,541.40
Paragraph 73	17,868,750,110.40
Paragraph 74	1,613,944.30
Paragraph 74	120,420,998.00
Paragraph 75	4,281,734,914.85
Paragraph 76	5,498,100,768.14
Paragraph 77	408,866,981.95
Paragraph 78	125,166,946,067.00
	164,440,214,326.04

Statement of Revenue Head 1140000	
- Taxes on Goods and Services	
Paragraph 79	3,725,958,227.30
Paragraph 80	60,135,349,498.40
Paragraph 80	61,857,468,348.75
Paragraph 81	2,624,336,939.30
Paragraph 81	446,379,166.10

	<i>Paragraph 82</i>	91,734,032,909.00	220,523,525,088.85
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Statement of Revenue Head 1150000 - Taxes on International Trade and Transactions	<i>Paragraph 83</i>	1,833,772,816.60	6,967,387,378.85
	<i>Paragraph 84</i>	387,684,300.60	
	<i>Paragraph 85</i>	367,449,065.85	
	<i>Paragraph 86</i>	900,841,513.05	
	<i>Paragraph 86</i>	847,412,641.95	
	<i>Paragraph 87</i>	2,130,227,040.80	

Statement of Revenue Head 1160000 - Other taxes not elsewhere classified	<i>Paragraph 88</i>	1,246,805,320.30	1,422,982,377.50
	<i>Paragraph 89</i>	51,679,317.30	
	<i>Paragraph 90</i>	60,935,697.60	
	<i>Paragraph 90</i>	63,562,042.30	

Statement of Revenue Head 1420000 - Sale of Goods and Services	<i>Paragraph 111-2</i>	34,729,285,605.75
	<i>Paragraph 113</i>	1,181,598,505.75

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Paragraph 114	640,828,505.75
Paragraph 115	67,690,060.91
Paragraph 115	30,868,263.95
Paragraph 115	1,958,384,345.50
	38,608,655,287.61

Statement of Revenue Head 1410000		118,363,222.40
- Property Income, Sub Head 1410401-Rent of Land		118,363,222.40

Statement of Revenue Head 1410000		218,979,953.45
- Sub Head 1410200-Property Income		50,904,994.00
		346,026.10
		270,230,973.55

Statement Revenue Head 1410000		695,745,986.30
- Sub Head 1410100-Statement Of Loan Interests Receipts		200,762,900.85
		108,267,742.70
		3,368,828.00

<i>Paragraph 94</i>	38,593,485.00	2,774,822,263.62
<i>Paragraph 95</i>	499,209,623.86	
<i>Paragraph 96</i>	1,228,873,716.91	

Revenue Head 1450000	5,310,423,389.60	9,150,196,772.36
- Other Receipts Not Classified Elsewhere	2,052,166,934.85	
	1,827,606,448.05	

Statement of Revenue Head 4510000	227,566,478.45	19,619,480,661.73
- Repayments from Domestic Lending and On-Lending	236,131,179.90	
<i>Paragraph 103</i>	61,740,522.10	
<i>Paragraph 105</i>	28,191,159.20	
<i>Paragraph 106</i>	4,128,665,313.94	
<i>Paragraph 107</i>	3,645,781,874.94	
<i>Paragraph 108</i>	2,058,303,911.10	
<i>Paragraph 110</i>	9,433,160,422.16	



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Development Revenue DR.1	Paragraph 33	6,953,548,416.00
-	Paragraph 33	19,460,369,488.00
-	Paragraph 34	8,273,280,102.00
-	Paragraph 35	73,908,047.75
	Paragraph 36	23,716,619.95
AMOUNTS QUERIED BY AUDITOR GENERAL ON REVENUE ACCOUNTS		34,784,822,673.70
		498,920,681,246.35

Detailed reasons why revenue heads accounts of the GOK excluded from certificate by Controller & Auditor General for the financial year 2007 -2008

Extracts from the Controller and Auditor General's report for the Government of Kenya Accounts for the financial year 2007 – 2008

Statement of Revenue Head 1110000 – Taxes on Income, Profits, and Capital Gains

Paragraph 72: Taxes on Income, Profits, and Capital Gains for the year ended 30th June 2008 reflects actual receipts of Kshs 177,246,750,110.40. Records at the Kenya Revenue Authority (K.R.A) reflect actual receipts of Kshs 166,152,969,569.00. The resultant difference of Kshs 11,093,780,541.40 has not been reconciled and explained.

Paragraph 73: The statement shows actual receipts of Kshs 177,246,750,110.40 against estimated receipts of Kshs 159,378,000,000.00. This resulted in an over-collection of Kshs 17,868,750,110.40. This over-collection has not been explained by the way of footnotes as required by the Government Financial regulations and procedures

Paragraph 74: The Statement of Revenue reflects Income Tax Share of LATF actual receipts and LATF disbursements of Kshs 8,869,837,407.80 and Kshs 8,648,006,036.00 respectively. These amounts differ with the amounts shown in the LATF Accounts for 2007/2008 prepared by the Ministry of Local Government of Kshs 8,871,451,352.10 and Kshs 8,768,427,034.00. The differences of Kshs 1,613,944.30 and Kshs 120,420,998.00 respectively have not been reconciled and explained.

Paragraph 75: Actual receipts reflected in the Statement total Kshs 177,246,750,110.40 while the ledger shows a total of Kshs 172,965,015,195.55. The difference of Kshs 4,281,734,914.85 has not been explained nor reconciled.

Paragraph 76: The statement shows a balance carried forward to 2008/2009 of Kshs 3,148,921,514.05. The statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 shows a figure Kshs 8,647,022,282.19 against the same account. The difference of Kshs 5,498,100,768.14 has not been reconciled and explained.

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Paragraph 77: The LATF figure of Kshs 2,770,184,499.70 carried forward while the LATF cashbook balance as at 30 June 2008 shows a figure of Kshs 2,361,317,517.75. The difference of Kshs 408,866,981.95 has not been reconciled and explained.

Paragraph 78: The statement does not show details of Arrears of Revenue due as at 30 April 2008 and uncollected as at 30 June 2008. As a result it cannot confirm whether Arrears of Revenue totaling Kshs 125,166,946,067.00, made up of PAYE and Other Income Tax of Kshs 8,038,915,157.00 and Kshs 117,128,030,910.00 as at 30 June 2007 had been recovered as at 30 June 2008.

Statement of Revenue Head 1140000 – Taxes on Goods and Services

Paragraph 79: The statement of Revenue for head 1140000-Taxes on goods and services for the year ended 30 June 2008 reflects actual receipts of Kshs 177,251,211,278.30 comprising of Kshs 61,586,108,468.70, Kshs 53,807,634,460.85 and Kshs 61,857,468,348.75 under local VAT, VAT-imports and Excise taxes. Records maintained at the K.R.A show a different figure for total receipts of Kshs 173,525,253,051.00 made up of Kshs 57,373,875,358.00, Kshs 53,634,410,526.00 and Kshs 62,516,967,167.00 relating to VAT local, VAT Imports and Excise taxes. The difference of Kshs 3,725,958,227.30 between the two sets of records is yet to be explained and reconciled.

Paragraph 80: The statement shows total actual receipts of Kshs 177,251,211,278.30 while the Ministry ledger shows a figure of Kshs 117,115,861,779.90. The difference of Kshs 60,135,349,498.40 has not been reconciled and explained. Also no excise tax was reflected in the ledger while in the statement it shows actual collections of taxes totaling Kshs 61,857,468,348.75. Again no explanation has been given for the omission.

Paragraph 81: A carried forward net balance of Kshs 446,379,166.10 made up of both VAT and Customs excise is reflected in the statement. The statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 reflects a net total of Kshs 2,177,957,773.20. The difference of Kshs 2,624,336,939.30 has not been reconciled. Furthermore no reason has been provided for not remitting the balance of Kshs 446,379,166.10 to the Exchequer.

Paragraph 82: The statement does not show details of Arrears of Revenue uncollected as at 30 June. Due to this it has not been possible to confirm whether arrears totaling Kshs 91,734,032,909.00 as at 30 June 2007 had been recovered

Statement of Revenue Head 1150000 – Taxes on Goods and Services

Paragraph 83: The Statement of Revenue for Head 1150000-Taxes on International Trade and Transactions for the year ended 30 June 2008 shows an over collection of Kshs 1,833,772,816.60 in respect of Customs Duties and other taxes on international trade and transactions. This represents approximately 4% of the estimated receipts of Kshs 44,024,000,000.00. No reason has been provided for the material difference between the estimated and actual receipts.

Paragraph 84: Actual receipts balance of Kshs 45,857,772,816.60 comprising of amounts of Kshs 32,944,348,580.05 and Kshs 12,913,424,236.55 under Customs Duties and Other taxes on International Trade and Transactions respectively. Records at the K.R.A reflect total receipts of Kshs 44,970,088,516.00. The material difference of Kshs 887,684,300.60 has not been reconciled and explained.

Paragraph 85: The actual receipts figure of Kshs 45,857,772,816.60 differs with the Ministry's ledger balance of Kshs 45,490,323,750.75. The difference of Kshs 367,449,065.85 is yet to be explained and reconciled.

Paragraph 86: The Revenue on hand balance of Kshs 847,412,641.95 as at 30 June 2008 differs with the figure of Kshs 53,428,871.10 that appears in the Statement of Assets and Liabilities for Deposits 07. This is an over payment against the revenue head by Kshs 900,841,513.05. The difference is yet to be reconciled and explained. Also no clarification had been given as to why the significant balance of Kshs 847,412,641.95 was not paid to the Exchequer during the year.

Paragraph 87: The statement does not show details of Arrears of Revenue due as at 30 April 2008 but uncollected as at 30 June 2008 with the result that the level of revenue could not be determined as at 30 June 2008. The Statement also does not show how much of the receivables balance of Kshs 2,130,227,040.80 due from eight organizations as at 30 June had been realized during 2007/2008.

Statement of Revenue Head 1160000 – Other Taxes Not Elsewhere Classified

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Paragraph 88: The Statement of Revenue for Head 1160000-Other Taxes not Elsewhere Classified for the year ended 30 June 2008 reflects actual receipts of Kshs 4,584,430,435.30 against estimated collections of Kshs 3,337,625,115.00. This resulted in an over collection of Kshs 1,246,805,320.30. No footnotes have been given to explain the deviation between estimated and actual receipts.

Paragraph 89: The Statement shows actual receipts of Kshs 4,584,430,435.30 while records held at the K.R.A show collections of Kshs 4,532,751,118.00. The difference of Kshs 51,679,317.30 between the two sets of records has not been reconciled nor explained.

Paragraph 90: A Revenue on Hand balance of Kshs 63,562,042.30 as at 30 June 2008 is reflected. The statement of Assets and Liabilities for Deposits 07 shows a figure of Kshs 2,626,344.70. The difference of Kshs 60,935,697.60 between the two sets of records is yet to be reconciled. There is also no explanation of why the balance of Kshs 63,562,042.30 has not been remitted to the Exchequer.

Statement of Revenue Head 1410000 - Sub Head 1410100-Statement of Property Income-Loan Interest Receipts from Domestic and On-Lending

Paragraph 91: The Statement of Revenue for Head 1410000-Sub Head 1410100-Property income-Loan interest receipts from Domestic and On Lending for the year ended 30 June 2008 reflects actual receipts of Kshs 371,254,013.70 against estimated receipts of Kshs 1,067,000,000.00. This resulted in an under collection of Kshs 695,745,986.30. It was also noted that 32 out of 43 institutions did not remit any interest income during the year although most of them recorded profits.

Paragraph 92: The Statement reflects payments to the Exchequer of Kshs 371,254,013.70 while the records maintained at the Exchequer show a figure of Kshs 572,016,914.55. The difference of Kshs 200,762,900.85 has yet to be reconciled and explained.

Paragraph 93: Actual receipts of Kshs 371,254,013.70 differ with the amount of Kshs 262,986,271.00 reflected in the Ministry's ledger. The difference is a figure of Kshs 108,267,742.70. The receipts of Kshs 371,254,013.70 also differ with the analyzed

vouchers figure of Kshs 367,885,185.70. The difference is Kshs 3,368,828.00. The difference between the three sets of records is yet to be explained and reconciled.

Paragraph 94: No balance on hand as at 30 June 2008 is reflected in the Statement. On the other hand the Statement of Assets and Liabilities for Deposits 07 shows an amount of Kshs 38,593,485.00. No explanation has been given or the discrepancy.

Paragraph 95: The Statement of Arrears of Revenue as at 30 April 2008 and uncollected as at 30 June 2008 shows a balance of Kshs 27,467,181,021.34 brought forward from 2006/2007. This balance differs with the carried forward amount of Kshs 26,967,971,397.48. The difference of Kshs 499,209,623.86 has yet to be explained and reconciled.

Paragraph 96: The Statement of Arrears of revenue shows that arrear increased by an amount of Kshs 1,228,873,716.91 from Kshs 26,967,971,397.48 as at 30 June 2007 to Kshs 28,196,845,114.39 as at 30 June 2008. The increase was attributed to arrears not being received from The Kenya Electricity generating Company, Agro-Chemical and Food Company Ltd and the Kenya Power and Lighting Company of Kshs 390,768,754.00, Kshs 158,320,135.00 and Kshs 102,342,641.00 respectively. No explanation has been provided to show how the Ministry is addressing the problem.


Statement of Revenue Head 1410000 –Sub Head 1410200-Property Income

Paragraph 97: The Statement of Revenue for Head 1410000-Sub Head 1410200-Property Income for the year ended 30 June 2008 reflects a figure of Kshs 2,914,370,680.05 as having paid to the Exchequer. Records maintained at the Exchequer shows a balance of Kshs 3,133,350,633.50. The difference of Kshs 218,979,953.45 has yet to be reconciled. The amount of Kshs 2,914,370,680.05 also differs with the amount of Kshs 2,965,275,674.05 shown in the ledger by Kshs 50,904,994.00. Again this difference has yet to be explained and reconciled.

Paragraph 98: The carried forward balance of Kshs 107,036.05 differs with the amount of Kshs 453,062.15 shown in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008. The difference of Kshs 346,026.10 is yet to be reconciled and explained.

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Statement of Revenue Head 1410000 – Property Income-Sub Head 1410401-Rent of Land

Paragraph 99: The Statement of Revenue for Head 1410000-Sub Head 1410401-Rent of Land for the year ended 30 June 2008 reflect actual receipts of Kshs 1,375,378,571.40 which differs with records held at the K.R.A of Kshs 1,257,015,349.00. The difference of Kshs 118,363,222.40 has not been reconciled and explained.

Statement of Revenue Head 1450000 –Other Receipts not classified Elsewhere

Paragraph 100: The Statement of Revenue for Head 1450000-Other receipts not classified elsewhere for the year ended 30 June 2008 reflect actual receipts of Kshs 15,956,423,389.60 against estimated receipts of Kshs 10,646,000,000.00. This resulted in an over-collection of Kshs 5,310,423,389.60. No reason has been provided for the material difference between estimated and actual receipts.


Paragraph 101: Actual receipts of Kshs 15,956,423,389.60 differ with the amount of Kshs 13,904,256,454.75 reflected in the Ministry's Ledger. The difference of Kshs 2,052,166,934.85 has not been explained or reconciled.

Paragraph 102: The Statement reflects a balance of Kshs 46,512,835.25 carried forward as at 30 June 2008. This amount differs from the amount of Kshs 1,781,093,612.80 reflected under Miscellaneous Revenue in the Statement of Assets and Liabilities for Deposits 07. The difference of Kshs 1,827,606,448.05 has not been reconciled and explained.

Statement of Revenue for Head 4510000 –Repayments from Domestic lending and On -Lending

Paragraph 103: The Statement of Revenue for Head 4510000-Repayments from Domestic lending and on –lending for the year ended 30 June 2008 reflect actual receipts of Kshs 472,433,521.55 against estimated receipts of Kshs 700,000,000.00. This resulted in an under-collection of Kshs 227,566,478.45. No reason has been provided for the material difference between

estimated and actual receipts. The figure of Kshs 700,000,000.00 has not been analyzed to show the amounts expected from the various organizations

Paragraph 104: The Statement also reflects nil receipts during the year from 33 out of 39 State corporations and organizations. No explanation has been given to explain failure to collect revenue. It has been observed that several of these organizations are financially sound and should be able to pay off their loans.

Paragraph 105: A figure of Kshs 472,433,521.55 paid to the Exchequer differs with the balance of Kshs 708,564,701.45 reflected in the Exchequer records by Kshs 236,131,179.90. Also the figure of Kshs 472,433,521.55 differs with the figure of Kshs 410,692,999.45 reflected in the Ministry's ledger by Kshs 61,740,522.10. The discrepancies between the three sets of records are yet to be reconciled and explained.


Paragraph 106: No explanation has been given as to the reason why the Statement does not reflect any balance on hand under loan redemption Receipts as at 30 June 2008, while the Statement of Assets and Liabilities for Deposits 07 shows an amount on hand of Kshs 28,191,159.20.

Paragraph 107: The Statement of Arrears due as at 30 April 2008 and uncollected as at 30 June 2008 reflects a balance of Kshs 10,943,601,980.96 brought forward from 2006/2007. This differs with the audited amount of Kshs 15,072,267,294.90 as at 30 June 2007. The difference of Kshs 4,128,665,313.94 is attributed to write-off loans due from 5 organizations and a new loan to another. No documentary evidence has been provided to confirm this.

Paragraph 108: The Statement reflects a balance of Kshs 11,426,485,419.96 in respect of Arrears of Revenue due as at 30 June 2008 compared to Kshs 15,072,267,294.90 as at 30 June 2007. The decrease of Kshs 3,645,781,874.94 has been related to write-offs of loans. During the year there was a significant increase in Arrears of revenue of Kshs 443,848,975.00 and Kshs 37,816,000.00 from Kengen and Mombasa Pipeline Board respectively. Also the balance of Kshs 11,436,485,419.96 includes an amount of Kshs 2,058,303,911.10 due from the Kenya Railways Corporation which has been taken over by the Rift Valley Railways Limited. No explanation has been provided on how the loan will be recovered.

Paragraph 109: The total Arrears of Revenue of Kshs 11,426,485,419.96 includes amounts of Kshs 9,433,100,422.10 about 85% of the total owed from 4 organizations

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Paragraph 110: It has been indicated in the past that measures were undertaken to ensure that organizations repay the loans on time. Arrears of Kshs 9,433,100,422.10 had not been repaid as at 30 June 2008

Statement of Revenue for Head 1420000—Sale of Goods and Services

Paragraph 111: The Statement of Revenue for Head 1420000-Sale of Goods and Services for the year ended 30 June 2008 reflect actual receipts of Kshs 77,868,793,972.75 against estimated gross receipts of Kshs 43,139,508,367.00. This resulted in an over-collection of Kshs 34,729,285,605.75. The significant over collection occurred under item 1420103-Sale of Kenya-Re share with receipts of Kshs 1,800,000,000.00 against nil provisions, Item 1420104-Sale of Safaricom shares with receipts of Kshs 49,887,137,100.00 against a provision of Kshs 33,800,000,000.00 and item 1420105-Sale of Telkom shares with receipts of Kshs 24,301,320,000.00 against a provision of Kshs 5,600,000,000.00.

Paragraph 112: No action has been taken to address the inherent weaknesses in the estimation of revenue receipts under the sale of goods and services. Also no reasons have been provided for the material difference between he estimated and actual receipts under revenue items 1420101-Sale of Kengen shares, 1420104-Sale of Safaricom shares and 1420105-Sale of Telkom shares.

Paragraph 113: The Statement reflects receipts of Kshs 1,880,336,872.75 on item 1420201-Fees under Traffic Act, for which an amount of Kshs 698,738,367.00 was estimated. The over collection of Kshs 1,181,598,505.75 is explained in the footnotes to the Statement as due to the inclusion under this item, receipts for 1420202-Motor Drivers Licenses for which a figure of Kshs 540,770,000.00 had been estimated against nil collections. The lumping of receipts under the Traffic Revenue item with those collectable under Motor Drivers License has in the past been attributed to he fact that the Registrar of Motor Vehicles maintained one Revenue Account with the Central Bank. It has not been made clear why this issue has not been addresses.

Paragraph 114: Actual receipts of Kshs 1,880,336,872.75 under item 1420201(Fees under Traffic Act) and 1420202(Motor Drivers Licenses) as at 30 June 2008 exceeded the estimated receipts of Kshs 1,239,508,367.00 by Kshs 640,828,505.75. The over-collection has yet to be explained.

Paragraph 115: The balance of Kshs 1,880,336,872.75 differs with the K.R.A records of Kshs 1,948,026,933.66 by Kshs 67,690,060.91. Also the figure of Kshs 1,880,336,872.75 differs with the figure of Kshs 1,911,206,136.70 reflected under revenue items 1420201 and 1420202 in the Ministry's ledger by Kshs 30,868,263.95. In addition the carried forward amount of Kshs 6,259,828.40 differs with Kshs 1,964,644,173.90 reflected in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 by Kshs 1,958,384,345.50. All these discrepancies are yet to be reconciled and explained.

Development Revenue-Head DR.1

Paragraph 33: The Statement of Development Revenue for Head DR.1 for the year ended 30 June 2008 reflect actual receipts of Kshs 20,003,323,148.00 or approximately 62% of the estimated collections of Kshs 32,510,144,220.00. The receipts of Kshs 20,003,323,148.00 include an amount of Kshs 6,953,548,416 received from 8 donors in respect of 18 projects which had not been provided for in the approved estimates 2007/2008. Had these unbudgeted for receipts had not been received during the year, the Statement of Revenue would have reflected collections of Kshs 13,049,774,732.00. A shortfall of Kshs 19,460,369,488.00 would have been recorded.

Paragraph 34: No receipts were received during the year in respect of 58 projects against which collections of Kshs 8,273,280,102.00 were expected. It has not been explained why this weakness in budgeting for the Development Revenue had not been addresses.

Paragraph 35: The Statement shows a balance of Kshs 20,003,323,148.00 as having been paid to the Exchequer during 2007/2008 while records maintained at the Exchequer show an amount of Kshs 20,077,231,195.75. The difference of Kshs 73,908,047.75 has yet to be explained and reconciled.

Paragraph 36: The Statement shows a balance of Kshs 94,104.40 carried forward to 2008/2009. This amount differs with Kshs 23,810,724.35 reflected in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 by Kshs 23,716,619.95

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REVENUE HEADS ACCOUNTS OF THE GOK EXCLUDED FROM CERTIFICATE BY
CONTROLLER & AUDITOR GENERAL FOR THE FINANCIAL YEAR 2008 -2009

Statement of Revenue Head 111000	Paragraph 146	10,097,873,709.10	
- Taxes on Income, Profits, and Capital Gains	Paragraph 147	5,985,337,940.35	
	Paragraph 147	3,765,965,139.10	
	Paragraph 148	20,734,997.00	
	Paragraph 149	3,657,184,846.84	
	Paragraph 149	1,840,915,921.30	
	Paragraph 150	876,805,377.90	
	Paragraph 150	1,870,415,969.99	
	Paragraph 151	60,489,211,087.00	88,604,444,986.58

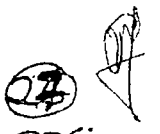
Statement of Revenue Head 1140000	Paragraph 152	6,575,099,029.00	
- Taxes on Goods and Services	Paragraph 153	72,005.50	
	Paragraph 155	1,368,450,949.65	
	Paragraph 156	7,228,048,009.00	8,596,498,958.00

8,596,498,958.00

Statement of Revenue Head 1150000	Paragraph 157	52,473,210.00
- Taxes on International Trade and Transactions	Paragraph 158	793,983,774.85
	Paragraph 159	809,506,823.55
	Paragraph 159	53,428,871.10
		1,709,392,679.50

Statement of Revenue Head 1160000	Paragraph 160	91,023,332.90
- Other taxes not elsewhere classified	Paragraph 161	66,188,387.00
		157,211,719.90

Statement of Revenue Head 1420000	Paragraph 162	7,634,661,810.45
- Sale of Goods and Services	Paragraph 162	8,000,000,000.00
	Paragraph 163	1,184,437,537.55
	Paragraph 163	819,099,348.00
	Paragraph 165	487,715,760.45
	Paragraph 166	1,958,384,345.50
	Paragraph 166	1,799,999,994.10
		21,864,296,755.00

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Statement of Revenue Head 1410000		
- Property Income, Sub Head 1410401-Rent of Land	<i>Paragraph 167</i>	507,311,773.95
	<i>Paragraph 167</i>	49,674,719.05
		556,986,493.00

Statement of Revenue Head 1410000		
- Sub Head 1410200-Property Income	<i>Paragraph 168</i>	218,135,600.40
	<i>Paragraph 168</i>	7,041,846,484.95
	<i>Paragraph 169</i>	346,026.10
		7,260,328,111.45

Statement Revenue Head 1410000		
- Sub Head 1410100-Statement Of Loan Interests Receipts	<i>Paragraph 170</i>	130,099,562.24
	<i>Paragraph 170</i>	74,226,842.00
	<i>Paragraph 171</i>	321,344,627.86
	<i>Paragraph 171</i>	219,704,222.39
	<i>Paragraph 172</i>	32,300,691.90
	<i>Paragraph 173</i>	3,778,049,210.38
	<i>Paragraph 173</i>	10,160,506,075.60
	<i>Paragraph 173</i>	12,989,332,887.10

	Paragraph 173	907,967,764.00	24,620,534,881.68
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Revenue Head 1450000 - Other Receipts Not Classified Elsewhere	Paragraph 174	245,839.00	
	Paragraph 175	3,673,720,021.75	
	Paragraph 176	1,734,580,777.55	
	Paragraph 177	2,742,882,215.85	
	Paragraph 177	1,781,318,602.55	

Statement of Revenue Head 4510000 - Repayments from Domestic Lending and On- Lending	Paragraph 178	3,159,842,881.68	
	Paragraph 179	3,158,866,135.58	
	Paragraph 179	2,573,879,187.63	
	Paragraph 180	996,140.90	
	Paragraph 181	2,234,751,667.59	
	Paragraph 182	13,661,237,087.25	
			24,829,573,100.63

Development Revenue DR.1	Paragraph 187	2,924,718,696.00	
	Paragraph 188	7,596,649,741.00	

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Paragraph 190	815,787,251.35	22,953,223,066.45
Paragraph 191	14,540,786,094.10	
AMOUNTS QUERIED BY AUDITOR GENERAL ON REVENUE ACCOUNTS		215,098,237,274.38

Detailed Reasons why revenue heads accounts of the GOK excluded from certificate by Controller & Auditor General for the financial year 2008 -2009

Extracts from the Controller and Auditor General's report for the Government of Kenya Accounts for the financial year 2008 - 2009


Statement of Revenue Head 111000 - Taxes on Income, Profits, and Capital Gains

Paragraph 146: Taxes on Income, Profits, and Capital Gains for the year ended 30th June 2009 reflects actual receipts of Kshs 184,446,777,305.90 while the records maintained by the Kenya Revenue Authority (K.R.A) reflect actual receipts of Kshs 194,544,651,051.00 This difference of Kshs 10,097,873,709.10 has not been reconciled.

Paragraph 147: Income share of Local Authority Transfer Fund (LATF) reflects actual receipts of Kshs 9,751,303,079.45, records at K.R.A show nil collections. This amount of actual receipts also differs with the amount Kshs 5,985,337,940.35 that appears in the ledgers. The differences between the three sets of records have yet to be explained and reconciled.

Paragraph 148: The statement of Revenue reflects that payments of Kshs 9,214,929,938.00 were made to various Local Authorities across the country during the year. Records maintained at the Central Bank of Kenya indicate that the same payments totalled Kshs 9,235,664,935.00. The difference of Kshs 20,734,997.00 has yet again to be reconciled and explained.

Paragraph 149: The statement of Revenue reflects a balance brought forward from 2007/2008 in respect of PAYE and Other income taxes of Kshs 4,035,921,861.19. The balance differs with the carried forward amount of Kshs 378,737,014.35 against the same item in the audited statement for 2007/2008 by Kshs 3,657,184,846.84. The statement also shows a difference in the amount carried forward from 2007/2008 in respect of the income share of LATF. The balance carried forward was Kshs 4,611,100,421.00, the amount in the audited statement was 2,770,184,499.70 and the difference is Kshs 1,840,915,921.30. The above differences have not been reconciled and explained.


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Paragraph 150: The statement of Revenue shows a carried forward balance of Kshs 5,108,532,562.45 in respect of Income share of LATF. The statement of assets and Liabilities for Deposits 07 as at 30th June 2009 reflects a figure of Kshs 5,985,337,940.35. The difference of Kshs 876,805,377.90 has not been explained or reconciled. The amount of Kshs 5,108,532,562.45 also differs with the reconciled LATF cashbook balance of Kshs 3,238,116,592.46 as at 30th June 2009. The difference here has also not been reconciled or explained.

Paragraph 151: The statement of arrears of revenue due as at 30 April 2009 and uncollected as at 30 June 2009 reflect a balance of Kshs 3,723,039,311.00 on PAYE and Kshs 56,766,171,776.00 on Other Income tax totaling Kshs 60,489,211,087.00. The arrears have not been collected and the two balances have not been supported with relevant records. Their accuracy and completeness has not been ascertained.

Statement of Revenue Head 1140000 – Taxes on Goods and Services

Paragraph 152: The Statement of Revenue Head 1140000 – Taxes on Goods and Services for the year ended 30th June 2009 reflects actual receipts of Kshs 196,726,120,891.00, comprising of VAT-Local and VAT-Imports and Excise Taxes. Records at the KRA show total receipts of Kshs 190,151,021,826.00. The difference of Kshs 6,575,099,029.00 between the two sets of records is yet to be explained and reconciled.

Paragraph 153: The Statement of Revenue Head 1140000 – Taxes on Goods and Services for the year ended 30th June 2009 reflects payments of Kshs 196,726,120,891.00 made to the exchequer. Records maintained at the Exchequer Section, Treasury on the other hand shows a figure of Kshs 196,726,192,896.50. The resultant difference of Kshs 72,005.50 has not been reconciled or explained.

Paragraph 155: The Statement shows an overpayment of Kshs 2,231,386,644.30 to the Exchequer as at 30 June 2009 while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs 862,935,694.65. The difference of Kshs 1,368,450,949.65 has not been explained and reconciled.

Paragraph 156: The Statement of Arrears of Revenue reflects a balance of Kshs 7,228,048,009.00 in respect of Arrears of Revenue due as at 30 April 2009 and uncollected as at 30 June 2009, made up of VAT Kshs 7,108,154,172.00 and Excise taxes Kshs 119,893,837.00.

The statement does not separately show arrears in respect of 2007/2008 and earlier years, **contrary to the requirements of Section 11.9.2 (a) of Government Financial Regulations and Procedures**. Further no reasons have been provided for failure to collect the arrears.

Statement of Revenue Head 1150000 – Taxes on International Trade and Transactions

Paragraph 157: The Statement of Revenue Head 1150000 – Taxes on International Trade and Transactions for the year ended 30 June 2009 reflects receipts of Kshs 51,131,413,788.00 which include customs duties and other taxes on international trade and transactions. The records maintained at the KRA show receipts of Kshs 51,163,886,998.00. The difference of Kshs 52,473,210.00 has not been explained or reconciled

Paragraph 158: The Statement reflects a balance brought forward of Kshs 53426671.10 while the audited Statements for 2007/2008 shows a balance at hand of Kshs 847,412,645.95 as at 30 June 2008. This discrepancy has not been explained or reconciled.

Paragraph 159: The statement reflects a revenue on hand balance of Kshs 53,428,871.10 which differs with the figure of Kshs 862,935,694.65 reflected in the Statement of Assets and Liabilities deposits 07 as at 30 June 2009 by Kshs 809,506,823.55. The difference has not been explained or reconciled and it has not been clarified why the balance of Kshs 53,428,871.10 has not been surrendered to the exchequer as at 30 June 2009

Statement of Revenue Head 1160000 – Other taxes not elsewhere classified

Paragraph 160: The Statement of Revenue Head 1160000 – Other taxes not elsewhere classified for the year ended 30 June 2009 reflects actual receipts of Kshs 4,669,685,264.10 while records at the KRA show receipts of Kshs 4,760,708,597.00. The difference of Kshs 91,023,332.90 has not been explained or reconciled.

Paragraph 161: The statement reflects a debit balance brought forward from 2007/2008 of Kshs 2,626,344.70 which differs from the amount shown in the audited statement for that year by Kshs 66,188,387.00. This difference has not been explained or reconciled.

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Statement of Revenue Head 1420000 –Sale of Goods and Services

Paragraph 162: The Statement of Revenue Head 1420000 –Sale of Goods and Services for the year ended 30 June 2009 reflects actual receipts Kshs 2,656,240,663.55 against estimated collections of Kshs 10,290,902,474.00. This resulted in an under collection of Kshs 7,634,661,810.45. The under collection occurred under item 1420109-Other receipts where no receipts were realized against an estimate of Kshs 8,000,000,000.00.

Paragraph 163: The Statement reflects receipts of Kshs 2,656,240,663.55 under item 142021-Fees under Traffic Act, against estimated collection of Kshs 1,471,803,126.00. This resulted in an over collection of Kshs 1,184,437,537.55. According to the footnotes the over-collection was caused by the inclusion under this item, receipts for item 1420202 - Motor Drivers Licenses, for which an amount of Kshs.819,099,348.00 had been estimated but nil was realized.

Paragraph 164: As similarly observed in 2007/2008, the lumping up of receipts under Traffic Revenue item with those collectable under Motor Drivers licenses has been attributed to the fact that the Registrar of Motor Vehicles maintained during the year one Revenue Account with the Central Bank of Kenya. **No action however has been taken to have the revenue collected under Revenue Head 1420000 - Sale of Goods and Services properly accounted in accordance with the Estimates of Revenue for 2008/2009.**

Paragraph 165: The revenue receipts of Kshs 2,656,240,663.55 differ with the figures reflected in the KRA records of Kshs 3,143,956,424.00 The difference of Kshs 487,715,760.45 has not been explained or reconciled.

Paragraph 166: The Statement reflects a balance brought forward of Kshs.1,964,644,173.90, while the audited Statement for 2007/2008 shows an amount of Kshs.6,259,828.40.00 The Statement also reflects a carried forward balance of Kshs.1,964,644,179.80 as at 30 June 2009, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows a figure of Kshs.3,764,644,173.90 against the item. No reconciliation or explanation has been provided for these discrepancies

Statement of Revenue Head 1410000 –Property Income, Sub Head 1410401-Rent of Land

Paragraph 167: The Statement-of Revenue Head for 1410000 - Sub Head 1410401, Rent of Land for the year ended 30 June 2009 reflects actual receipts of Kshs.1,135,342,885.05 against estimated receipts of Kshs.1,642,654,657.00, resulting in a deficiency of Kshs.507,311,773.95. Also the actual receipts of Kshs.1,135,342,883.05 differ with the Kenya Revenue Authority total figure of Kshs.1,085,668,164.00, by Kshs.49,674,719.05. The difference has not been reconciled or explained.

Statement of Revenue Head 1410000 -- Sub Head 1410200-Property Income

Paragraph 168: The Statement-of Revenue Head for 1410000 - Sub Head 1410200, Property Income for the year ended 30 June 2009 reflects Kshs 7,136,798,375.55 paid to the exchequer during the year. Records maintained at the Exchequer shows a figure of Kshs 6,918,662,775.15 against the same item. The ledger on the other hand shows a balance Kshs 9,951,890.60. The differences between the three sets have yet to be explained or reconciled.

Paragraph 168: The Statement reflects a balance carried forward of Kshs 107,036.05 to 2009/2010 which differs with the amount Kshs 453,062.15 shown against Investment Revenue in the Statement of Assets and Liabilities. The difference of Kshs 346,026.10 has not been reconciled nor explained.

Revenue Head 1410000 -- Sub Head 1410100-Statement Of Loan Interests Receipts

Paragraph 170: The Statement-of Revenue Head for 1410000 - Sub Head 1410100-Loan Interests Receipts from Domestic and On-lending for the year ended 30 June 2009 reflects actual receipts of Kshs 1,242,526,372.24 against an estimated collection of Kshs 1,112,426,810.00. This resulted in an over collection of Kshs 130,099,562.24. The over collection has been attributed to an amount of Kshs 74,226,872.99 received from five institutions from which nil amounts were expected.

Paragraph 171: The Statement shows payments totaling Kshs 1,242,526,372.24 to the Exchequer while records maintained at the Treasury show a figure of Kshs 1,563,671,000.10 showing a difference of Kshs 321,344,627.86 between the two sets of records. The



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figure of **Kshs 1,242,526,372.24** is also different from the amount of **Kshs 1,022,822,149.85** reflected in the Ministry's ledger. Again the differences between the three sets of records are yet to be reconciled and explained.

Paragraph 172: The statement also does not reflect any balance on hand as at 30 June 2009, while the statement of Assets and Liabilities for Deposits 07 as the same date shows an amount of **Kshs 32,300,691.90**. No reason has been provided for the discrepancies.

Paragraph 173: The statement of Arrears of revenue shows that during the year arrears increased by amount of **Kshs 3,778,049,210.38** from **Kshs 28,196,845,114.99** as at 30 June 2008 to **Kshs 31,974,894,425.37** as at 30 June 2009. The 13% increase has been attributed to arrears not been received from the Horticultural Development Authority (HCDA), Agro-chemical and Food Company Ltd and Catering Levy Trustee. Also significant arrears of revenue of **Kshs.10,160,506,075.60**, **Kshs.12,989,332,887.10** and **Kshs.907,967,764.00** brought forward from 2007/2008 and earlier years in respect of Nairobi City Council, Kenya Railways Corporation and National Water Conservation and Pipeline were not been recovered. The Ministry is not showing an indication of addressing the persistent upward trend of arrears of revenue.

Revenue Head 1450000 – Other Receipts Not Classified Elsewhere

Paragraph 174: The Statement-of Revenue Head 1450000 – Other receipts not classified elsewhere for the year ended 30 June 2009 shows actual receipts of **Kshs 4,431,514,947.80** while the ledger for the Month of June 2009 shows a figure of **Kshs 4,431,760,786.80**. The difference of **Kshs 245,839.00** between the two sets of records has yet to be explained and reconciled.

Paragraph 175: Payments to the Exchequer totaled **Kshs 4,431,289,958.05** which differ with the amount of **Kshs 8,105,009,979.80** reflected in the records maintained at the Exchequer in Treasury by **Kshs 3,673,720,021.75**. This difference, as in all other instances has yet to be explained and reconciled.

Paragraph 176: The statement reflects a balance brought forward of **Kshs 1,781,093,612.80** while the audited statement for 2007/2008 shows a balance carried forward of **Kshs 46,512,835.25**. The difference has not been explained.

Paragraph 177: The statement shows an amount of **Kshs 1,781,318,602.55** against a balance carried forward as at 30 June 2009 which is different by a figure of **Kshs 2,742,882,215.85** with the balance of **Kshs 961,563,613.30** reflected under Miscellaneous Revenue in the Statement of Assets and Liabilities for Deposits 07 for 2008/2009. The difference has not been explained or reconciled. Also no reason has been given for the failure to remit to the exchequer the balance of **Kshs 1,781,318,602.55** as at 30 June 2009.

Statement of Revenue Head 4510000 - Repayments from Domestic Lending and On-Lending

Paragraph 178: The Statement-of Revenue Head 4510000 - Repayments from Domestic Lending and on lending for the year ended 30 June 2009 shows actual receipts of **Kshs 3,838,118,511.68** against estimated collections of **Kshs 638,275,630.00**. This resulted in an over collection of **Kshs 3,199,842,881.68**. This amount includes **Kshs 2,556,250,000.00** received from Telkom Kenya and two local financial institutions, where nil amounts were expected during the year.

Paragraph 179: The Statement reflects payments to the Exchequer totaling **Kshs 3,838,118,511.68** as at 30 June 2009. The records maintained at the Exchequer show receipts of **Kshs 679,252,376.10**. The ledger on the other hand shows a figure of **Kshs 1,264,239,324.05**. No reconciliation or explanation for the differences in the three records has been provided.

Paragraph 180: The Statement reflects nil cash balance as at 30 June 2009, while on the other hand Statement of Assets and Liabilities for Deposits 07 shows an amount of **Kshs 996,140.90**. No reconciliation or explanation has been given.

Paragraph 181: The Statement of arrears of Revenue due as at 30 April 2009 and uncollected as at 30 June 2009 shows an increase of arrears in revenue by **Kshs 2,234,751,667.59** from **Kshs 11,426,485,419.96** as at 30 June 2008 to **Kshs 13,661,237,087.25**. According to available information the increase was attributed to arrears from five organizations including Coffee Board of Kenya, Horticultural Development Authority, Catering Levy Trustee and Pyrethrum Board of Kenya, all which were experiencing financial difficulties during the year.

Paragraph 182: Total arrears of **Kshs 13,661,237,087.25** which includes a large amount of **Kshs 11,143,073,607.33** owed by five institutions Nairobi City Council, Agricultural Finance Corporation, Kenya Railways Corporation, Agro-Chemical and Food Company Ltd and Horticultural Development Authority.

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Paragraph 183: It has been indicated in the past that measures have been taken to ensure that the various institutions and organizations that have been mentioned above repay the loans promptly. Limited success appears to have been recorded during the year.

Statement of Development Revenue DR.1

Paragraph 187: The statement of Development revenue DR 1 for the year ended 30 June 2009 shows actual receipts amounting to Kshs 21,919,680,971.00 representing approximately 66%. Of the estimated collections of Kshs.33, 214,982,317.00.00 The receipts however include amounts of Kshs.2, 924,718,696.00 received from eight (8) donors/lenders in respect of fifteen projects which had not been provided for in the approved estimates for 2008/2009. Had these unbudgeted for receipts not been received, the Statement would have reflected reduced collections of Kshs.18,994,962,275.00 or about 57% of the estimated total receipts of Kshs.33,214,982,317.00.

Paragraph 188: No receipts were received during the year in respect of sixty six projects against which collection of Kshs 7,596,649,741.00 were expected. The same was observed in 2007/2008. It has not been explained why the weaknesses in the budgeting for Development have not been addressed.

Paragraph 189: The reasons for the differences between the estimated and the actual receipts in respect to **fifty eight** projects were also not provided in the statement.

Paragraph 190: The statement shows a balance of Kshs 21,919,680,971.00 as having been paid to the exchequer during 2008/2009. Records maintained at the exchequer in Treasury show an amount of Kshs 21,103,893,719.65. The difference of Kshs 815,787,251.35 between the two records has yet to be explained and reconciled.


Paragraph 191: Actual receipts of Kshs 21,919,775,075.40 shown in the Statement differ significantly with the amount of Kshs 36,460,561,169.50 shown in the Ministry's ledger for the month of June 2009. As in all other instances the difference of Kshs 14,540,786,094.10 has yet to be reconciled and explained.

**REVENUE HEADS ACCOUNTS OF THE GOK EXCLUDED FROM CERTIFICATE BY
CONTROLLER & AUDITOR GENERAL FOR THE FINANCIAL YEAR 2009 -2010**

Statement of Revenue Head 111000		
- Taxes on Income, Profits, and Capital Gains		
<i>Paragraph 198</i>	8,154,215.60	
<i>Paragraph 199</i>	128,258,579.77	
<i>Paragraph 199</i>	10,095,171,246.73	
<i>Paragraph 200</i>	4,629,695,487.00	
<i>Paragraph 200</i>	10,000,000.00	
<i>Paragraph 201</i>	4,013,094,970.04	
<i>Paragraph 201</i>	4,013,094,970.69	
<i>Paragraph 202</i>	1,870,415,969.99	
<i>Paragraph 203</i>	3,142,067,001.36	
<i>Paragraph 203</i>	76,372,433.55	
<i>Paragraph 204</i>	76,967,037,231.00	104,953,562,105.73

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Statement of Revenue Head 1140000	
- Taxes on Goods and Services	
<i>Paragraph 170</i>	619,415,211.05
<i>Paragraph 171</i>	862,935,623.85


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Paragraph 172	5,260,583,761.00	6,742,934,595.90
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Statement of Revenue Head 1150000		
- Taxes on International Trade and Transactions		
Paragraph 173	191,329,010.55	
Paragraph 174	76,202,113.65	
Paragraph 175	733,304,709.10	1,000,835,835.30

Statement of Revenue Head 1160000		
- Other taxes not elsewhere classified		
Paragraph 177	34,133,846.35	
Paragraph 178	10,164,614.70	
Paragraph 179	2,626,420.40	
Paragraph 179	2,626,410.40	49,551,291.85

Statement of Revenue Head 1420000		
- Sale of Goods and Services		
Paragraph 205	7,044,010,933.95	
Paragraph 206	237,785,478.95	
Paragraph 207	527,473,366.95	
Paragraph 208	1,799,999,994.10	9,609,269,773.95

Statement of Revenue Head 1410000		
- Property Income	Paragraph 181	312,798,113.80
	Paragraph 181	64,065,929.20
		376,864,043.00

Statement of Revenue Head 1210000		
- Social Security Contributions	Paragraph 180	738,949,512.25
	Paragraph 180	341,050,487.75
		1,080,000,000.00

Statement Revenue Head 1410000		
- Sub Head 1410100-Statement Of Loan Interests Receipts	Paragraph 182	566,219,632.70
	Paragraph 183	298,813,111.95
	Paragraph 183	607,771,293.20
	Paragraph 184	32,300,691.90
	Paragraph 185	1,440,685,572.22
	Paragraph 185	10,160,506,075.60
	Paragraph 185	12,989,352,887.10
	Paragraph 185	3,196,553,616.00
	Paragraph 185	2,372,587,766.55
		31,664,770,640.00

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Revenue Head 1450000	
- Other Receipts Not Classified Elsewhere	
Paragraph 188	717,588,262.25
Paragraph 189	7,561,961.45
Paragraph 190	1,559,908,406.85
Paragraph 191	739,928,416.65
Paragraph 191	221,410,195.70
	3,246,397,242.90

Statement of Revenue Head 4510000	
- Repayments from Domestic Lending and On- Lending	
Paragraph 192	600,428,900.50
Paragraph 193	336,156,990.45
Paragraph 194	996,140.90
Paragraph 195	860,904,595.85
Paragraph 196	11,183,241,623.26
Paragraph 165	1,495,736,828.00
	12,981,728,250.96
Development Revenue DR.1	
-	
-	
-	
-	
Paragraph 165	16,398,152,944.00
Paragraph 166	10,122,518,384.00
Paragraph 167	21,624,047,061.00
Paragraph 168	22,734,331.95

Paragraph 169	17,893,889,772.00	67,557,079,320.35
AMOUNTS QUERIED BY AUDITOR GENERAL ON REVENUE ACCOUNTS		239,262,793,105.76

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STATEMENT OF REVENUE HEAD 1140000 – TAXES ON GOODS AND SERVICES

170. The Statement of Revenue for Head 1140000 – Taxes on Goods and Services for the year ended 30 June 2010 reflects total actual receipts of Kshs.216,082,775,103.05, made up of amounts of Kshs.78,859,162,401.45, Kshs.63,111,534,882.80 and Kshs.74,112,077,818.80 under VAT – Local, VAT – Imports and Excise Taxes respectively. Records maintained at the Kenya Revenue Authority however show total receipts of Kshs.215,463,359,892.00 during the period. The resultant difference of Kshs.619,415,211.05 between the two sets of records has not been reconciled or explained.


171. The Statement also reflects a Revenue On Hand balance of Kshs.2,231,386,644.30 as at 30 June 2010, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.1,368,451,020.45 against the item. As in the previous instance, the difference of Kshs.862,935,623.85 between the two sets of records has not been reconciled or explained.

172. The Statement of Arrears of Revenue reflects a balance of Kshs.5,260,583,761.00 in respect of arrears due as at 30 April 2010 and uncollected as at 30 June 2010, comprising VAT and Excise arrears of Kshs.5,157,624,334.00 and Kshs.102,959,427.00 respectively. No reasons have been provided for failure to collect the arrears. Further, and as similarly noted in 2008/2009, the Statement does not also separately show arrears in respect of 2008/2009 and earlier years, contrary to the requirement of the Government Financial Regulations and Procedures.

STATEMENT OF REVENUE HEAD 1150000 - TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS

173. The Statement of Revenue for Head 1150000-Taxes on International Trade and Transactions for the year ended 30 June 2010 reflects receipts of Kshs.57,205,803,597.55, which include Custom Duties and Other Taxes on International Trade and Transactions balances of Kshs.41,271,116,477.55 and Kshs.15,934,687,120.00 respectively. However, records maintained in respect of the Revenue Head by the Kenya Revenue Authority show receipts of Kshs.57,014,474,587.00, resulting in a difference of Kshs.191,329,010.55. The difference has not been reconciled or explained.

174. The Statement also reflects a Balance Brought Forward of Kshs.129,630,984.75, while the audited Statement for


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2008/2009 shows a Balance on Hand of Kshs.53,428,871.10 as at 30 June 2009. As in the previous instance, the difference of Kshs.76,202,113.65 has not been reconciled or explained.

175. The Statement further reflects a Revenue on Hand balance of Kshs.129,630,984.75, which however differs by a figure of Kshs.733,304,709.10 from the amount of Kshs.862,935,693.85 reflected in the Statement of Assets and Liabilities for Deposits 07, as at 30 June 2010. Again, the difference has not been reconciled or explained. In addition, and as in the previous year, it has not been clarified why the significant balance of Kshs.129,630,984.75 had not been surrendered to the Exchequer as at 30 June 2010.

176. The Statement of Revenue for 2009/2010 does not show details of Arrears of Revenue uncollected as at 30 June 2010, contrary to the Government Financial Regulations and Procedures.

STATEMENT OF REVENUE HEAD 1160000 - OTHER TAXES NOT ELSEWHERE CLASSIFIED

177. The Statement of Revenue for Head 1160000 - Other Taxes (Not Elsewhere Classified) for year ended 30 June 2010 reflects actual receipts totalling Kshs.5,365,782,408.35 realized during the year, while records maintained at the Kenya Revenue Authority show collections of Kshs.5,331,648,562.00 against the Head. The resultant difference of Kshs.34,133,846.35 between the two sets of records has not been reconciled or explained.

178. The Statement also reflects payments to Exchequer amounting to Kshs.5,365,782,408.35, while records maintained at the Exchequer Section, Treasury show a figure of Kshs.5,355,617,793.65 against the item. The difference of Kshs.10,164,614.70 has not been reconciled or explained.

179. The Statement further reflects a debit balance of Kshs.75.70 brought forward from 2008/2009 which differs from the credit figure of Kshs.2,626,344.70 shown in the audited Statement for that year, by a figure of Kshs.2,626,420.40.

Similarly, the difference has not been reconciled or explained. The Statement in addition shows a Revenue On Hand debit balance of Kshs.75.70 as at 30 June, 2010, while the Statement of Assets and Liabilities for Deposits 07 as at the same date reflects a figure of Kshs.2,626,334.70 against the item. As in the previous instances, the difference of Kshs.2,626,410.40 has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1210000 - SOCIAL SECURITY CONTRIBUTIONS

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180. The Statement of Revenue for Head 1210000 – Social Security Contributions for the year ended 30 June 2010 reflects actual receipts of Kshs.341,050,487.75 against estimated collections of Kshs.1,080,000,000.00, resulting in an under- collection of Kshs.738,949,512.25 or approximately 68% of the estimated amount. The under-collection has been attributed to the lumping up together of Social Security Contributions with receipts relating to Income Tax from individuals, i.e Pay As You Earn (PAYE) by various Government Agencies. No action however appears to have been taken during the year to address this anomaly. Further, and although the Statement shows actual receipts of Kshs.341,050,487.75 as at 30 June 2010, the Ministry's ledger for the month of June 2010 reflects nil collections. No reason has been provided for the significant difference of Kshs.341,050,487.75 between the two sets of records.


STATEMENT OF REVENUE HEAD 1410000 – PROPERTY INCOME, RENT OF LAND

181. The Statement of Revenue for Head 1410000 – Rent of Land for the year ended 30 June 2010 reflects actual receipts of Kshs.1,111,099,171.20 against estimated receipts of Kshs.1,423,897,285.00, resulting in a deficiency of Kshs.312,798,113.80 or approximately 22% of the estimated receipts. According to the footnote provided, the under-collection was caused by fewer transactions of land during the year. Further, the actual receipts of Kshs.1,111,099,171.20 differ from the Kenya Revenue Authority total figure of Kshs.1,047,033,242.00, by Kshs.64,065,929.20. This difference has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1410000 -- SUB HEAD 1410100, LOAN INTEREST RECEIPTS

182. The Statement of Revenue for Head 1410000, Sub-Head 1410100 – Loan Interest Receipts from Domestic and On-lending for the year ended 30 June 2010 reflects actual receipts of Kshs.681,280,367.30 against estimated receipts of Kshs.1,247,500,000.00, resulting in an under-collection of Kshs.566,219,632.70 or approximately 45% of the estimated amount. According to information available, the under-collection was mainly recorded under Kenya Power & Lighting Co. Ltd, Cooperative Bank of Kenya and K-Rep Bank Ltd. However, no reasons have been provided for the material difference between the approved estimated receipts and actual receipts.

183. The Statement also reflects payments to the Exchequer totalling Kshs.681,280,367.30 as at 30 June 2010, while


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records maintained at the Treasury show a figure of Kshs.382,467,255.35 against the item. The difference of Kshs.298,813,111.95 between the two sets of records has not been reconciled or explained. Further, the figure of Kshs.681,280,367.30 also differs from the amount of Kshs.73,509,074.10 reflected in the Ministry's Ledger for the month of June 2010, by Kshs.607,771,293.20. Again, the difference has not been reconciled or explained.

184. The Statement does not reflect any balance on hand as at 30 June 2010, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.32,300,691.90 against the item. No explanation has been provided for the discrepancy.

185. The Statement of Arrears of Revenue indicates that during the year, arrears of revenue increased by an amount of Kshs.1,440,685,572.22, from Kshs.31,974,894,425.37 as at 30 June 2009 to Kshs. 33,415,579,997.59 as at 30 June 2010. The increase was mainly attributed to substantial arrears not having been received from the National Irrigation Board, Kenya Power and Lighting Company, Horticultural Crop Development Authority and Meru Central Farmers Co-operative Union. Further, significant arrears amounting to Kshs.10,160,506,075.60, Kshs.12,989,332,887.10, Kshs.3,196,553,616.00 and Kshs.2,372,587,766.55 brought forward from 2008/2009 and earlier years against Nairobi City Council, Kenya Railways Corporation, Agro-Chemical and Food Co. Ltd and Horticultural Crop Development Authority (HCDA) respectively amongst others, were not recovered during the year.

STATEMENT OF REVENUE HEAD 1410000 – SUBHEAD 1410200, PROPERTY INCOME

186. The Statement of Revenue for Head 1410000, Sub Head 1410200 – Property Income for the year ended 30 June 2010 reflects a balance of Kshs.11,523,997,092.15 as having been paid over to the Exchequer during the year, while records maintained at the Exchequer Section, Treasury show a figure of Kshs.8,353,986,805.60 against the item. The Ledger for the month of June 2010 on the other hand reflects nil receipts. The differences between the three sets of records have not been reconciled or explained.

187. The Statement also reflects a carried forward balance of Kshs.107,036.05, which however differs from the figure of Kshs.1,028,478,346.78 shown against Investment Revenue in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2010. As in the previous instance, the difference between the two sets of records has not been reconciled or explained.

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STATEMENT OF REVENUE HEAD 1450000 – OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

188. The Statement of Revenue for Head 1450000 – Other Receipts Not Classified Elsewhere for year ended 30 June 2010 reflects actual receipts of Kshs.6,469,984,720.60, while the Ledger as at the same date shows a figure of Kshs.5,752,396,458.35. The difference of Kshs.717,588,262.25 between the two sets of records has not been reconciled or explained.

189. The Statement also reflects payments to the Exchequer totalling Kshs.6,469,984,720.60 as at 30 June 2010, while the Exchequer records show an amount of Kshs.6,477,546,682.05 as at the same date. As in the previous instance, the difference of Kshs.7,561,961.45 has not been reconciled or explained.

190. The Statement further reflects a balance brought forward of Kshs.221,410,195.70, while the audited Statement for 2008/2009 shows a figure of Kshs.1,781,318,602.55 as carried forward . The discrepancy has not been reconciled or explained.

191. The Statement in addition shows an amount of Kshs.221,410,195.70 against balance carried forward as at 30 June 2010, which differs by a figure of Kshs.739,928,416.65 from the debit balance of Kshs.961,338,612.35 reflected under Miscellaneous Revenue in the Statement of Assets and Liabilities for Deposits 07 as at the same date. Again, the difference has not been reconciled or explained. In addition, and as in the previous years, no reason has been provided for failure to remit to the Exchequer the significant balance of Kshs.221,410,195.70 as at 30 June 2010.

STATEMENT OF REVENUE HEAD 4510000 – REPAYMENTS FROM DOMESTIC LENDING AND ON-LENDING

192. The Statement of Revenue for Head 4510000 – Repayments from Domestic Lending and On-lending for the year ended 30 June 2010 reflects actual receipts of Kshs.907,641,449.50 against estimated collections of Kshs.1,508,070,350.00 resulting in an under-collection of Kshs.600,428,900.50 representing approximately 39% of the estimated receipts. No reason has however been provided for the material difference between the estimated and the actual receipts.

193. The Statement also reflects payments to the Exchequer totalling Kshs.907,641,449.50 as at 30 June 2010, while

records maintained at the Exchequer Section in Treasury show receipts of Kshs.571,484,459.05. The difference of Kshs.336,156,990.45 between the two sets of records has not been reconciled or explained.

194. The Statement reflects nil cash balance as at 30 June 2010, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.996,140.90 against the Head. No reconciliation or explanation has been provided for the discrepancy.

195. The Statement of Arrears of Revenue due and uncollected as at 30 June 2010 indicates that arrears of revenue increased by an amount of Kshs.860,904,595.85, from Kshs.13,661,237,087.25 as at 30 June 2009 to Kshs.14,522,141,683.10 as at 30 June 2010. The increase is mainly attributed to arrears due from five (5) organizations/institutions including Kenya Power and Lighting Company, Coffee Board of Kenya, Agro Chemical and Food Company Limited, Pyrethrum Board of Kenya and Meru Central Farmers Co-operative Union, all of which were indicated as having been experiencing financial problems during the year.

196. The total Arrears of Revenue of Kshs.14,522,141,683.10 includes substantial balances totalling Kshs.11,183,241,623.26 owed by various organizations/institutions including; Nairobi City Council, Agricultural Finance Corporation, Kenya Railways, Agro-chemical & Food Co. Ltd and the Horticultural Development Authority.

197. Although indications are that efforts are being made to ensure that the organizations/institutions repay the loans as and when they fall due, no meaningful progress appears to have recorded in this regard during the year.

STATEMENT OF REVENUE HEAD 1110000 – TAXES ON INCOME, PROFITS AND CAPITAL GAINS

198. The Statement of Revenue for Head 1110000 – Taxes on Income, Profits and Capital Gains for the year ended 30 June 2010 reflects actual receipts of Kshs.209,098,248,366.20 made up of Kshs.115,448,284,656.35 in respect of Income Tax from Individuals (PAYE) and Kshs.93,649,963,709.85 under Income Tax from Corporations (Other Income Tax). Records maintained by the Kenya Revenue Authority however show total receipts of Kshs.209,090,094,150.60 comprising Kshs.114,562,975,456.80 and Kshs.94,527,118,693.80 relating to PAYE and Other Income Tax respectively. The resultant difference of Kshs.8,154,215.60 between the two sets of records has not been reconciled or explained.

199. The Statement also reflects Income Share of Local Authority Transfer Fund (LATF) actual receipts of Kshs.10,876,463,217.63, while records maintained by the Kenya Revenue Authority show receipts of Kshs.11,004,741,797.40. The difference of Kshs.128,258,579.77 has not been reconciled or explained. The actual

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receipts of Kshs.10,876,483,217.63 also differ from the amount of Kshs.781,311,970.90 appearing in the Ledger for the month of June 2010, by Kshs.10,095,171,246.73. As in the previous instance, the difference has not been reconciled or explained.

200. The Statement further reflects payments totalling Kshs.10,324,234,520.00 made to various Local Authorities in respect of LATF during the year. However, records maintained by the Ministry and the Ministry of Local Government and other information available at the Central Bank of Kenya (CBK), on the other hand, indicate that such payments totalled Kshs.14,953,930,007.00, Kshs.10,932,331,390.84 and Kshs.10,435,963,542.00 respectively, during the period. As in the previous instances, the differences have not been reconciled or explained. Similarly, the Statement shows payments amounting to Kshs.42,000,000.00 against various administrative costs incurred by the Ministry of Local Government, while the Ministry's Cashbook and records maintained at CBK indicate that such payments totalled Kshs.52,000,000.00 during the period. Again, the difference of Kshs.10,000,000.00 has not been reconciled or explained.

201. The Statement in addition reflects a balance of Kshs.22,826,891.15 brought forward from 2008/2009 in respect of PAYE and Other Income Tax. The balance however differs with the carried forward amount of Kshs.4,035,921,861.19 against the same item in the audited Statement for 2008/2009, by Kshs.4,013,094,970.04. The Statement also reflects a carried forward balance of Kshs.22,826,891.15, while the Statement of Assets and Liabilities for Deposit 07 as at 30 June 2010 reflects a balance of Kshs.4,035,921,861.84. The difference of Kshs.4,013,094,970.69 between the two sets of figures has not been reconciled or explained.

202. The Statement further shows a balance of Kshs.3,238,116,592.46 in respect of Income Share of LATF brought forward from 2008/2009, which similarly differs from the carried forward amount of Kshs.5,108,532,562.45 against the same item in the audited Statement for 2008/2009, by Kshs.1,870,415,969.99. Again, the difference has not been reconciled or explained.


203. The Statement shows a carried forward balance of Kshs.3,748,365,290.09 in respect of Income Share of LATF, while the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2010 reflects a figure of Kshs.6,890,432,291.45 against the item. The difference of Kshs.3,142,067,001.36 has, as in the previous instances, not been reconciled or explained. The amount of Kshs.3,748,365,290.09 further differs by Kshs.76,372,433.55 from the reconciled LATF Cashbook balance of Kshs.3,824,737,723.64 at 30 June 2010.

204. The Statement of Arrears of Revenue due as at 30 April 2010 and uncollected as at 30 June 2010 reflects a balance

of Kshs.76,967,037,231.00, made up of arrears of PAYE and Other Income Tax of Kshs.2,394,314,664.00 and Kshs.74,572,722,567.00 respectively. Apart from failure to collect the arrears, these two particular balances have not been analysed or supported with the relevant records and as a result, their completeness and accuracy could not be ascertained.

STATEMENT OF REVENUE HEAD 1420000 – SALE OF GOODS AND SERVICES

205. The Statement of Revenue for Head 1420000 – Sale of Goods and Services for the year ended 30 June 2010 reflects actual receipts totalling Kshs.2,221,372,360.05 against estimated collections of Kshs.9,265,383,294.00, resulting in an under-collection of Kshs.7,044,010,933.95 representing approximately 76% of the estimated amount. As in the previous year, the under-collection occurred mainly under item 1420109 – Other Receipts, where no receipts were realized, against estimated collections of Kshs.6,000,000,000.00.
206. The Statement also reflects actual receipts of Kshs.2,221,372,360.05 under item 1420201 – Fees Under Traffic Act, against estimated collections of Kshs.2,459,157,839.00, resulting in an under-collection of Kshs.237,785,478.95, or about 10% of the estimated receipts. As similarly observed in 2008/2009, receipts under the Traffic Revenue item have been lumped up with those collectable under Motor Drivers Licenses. According to information available, the omission has been attributed to the fact that the Registrar of Motor Vehicles maintained only one Revenue Account for both items at the Central Bank of Kenya during the year. No action however appears to have been taken as at 30 June 2010 to rectify the situation.
207. Although as indicated above the Statement reflects receipts of Kshs.2,221,372,360.05 as at 30 June 2010, records maintained at the Kenya Revenue Authority show collections of Kshs.2,748,845,727.00 as at the same date. No reconciliation or explanation has been provided for the difference of Kshs.527,473,366.95 between the two sets of records.
208. The Statement shows a carried forward balance of Kshs.1,964,644,179.80 as at 30 June 2010, while the Statement of Assets and Liabilities for Deposits 07 as at the same date reflects a figure of Kshs.3,764,644,173.90 against the item. Again, no reconciliation or explanation has been provided for the discrepancy.

(51) 
MGR 009

REPUBLIC OF KENYA
THE EXCHEQUER ACCOUNT
RECEIPTS INTO AND ISSUES FROM EXCHEQUER ACCOUNT FOR THE YEAR 2007/2008

RECURRENT	ORIGINAL ESTIMATES	ACTUAL RECEIPTS	UNDER (OVER) ESTIMATES
	Kshs	Kshs	Kshs
TAXATION RECEIPTS:-			
Opening Balance		8,101,751.75	
① Income Tax from Individuals (P.A.Y.E)	71,816,000,000.00	81,680,929,230.20	(9,864,945,207.20)
② Income Tax from Corporations	72,340,000,000.00	86,695,983,472.40	(14,355,983,472.40)
③ Withholding Tax	17,298,507,856.00	-	17,298,507,856.00
④ Immovable Property	46,000,000.00	-	46,000,000.00
⑤ Second Hand Motor Vehicle Purchase Tax	285,340,782.00	-	285,340,782.00
⑥ V.A.T on Domestic Goods & Services	59,828,000,000.00	61,586,108,468.70	(1,758,108,468.70)
⑦ V.A.T on Imported Goods & Services	51,992,000,000.00	53,807,634,460.65	(1,815,534,460.65)
⑧ Excise Taxes	65,551,000,000.00	61,857,468,359.10	3,693,531,640.90
⑨ Taxes on Specific Services	15,261,633.00	-	15,261,633.00
⑩ Fees on use of Goods and on Permits	1,297,230,000.00	-	1,297,230,000.00
⑪ Licences under Traffic Act	944,230,000.00	1,880,336,872.75	(936,106,872.75)
⑫ Royalties	397,000,000.00	187,799,396.00	209,200,604.00
⑬ Other Taxes on Goods & Services	569,034,103.00	-	569,034,103.00
⑭ Customs Duties	32,337,000,000.00	32,944,348,580.05	(607,348,580.05)
⑮ Other Taxes on Int Trade & Transactions	11,687,000,000.00	12,913,424,236.55	(1,226,424,236.55)
⑯ Stamp Duty	3,337,625,115.00	4,584,430,435.50	(1,246,805,320.50)
⑰ Grants from Foreign Govt. through Exchequer	15,240,633,935.00	11,887,485,396.95	3,353,148,538.05
⑱ Loan from Foreign Govt. through Exchequer	17,286,310,279.00	8,189,745,798.80	9,096,564,480.20
⑲ Grants from International Organisations	3,806,000,000.00	-	3,806,000,000.00
⑳ Interest Received	1,067,000,000.00	572,016,914.55	494,983,085.45
㉑ Profits & Dividends from C.B.K.	2,000,000,000.00	-	2,000,000,000.00

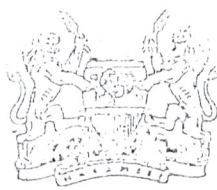
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M.G.K. 010

RECURRENT	ORIGINAL ESTIMATES		ACTUAL RECEIPTS		UNDER (OVER) ESTIMATES	
		Kshs	Kshs	Kshs	Kshs	Kshs
(22) Other Profits & Dividends	2,703,000,000.00	3,133,350,633.50	(430,350,633.50)			
(23) Rent of Land	1,220,967,176.00	1,375,376,671.40	(154,411,493.40)			
(24) Sales of KE-RE Shares	-	1,800,000,000.00	(1,800,000,000.00)			
(25) Sales of KenGen Shares	2,500,000,000.00	-	2,500,000,000.00			
(26) Sales of Safaricom Shares	33,800,000,000.00	49,887,137,100.00	(16,087,137,100.00)			
(27) Sales of Telkom Shares	5,600,000,000.00	24,301,320,000.00	(18,701,320,000.00)			
(28) Fees under Traffic Act	698,738,367.00	-	698,738,367.00			
(29) Motor Driver's Licences	540,770,000.00	-	540,770,000.00			
(30) Other Land Revenue	443,517,723.00	-	443,517,723.00			
(31) Land Adjudication & Case Fees	636,780.00	-	636,780.00			
(32) Sale of freehold interest in Agri. Land	12,878,319.00	-	12,878,319.00			
(33) Fines, Penalties & Forfeitures & Other Charges	406,000,000.00	158,521,084.00	247,478,916.00			
(34) Miscellaneous Revenue	7,913,000,000.00	15,956,423,390.40	(8,043,423,390.40)			
(35) Collected AIA	2,733,000,000.00	-	2,733,000,000.00			
(36) Loans to Non-Financial Public Enterprises	697,882,968.00	706,564,701.45	(10,681,733.45)			
(37) Loans to Financial Institutions	2,117,032.00	-	2,117,032.00			
(38) Net Domestic Borrowing (CBK)	33,959,000,000.00	-	33,959,000,000.00			
	522,372,582,070.00	518,116,508,956.90	5,256,073,113.10			
Unspent Exchequer Issues 2006/2007		7,318,162,121.85				
Unspent Cash Balances 2005/2006		62,059,889.10				
Treasury Bills		4,630,000,000.00				
Treasury Bonds		89,654,000,000.00				
Civil Contingencies Fund		2,000,000,000.00				
TOTAL RECEIPTS	522,372,582,070.00	519,780,730,967.85	(2,591,851,102.15)			

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MGR 010

Annex MGK 011



REPUBLIC OF KENYA

2009/2010

STATEMENT OF REVENUE

OF THE

GOVERNMENT OF KENYA

for the year ending 30th June, 2010

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MGK 011

2017-2018 AS 19

KENYA NATIONAL ASSEMBLY
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LIBRARY
MAIN BUILDING

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MGC 011

ESTIMATES OF REVENUE - SUMMARY

Head No.	Details	Actual Receipts 2007/2008	Revised Estimates 2008/2009	Estimates 2009/2010
		Ksh	Ksh	Ksh
1110000	Taxes on Income, Profits and Capital Gains	156,824,100,000	182,159,650,000	209,266,950,000
1120000	Taxes on Payroll and Workforce	0	0	0
1130000	Taxes on Property	331,895,301	336,791,385	341,761,363
1140000	Taxes on Goods and Services	174,135,603,544	199,994,891,302	227,387,810,126
1150000	Taxes on International Trade & Transactions(customs)	45,857,772,816	50,663,000,000	57,746,000,000
1160000	Other Taxes (not elsewhere classified)	4,535,387,522	4,684,290,516	5,192,193,510
1210000	Social Security Contributions	1,062,000,000	929,000,000	1,080,000,000
1310000	Grants from Foreign Governments	22,954,246,774	29,375,374,110	35,308,011,184
1320000	Grants from International Organizations	3,759,295,312	0	0
1330000	Grants from Other Level of Government	0	0	0
1410000	Property Income	5,004,260,992	9,794,632,099	12,403,355,772
1420000	Sales of Goods and Services	1,554,926,797	2,820,354,698	3,268,879,229
1430000	Fines Penalties and Forfeitures	158,521,084	107,000,000	121,000,000
1440000	Receipts from Voluntary transfers other than grants	0	0	0
1450000	Other Receipts Not Classified Elsewhere	7,402,166,078	4,463,000,000	5,142,000,000
4510000	Repayments from Domestic Lending and On-lending	708,564,701	638,275,630	817,521,165
	Total Ordinary Revenue	397,576,198,835	458,590,925,630	522,767,471,185
	Total Grants	26,713,542,086	29,375,374,110	35,308,011,184
	Appropriations-in- Aid	35,700,000,000	45,321,000,000	46,740,825,670
	Total Net Domestic Borrowing	(13,891,000,000)	92,400,000,000	109,500,000,000
	Total Revenue	433,276,198,835	501,911,925,630	569,508,296,835
	GRAND TOTAL	446,098,740,921	623,687,299,740	714,316,308,019

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MGK 011

REVENUE

Item	Details	Actual Receipts 2007/2008	Revised Estimates 2008/2009	Estimate 2008/2010
		Ksh	Ksh	Ksh
	110000 Taxes on Income, Profits and Capital Gains			
	(Receiver of Revenue - Financial Secretary to the Treasury)			
1110100	Income Tax from Individuals (P.A.Y.E)	85,953,000,000	101,636,000,000	116,626,000,000
1110200	Income Tax from Corporations (Other Income Tax)	78,125,000,000	90,111,000,000	103,855,000,000
1110300	Withholding Tax			
	Gross Income Tax	164,078,000,000	191,747,000,000	220,481,000,000
1110400	Exemptions			
1110500	Income Tax Share of LAF	8,253,500,000	8,587,350,000	11,014,050,000
	Total Taxes on Income, Profits and Capital Gains	172,331,500,000	200,334,350,000	231,495,050,000
	1120000 Taxes on Payroll and Workforce			
	1130000 Taxes on Property			
	(Receiver of Revenue - Permanent Secretary of Lands, Financial Secretary to the Treasury)			
1130100	Immovable Property (Stand Premia on Town Plots)	61,895,301	62,518,650	63,148,263
1130200	Financial & Capital Transactions			
1130202	Second Hand Motor Vehicle Purchase Tax	270,000,000	274,272,727	278,613,070
	Total Taxes on Property	311,895,301	336,791,377	341,761,333
	1140000 Taxes on Goods and Services			
	(Receiver of Revenue - Financial Secretary to the Treasury, Permanent Secretary Ministry of Roads, Permanent Secretary Ministry of Energy, Permanent Secretary Environment and Natural Resources)			
1140100	VAT on Domestic Goods and Services	58,277,000,000	65,910,000,000	75,673,000,000
1140200	VAT on Imported Goods and Services	53,627,508,116	63,581,000,000	72,680,000,000
1140300	VAT Remissions			
	Total VAT	111,904,508,116	129,491,000,000	148,353,000,000
1140300	Excise Taxes	61,805,511,272	69,876,000,000	78,066,000,000
1140400	Taxes on Specific Services			
1140500	Fees on use of Goods and on Permission to use the Goods or to Perform Services and Activities	70,000,000	86,181,818	106,003,636
	Of which Licences under Traffic Act	70,000,000	86,181,818	106,003,636
1140600	Royalties	187,799,388	156,000,000	176,000,000
1140700	Taxes on Goods and Services Collected as AIA			
1140703	Petroleum Development Levy (PDL)	1,204,000,000	1,414,000,000	1,512,000,000
1140705	Road Maintenance Levy (RML)	17,301,000,000	19,631,400,000	20,079,000,000
1140800	Other Taxes on Goods and Services	67,784,758	385,709,484	686,806,490
	Total (excluding PDL and RML)	82,231,085,428	70,553,691,302	79,034,810,126
	Total Taxes on Goods and Services	174,135,603,544	199,984,691,302	227,387,810,126

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MGC 011

REVENUE

Item	Details	Actual Receipts 2009/2010	Revised Estimate 2009/2009	Estimate 2009/2010
		Ksh	Ksh	Y=0
	1150000 Taxes on Inter. Trade & Transactions (Receiver of Revenue - Financial Secretary to the Treasury)			
1150100	Customs Duties	32,944,348,560	35,842,000,000	40,600,000,000
1150200	Export Levies	-	-	-
1150300	Exemptions on customs and other import duties	-	-	-
1150400	Other Taxes on International Trade and Transactions (IDF Fee)	12,913,424,236	15,021,000,000	17,146,000,000
	Total Taxes on International Trade & Transactions(customs)	45,857,772,816	50,863,000,000	57,746,000,000
	1160000 Other Taxes (not elsewhere classified) (Receiver of Revenue - Financial Secretary to the Treasury)			
1160100	Other Taxes Not Elsewhere Classified	-	-	-
1160101	Stamp duty	4,656,387,522	4,684,290,516	5,192,193,510
1160200	Taxes Not Elsewhere Classified Collected as AIA	-	-	-
	Total Other Taxes (not elsewhere classified)	4,656,387,522	4,684,290,516	5,192,193,510
	1210000 Social Security Contributions (Receiver of Revenue - Financial Secretary to the Treasury)			
1210100	Health Insurance Contribution	-	-	-
1210200	Receipts to NHIF for Health Insurance Contributions	-	-	-
1210300	Contribution from Government Employees to Social and Welfare Schemes within Government	1,062,000,000	929,000,000	1,090,000,000
	Total Social Security Contributions	1,062,000,000	929,000,000	1,090,000,000
	1310000 Grants from Foreign Governments			
1310100	Grants from Foreign Governments - Cash Through Exchequer	13,055,831,657	14,529,430,548	15,130,447,856
1310200	Grants from Foreign Governments - Direct Payments - Treated as AIA	9,898,415,117	14,845,643,552	20,177,583,328
	Total Grants from Foreign Governments	22,954,246,774	29,375,074,100	35,308,031,184
	1320000 Grants from International Organizations			
1320100	Grants from International Organizations - Cash Through Exchequer	3,759,295,312	-	-
1320200	Grants from International Organizations - Treated as AIA	-	-	-
	Total Grants from International Organizations	3,759,295,312	0	0

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REVENUE

Item	Details	Actual Receipts 2007/2008	Revised Estimates 2008/2009	Estimate 2009/2010
		Ksh	Ksh	Ksh
	1330000 Grants from Other Levels of Government			
1330100	Grants to Central Government from General Government Units			
1330200	Grants to Local Authorities from General Government Units			
1330300	Grants to Fund Accounts from Central Government Budget			
1330400	Grants to Other General Government Units from General Government Units			
	Total Grants from Other Levels of Government			
	1410000 Property Income			
	(Receiver of Revenue - Financial Secretary to the Treasury, Permanent Secretary for Lands)			
1410100	Interest Received	572,016,914	1,112,000,000	1,974,000,000
1410200	Profits and Dividends			
1410201	Profits and Dividends from Central Bank of Kenya(CBK)	0	4,000,000,000	3,000,000,000
1410202	Other Profits and Dividends	3,133,350,633	3,464,000,000	6,004,000,000
1410300	Withdrawals from income of quasi-corporations			
1410400	Rents on land, houses and buildings			
1410401	Rent of Land			
1410402	Rent of Government Buildings and Housing	1,287,434,958	1,217,173,612	1,423,897,295
1410403	Webuye Housing Scheme Rents	0	0	0
1410403	Webuye Housing Scheme Rents	1,458,487	1,458,487	1,458,487
1410500	Other Property Income Collected as AIA			
	Total Property Income	5,004,280,992	9,784,632,099	12,403,356,772
	1420000 Sales of Goods and Services			
	(Receiver of Revenue - Financial Secretary to the Treasury, Permanent Secretary for Lands)			
1420100	Sales of Market Establishments	75,988,457,100	0	5,000,000,000
1420101	Sale of Kengen shares	0	0	0
1420102	Sale of Mumias shares	0	0	0
1420103	Sale of Kenya Re shares	1,800,000,000	0	0
1420104	Sale of Safaricom shares	49,887,137,100	0	0
1420105	Sale of Telkom shares	24,301,320,000	0	0
1420109	Others	0	0	8,000,000,000
1420200	Administrative Fees and Charges	1,554,928,787	2,820,384,598	3,258,879,229
1420201	Fees under Traffic Act	813,336,872	2,186,383,836	2,459,157,829
1420202	Motor Drivers Licences	827,000,000	650,181,818	806,225,455
1420203	Other Land Revenue	0	0	0
1420204	Land Adjudication and Case Fees	12,150	60,862	106,073
1420205	Sale of Freehold Interest in Agricultural Land	14,577,775	3,788,261	3,388,863
1420300	Administrative Fees and Charges Collected as AIA	0	0	0
1420400	Incidental Sales by Non-Market Establishments	0	0	0
1420500	Sales by Non-Market Establishments Collected as AIA	0	0	0
	Total Sales of Goods and Services(excluding sales of market establishments)	1,554,926,787	2,820,384,598	3,246,879,229

REVENUE

Item	Details	Actual Receipts 2007/2008	Revised Estimates 2008/2009	Estimates 2009/2010
		Ksh	Ksh	Ksh
	1430000 Fines, Penalties and Forfeitures (Receiver of Revenue - Registrar of High court)			
1430100	Fines, Penalties and Forfeitures and Other Charges	158,521,084	107,000,000	121,000,000
	Total Fines Penalties and Forfeitures	158,521,084	107,000,000	121,000,000
	1440000 Receipts from Voluntary transfers other than grants			
1440100	Current Grants from International NGOs - paid through Exchequer	-	-	-
1440200	Capital Grants from International NGOs - paid through Exchequer	-	-	-
1440300	Current Grants from International NGOs - collected as AIA	-	-	-
1440400	Capital Grants from International NGOs - collected as AIA	-	-	-
1440500	Other Voluntary Transfers for Current purposes	-	-	-
1440600	Other Voluntary Transfers for Capital purposes	-	-	-
	Total Receipts from Voluntary transfers other than grants	-	-	-
	1450000 Other Receipts Not Classified Elsewhere (Receiver of Revenue - Financial Secretary to the Treasury)			
1450100	Paid to Exchequer	-	-	-
1450101	Miscellaneous Revenue	7,402,166,078	4,463,000,000	5,142,000,000
1450700	Collected as AIA	-	-	-
	Total Other Receipts Not Classified Elsewhere	7,402,166,078	4,463,000,000	5,142,000,000
	4510000 Repayments from Domestic Lending and On-lending (Receiver of Revenue - Financial Secretary to the Treasury)			
4510100	Loans to Government Agencies and Other Levels of Government	0	0	0
4510200	Loans to Non-Financial Public Enterprises	708,564,701	638,275,630	781,570,350
4510300	Loans to Financial Institutions	0	0	35,950,815
4510400	Loans to Individuals and Households	-	-	-
4510500	Other Lending and On-lending	-	-	-
	Total Repayments from Domestic Lending and On-lending	708,564,701	638,275,630	817,521,165
	5110000 Domestic Borrowing (Receiver of Revenue - Financial Secretary to the Treasury)			
5110200	Net Domestic Borrowing from Monetary Authorities (Central Bank)	(13,891,000,000)	92,400,000,000	108,800,000,000
	Ordinary Revenue(Excluding LATF)	398,514,198,835	468,690,928,630	522,767,471,185
	Total Grants	28,713,542,088	29,375,374,110	35,308,011,184
	Appropriations-In-Aid	35,700,000,000	45,321,000,000	48,740,825,870
	Total Revenue	432,214,198,835	501,911,925,630	569,506,298,835
	Total Net Domestic Borrowing	(13,891,000,000)	92,400,000,000	108,800,000,000
	GRAND TOTAL	445,036,740,821	623,687,299,740	714,316,308,019

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MGK 011

Revenue Code	SWAG Ref	TAXATION RECEIPTS	Exchange Accounts - Actual receipts 2007-2008 (Yn) 2009	Actual Receipts 2007-2008 reported to Parliament (Yn) 2009	Material Differences in Actual Receipts 2007-2008 (Over) under SUM (A-B)
		Opening Balance	8,111,511.75	0.00	
1101006	1	Income tax from individuals (PAYE)	61,660,939,232.42	65,953,000,000.00	(4,272,070,769.83)
1110200	2	Income tax from corporations	86,695,983,472.40	75,125,000,000.00	7,570,983,472.40
1103300	3	Withholding Tax	3.33	0.00	0.00
1103100	4	Immovable Property	6.00	61,895,301.00	(61,895,301.00)
1130202	5	Second hand motor Vehicles pur tax	0.00	270,000,000.00	(270,000,000.00)
1140100	6	VAT on domestic goods and services	61,586,105,468.70	58,227,000,000.00	3,309,108,468.70
1140200	7	VAT on imported goods and services	53,807,634,466.85	53,627,508,116.00	180,126,344.85
1140300	8	Excise Taxes	61,857,466,359.10	61,995,511,272.00	(46,047,912.90)
1140400	9	Taxes on specific services	0.00	0.00	0.00
1140500	10	Fee on use of Goods & on permission	0.00	0.00	0.00
1140500	11	Licences under traffic act	1,880,336,872.75	70,000,000.00	1,810,336,872.75
1140600	12	Royalties	187,799,398.00	187,799,398.00	0.00
1140900	13	Other taxes on goods and services	0.00	67,784,758.00	(67,784,758.00)
1150100	14	Customs duties	32,944,348,580.05	32,944,348,580.00	0.05
1150100	14	Other taxes on international trade on transactions	12,913,424,236.55	12,913,424,236.00	0.55
1150100	15	Other taxes on international trade on transactions	0.00	0.00	0.00
1150100	15	Stamp Duty	4,584,430,435.50	4,536,387,522.00	48,042,913.50
1150100	16	Grants from foreign Governments through Exchange- Cash	11,887,465,366.95	13,055,831,657.00	(1,168,346,260.05)
1150100	17	Loans from foreign Governments through Exchange-	6,189,745,799.80	0.00	8,189,745,799.80
1150100	18	Grants from International Organizations	0.00	3,759,295,312.00	(3,759,295,312.00)
1150100	19	Interests received	572,016,914.55	572,016,914.00	0.55
1150201	20	Profits and dividends from CBK	0.00	0.00	0.00
1150202	21	Other profits and dividends	3,133,350,633.50	3,133,350,633.00	0.50
1150101	22	Rent of land	1,375,378,671.40	1,297,434,958.00	77,943,713.40
1420103	23	Sale of K&RE Shares	1,800,000,000.00	1,800,000,000.00	0.00
1420101	24	Sale of Kenyan Shares	0.00	0.00	0.00
1420104	25	Sale of Safaricom Shares	49,887,137,100.00	49,887,137,100.00	0.00
1420105	26	Sale of Telkom Shares	24,301,320,000.00	24,301,320,000.00	0.00
1420204	27	Fees under traffic Act	0.00	913,336,872.00	(913,336,872.00)
1420202	28	Motor drivers licences	0.00	627,000,000.00	(627,000,000.00)
1420203	29	Other land revenue	0.00	0.00	0.00
1420204	30	Land adjudication and case fees	0.00	12,150.00	(12,150.00)
1420205	31	Sale of freehold interests in agricultural land	0.00	14,577,775.00	(14,577,775.00)
1430100	32	Fines, penalties and forfeitures and other charges	158,521,084.00	158,521,084.00	0.00
1430101	33	Miscellaneous Revenue	15,956,423,396.40	7,402,166,078.00	8,554,257,312.40
1430200	34	Collected AIA	0.00	0.00	0.00
1430200	35	Loans to non financial public enterprises	708,564,701.45	708,564,701.00	0.45
1430300	36	Loans to financial institutions	0.00	0.00	0.00
1430300	37	Net domestic borrowing/(CBK)	0.00	(13,891,000,000.00)	13,891,000,000.00
1430200	38	OTHER RECEIPTS	516,116,506,956.90	483,679,224,417.00	32,429,182,788.15
OTHER RECEIPTS					
Unspent Exchange Issues 2006/2007			7,318,162,121.85		
Unspent Cash Balances 2005/2006			62,059,889.10		
Treasury Bills			4,630,000,000.00		
Treasury Bonds			89,654,000,000.00		
Civil Contingencies Fund			2,000,000,000.00		
TOTAL RECEIPTS			619,780,730,967.85		

Notes Questions arising
Total ordinary/revenue
Trans. Grants

495,031,176,009.43
7,007,431,195.75

577,576,198,835.00
26,713,542,086.00

98,454,977,174.40
(6,636,310,650.22)

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**SUMMARY OF THE EXCHEQUER ACCOUNT FOR THE
YEAR ENDING 30 JUNE 2008.**

	2006/2007 Kshs.	2007/2008 Kshs.	8,101,751.75
Opening Balance as at 1st July 2007			
ADD: Exchequer Receipts			
Ordinary Revenue	337,652,874,651.45	496,031,176,009.40	
Unspent Cash Balances Received	6,357,447,100.25	7,380,222,010.95	
Loans/Grants Revenue	14,711,116,108.70	20,077,231,195.75	
Treasury Bonds/Bills	106,572,800,000.00	94,284,000,000.00	
CCF Recoveries	1,520,000,000.00	2,000,000,000.00	
		619,772,629,216.10	
		619,780,730,967.85	
LESS: Exchequer Issues			
Recurrent Exchequer Issues	253,562,677,910.00	308,068,699,000.00	
Development Exchequer Issues	85,687,177,989.00	141,288,899,486.00	
Consolidated Fund Services	131,411,243,685.00	168,187,244,215.00	
CCF Advances	1,620,000,000.00	2,000,000,000.00	
		619,544,842,701.00	
Closing Balance as at 30th June 2008			235,888,266.85

NOTES

1. Cereals and Sugar Finance Corporation (CSFC)

The Exchequer Account made direct advances to CSFC totalling KES 897,797,000 under CSFC ordinance Cap. 329 Section 6. The recovery of this amount is not certain as the institution is in the process of being wound up.

2. Tax Reserve Certificates

A sum of KES 51,702,360 was issued to the the Ministry of Finance under CFS 50, Consolidated Fund Services. The balance accruing in the Exchequer Account as at 30.06.07 was KES 17,774,920


11 September 2008

JOSEPH K. KINYUA, CBS
PERMANENT SECRETARY/TREASURY
MINISTRY OF FINANCE

CERTIFICATE OF THE CONTROLLER AND AUDITOR-GENERAL

I have audited the above Exchequer Account in accordance with the provisions of the Public Audit Act, 2003. I have obtained all the information and the explanations that I have required and as a result of the audit, I certify that, in my opinion, the Account properly presents the receipts into and issues from the Exchequer Account for the year ended 30 June 2008.

A.S.M. Gatumbu
CONTROLLER AND AUDITOR-GENERAL
28 May 2009

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Example 1**Statement of Revenue Head 1110000 - Taxes on Income, Profits, and Capital Gains**

	Actual Revenue receipts as in Exchequer Account C&AG Report FY 2007-2008 (A)	Actual Revenue receipts as captured in the estimates for FY 2007-2008 (B)	Material differences (over) under Actual Revenue receipts (A- B)
Income tax from individuals (PAYE)	81,680,929,230.20	85,953,000,000.00	(4,272,070,769.80)
Income tax from corporations	86,695,983,472.40	79,125,000,000.00	7,570,983,472.40
Withholding Tax	0.00	0.00	0.00
TOTAL	168,376,912,702.60	165,078,000,000.00	

1. What does the C&AG say about the Actual Receipts Declared in the Statement of Revenue head 1110000 taxes on Income, Profits and Capital Gains in his report for 2007-2008?

Paragraph 72: Taxes on Income, Profits, and Capital Gains for the year ended 30th June 2008 reflects actual receipts of Kshs 177,246,750,110.40. Records at the Kenya Revenue Authority (K.R.A) reflect actual receipts of Kshs 166,152,969,569.00.

Paragraph 75: Actual receipts reflected in the Statement total Kshs 177,246,750,110.40 while the ledger shows a total of Kshs 172,965,015,195.55. The difference of Kshs 4,281,734,914.85 has not been explained nor reconciled.

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2. What is the Actual Revenue collected in 2007-2008 for head 1110000 taxes on Income, Profits and Capital Gains? Is it

Amount in Exchequer - KES 168,376,912,702.60
 Amount in KRA records - KES 166,152,969,569.00
 Amount in Ledger records - KES 172,965,015,195.55
 Amount in Revenue Statement - KES 177,246,750,110.40
 Amount declared to Parliament - KES 165,078,000,000.00

Example 2

Statement of Revenue Head 1110500 – Income Tax Share of LATF

	Actual Revenue receipts as in Exchequer Account C&AG Report FY 2007-2008 (A)	Actual Revenue receipts as captured in the estimates for FY 2007-2008 (B)	Material differences (over) under Actual Revenue receipts (A- B)
Income tax share of LATF		8,253,900,000.00	
TOTAL		8,253,900,000.00	

1. What does the C&AG say about the Actual Receipts Declared in the Statement of Revenue head 1110500 Income Tax Share of LATF in his report for 2007-2008?

Paragraph 74: The Statement of Revenue reflects Income Tax Share of LATF actual receipts and LATF disbursements of **Kshs 8,869,837,407.80** and **Kshs 8,648,006,036.00** respectively. These amounts differ with the amounts shown in

the LATF Accounts for 2007/2008 prepared by the Ministry of Local Government of Kshs 8,871,451,352.10 and Kshs 8,768,427,034.00. The differences of Kshs 1,613,944.30 and Kshs 120,420,998.00 respectively have not been reconciled and explained.

2. What is the Actual Revenue collected in 2007-2008 for head 1110500 Income Tax Share of LATF? Is it

Amount in Revenue Statement	- KES 8,869,837,407.80
Amount in Local Govt records	- KES 8,871,451,352.10
Amount declared to Parliament	- KES 8,253,900,000.00

Example 3

Statement of Revenue Head 1140000 – Taxes on Goods and Services

	Actual Revenue receipts as in Exchequer Account C&AG Report FY 2007-2008 (A)	Actual Revenue receipts as captured in the estimates for FY 2007-2008 (B)	Material differences (over) under Actual Revenue receipts (A- B)
VAT on domestic goods and services	61,586,108,468.70	58,277,000,000.00	3,309,108,468.70
VAT on imported goods and services	53,807,634,460.85	53,627,508,116.00	180,126,344.85
Excise Taxes	61,857,468,359.10	61,905,511,272.00	
TOTAL	177,251,211,288.65	173,810,019,388.00	


 (65)
 M&K 014

1. What does the C&AG say about the Actual Receipts Declared in the Statement of Revenue head 1140000 taxes on Goods and Services in his report for 2007-2008

Paragraph 79: The statement of Revenue for head 1140000-Taxes on goods and services for the year ended 30 June 2008 reflects actual receipts of Kshs 177,251,211,278.30 comprising of Kshs 61,586,108,468.70, Kshs 53,807,634,460.85 and Kshs 61,857,468,348.75 under local VAT, VAT-imports and Excise taxes. Records maintained at the K.R.A show a different figure for total receipts of Kshs 173,525,253,051.00 made up of Kshs 57,373,875,358.00, Kshs 53,634,410,526.00 and Kshs 62,516,967,167.00 relating to VAT local, VAT Imports and Excise taxes. The difference of Kshs 3,725,958,227.30 between the two sets of records is yet to be explained and reconciled.

Paragraph 80: The statement shows total actual receipts of Kshs 177,251,211,278.30 while the Ministry ledger shows a figure of Kshs 117,115,861,779.90. The difference of Kshs 60,135,349,498.40 has not been reconciled and explained. Also no excise tax was reflected in the ledger while in the statement it shows actual collections of taxes totaling Kshs 61,857,468,348.75. Again no explanation has been given for the omission.

2. What is the Actual Revenue collected in 2007-2008 for head 1140000 taxes on Goods and services? Is it

Amount in Exchequer	- KES 177,251,211,288.65
Amount in KRA records	- KES 173,525,253,051.00
Amount in Ledger records	- KES 117,115,861,779.90
Amount in Revenue Statement	- KES 177,251,211,278.30
Amount declared to Parliament	- KES 173,810,019,388.00

Example 4

Statement of Revenue Head 1450000 -Other Receipts not classified Elsewhere

	Actual Revenue receipts as In Exchequer Account C&AG Report FY 2007-2008 (A)	Actual Revenue receipts as captured in the estimates for FY 2007-2008 (B)	Material differences (over) under Actual Revenue receipts (A- B)
Miscellaneous Revenue	15,956,423,390.40	7,402,166,078.00	8,554,257,312.40
TOTAL	15,956,423,390.40	7,402,166,078.00	

1. What does the C&AG say about the Actual Receipts Declared in the Statement of Revenue head 1450000 other Receipts not classified Elsewhere in his report for 2007-2008

Paragraph 101: Actual receipts of Kshs 15,956,423,389.60 differ with the amount of Kshs 13,904,256,454.75 reflected in the Ministry's Ledger. The difference of Kshs 2,052,166,934.85 has not been explained or reconciled

2. What is the Actual Revenue collected in 2007-2008 for head 1450000 other Receipts not classified Elsewhere? Is it

Amount in Exchequer	- KES 15,956,423,390.40
Amount in Ledger records	- KES 13,904,256,454.75
Amount in Revenue Statement	- KES 15,956,423,389.60
Amount declared to Parliament	- KES 7,402,166,078.00

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Example 5

Revenue Head 5110000 – Domestic Borrowing

	Actual Revenue receipts as in Exchequer Account C&AG Report FY 2007-2008 (A)	Actual Revenue receipts as captured in the estimates for FY 2007-2008 (B)	Material differences (over) under Actual Revenue receipts (A- B)
Net domestic borrowing(CBK)	0.00	(13,891,000,000.00)	13,891,000,000.00
TOTAL	0.00	(13,891,000,000.00)	

1. What is the Actual Revenue collected in 2007-2008 for head 5110200 Net domestic borrowing from monetary Authorities (Central Bank)? Is it

Amount in Exchequer - KES 0.00

Amount declared to Parliament - KES 13,891,000,000.00

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2002/2003

ESTIMATES OF REVENUE

OF THE

GOVERNMENT OF KENYA

For the year ending 30th June, 2003

2002

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MGK 015

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MAR. 015

ESTIMATED SUPPLEMENTARY REVENUE - SUMMARY

Head No	Details	Actual Receipts 2006/2007	Revised Estimates 2007/2008	Estimates 2008/2009
		Ksh	Ksh	Ksh
1110000	Taxes on Income, Profits and Capital Gains	124,817,392,356	156,397,250,000	184,251,650,000
1120000	Taxes on Payroll and Workforce	0	0	0
1130000	Taxes on Property	250,491,908	301,594,914	351,331,554
1140000	Taxes on Goods and Services	153,257,172,376	179,948,585,811	207,581,494,246
1150000	Taxes on International Trade & Transactions (customs)	38,482,034,972	40,949,000,000	52,051,000,000
1160000	Other Taxes (not elsewhere classified)	3,051,612,867	4,268,624,829	4,983,726,871
1210000	Social Security Contributions	0	1,000,000,000	1,058,000,000
1310000	Grants from Foreign Governments	15,494,000,000	33,153,000,000	33,792,312,028
1320000	Grants from International Organizations	0	3,750,000,000	0
1330000	Grants from Other Level of Government	-	-	-
1410000	Property Income	7,780,751,223	4,082,520,000	7,797,654,657
1420000	Sales of Goods and Services	1,492,667,536	1,926,671,652	2,702,789,671
1430000	Fines Penalties and Forfeitures	384,679,569	141,000,000	164,000,000
1440000	Receipts from Voluntary transfers other than grants	-	-	-
1450000	Other Receipts Not Classified Elsewhere	7,409,400,824	6,419,000,000	9,693,000,000
4510000	Repayments from Domestic Lending and On-lending	688,388,020	628,000,000	638,000,000
Total Ordinary Revenue		337,614,991,713	402,654,250,000	467,894,060,000
Total Grants		15,494,000,000	36,912,000,000	33,792,312,028
Total AIA		33,020,000,000	46,099,000,000	44,825,000,000
Total Net Domestic Borrowing		34,700,000,000	34,000,000,000	54,500,000,000
Total Revenue		370,634,991,713	448,763,250,000	512,719,050,000
GRAND TOTAL		420,828,991,713	519,665,250,000	601,011,362,028

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Item	Details	Actual Receipts 2007/2007	Revised Estimates 2007/2008	2007/2008
		Ksh	Ksh	Ksh
	1110000 Taxes on Income, Profits and Capital Gains (Receiver of Revenue - Financial Secretary to the Treasury)			
1110100	Income Tax from Individuals (P.A.Y.E)	71,125,690,477	85,169,000,000	100,620,000,000
1110200	Income Tax from Corporations (Other Income Tax)	60,300,909,097	79,986,000,000	90,339,000,000
1110300	Withholding Tax			
	Gross Income Tax	131,426,605,564	165,155,000,000	190,959,000,000
1110400	Exemptions			
1110500	Income Tax Share of LATF	6,609,213,205	8,257,750,000	9,647,850,000
	Total Taxes on Income, Profits and Capital Gains	124,817,392,356	156,897,250,000	180,306,850,000
	1120000 Taxes on Payroll and Workforce	0	0	0
	1130000 Taxes on Property (Receiver of Revenue - Permanent Secretary of Lands and Housing, Financial Secretary to the Treasury)			
1130100	Immovable Property (Stand Premia on Town Plots)	22,037,426	25,277,320	23,458,146
1130200	Financial & Capital Transactions			
1130202	Second Hand Motor Vehicle Purchase Tax	228,454,482	276,317,566	321,876,408
	Total Taxes on Property	250,491,908	301,594,886	351,334,554
	1140000 Taxes on Goods and Services (Receiver of Revenue - Financial Secretary to the Treasury, Permanent Secretary Environment and			
1140100	VAT on Domestic Goods and Services	52,568,447,938	59,827,000,000	70,980,000,000
1140200	VAT on Imported Goods and Services	43,701,340,973	55,187,000,000	62,899,000,000
1140300	VAT Remissions			
	Total VAT	96,269,788,911	115,014,000,000	133,879,000,000
1140300	Excise Taxes	56,405,520,389	64,289,000,000	72,925,000,000
1140400	Taxes on Specific Services	0	0	0
1140500	Fees on use of Goods and on Permission to use the Goods or to Perform Services and Activities Of which Licences under Traffic Act	101,077,351	110,210,840	154,221,117
		101,077,351	110,210,840	154,221,117
1140600	Royalties	282,692,248	257,000,000	299,000,000
1140700	Taxes on Goods and Services Collected as AID			
1140703	Petroleum Development Levy (PDL)	1,349,000,000	1,292,000,000	1,424,000,000
1140705	Road Maintenance Levy (RML)	18,217,000,000	19,300,000,000	21,271,000,000
1140800	Other Taxes on Goods and Services	198,093,477	278,375,071	324,273,129
	Total (excluding PDL and RML)	56,987,383,465	64,934,585,911	73,702,494,246
	Total Taxes on Goods and Services	153,257,172,376	179,948,585,911	207,581,494,246

Item	Details	Actual Receipts 2006/2007	Revised Estimate 2007/2008	Proposed 2008/2009
		Ksh	Ksh	Ksh
	1150000 Taxes on Inter. Trade & Transactions (Receiver of Revenue - Financial Secretary to the Treasury)			
1150100	Customs Duties	27,509,524,495	33,403,000,000	36,459,000,000
1150200	Export Levies			
1150300	Exemptions on customs and other import duties	240,000,000	200,000,000	400,000,000
1150400	Other Taxes on International Trade and Transactions (IDF Fee)	10,972,510,477	13,546,000,000	15,592,000,000
	Total Taxes on International Trade & Transactions (customs)	38,482,034,972	46,949,000,000	52,051,000,000
	1160000 Other Taxes (not elsewhere classified) (Receiver of Revenue - Financial Secretary to the Treasury)			
1160100	Other Taxes Not Elsewhere Classified			
1160101	Stamp duty	3,051,812,867	4,288,624,929	4,995,726,871
1160200	Taxes Not Elsewhere Classified Collected as AIA	0	0	0
	Total Other Taxes (not elsewhere classified)	3,051,812,867	4,288,624,929	4,995,726,871
	1210000 Social Security Contributions (Receiver of Revenue - Financial Secretary to the Treasury)			
1210100	Health Insurance Contribution			
1210200	Receipts to NHIF for Health Insurance Contributions			
1210300	Contribution from Government Employees to Social and Welfare Schemes within Government	0	1,000,000,000	1,058,000,000
	Total Social Security Contributions	0	1,000,000,000	1,058,000,000
	1310000 Grants from Foreign Governments			
1310100	Grants from Foreign Governments - Cash Through Exchequer	8,938,000,000	15,912,000,000	16,763,972,302
1310200	Grants from Foreign Governments - Direct Payments - Treated as AIA	6,556,000,000	17,241,000,000	17,028,339,726
	Total Grants from Foreign Governments	15,494,000,000	33,153,000,000	33,792,312,028
	1320000 Grants from International Organizations			
1320100	Grants from International Organizations - Cash Through Exchequer	0	3,759,000,000	0
1320200	Grants from International Organizations - Treated as AIA	0	0	0
	Total Grants from International Organizations	0	3,759,000,000	0

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Item	Details	Actual Receipts 2006/2007	Revised Estimates 2007/2008	Estimates 2008/2009
		Ksh	Ksh	Ksh
	1330000 Grants from Other Levels of Government			
1330100	Grants to Central Government from General Government Units	-	-	-
1330200	Grants to Local Authorities from General Government Units	-	-	-
1330300	Grants to Fund Accounts from Central Government Budget	-	-	-
1330400	Grants to Other General Government Units from General Government Units	-	-	-
	Total Grants from Other Levels of Government			
	1410000 Property Income			
	(Receiver of Revenue - Investment Secretary to the Treasury, Financial Secretary to the Treasury, Permanent Secretary for Lands)			
1410100	Interest Received	557,168,045	635,000,000	482,000,000
1410200	Profits and Dividends			
1410201	Profits and Dividends from Central Bank of Kenya (CBK)	2,000,000,000	0	2,000,000,000
1410202	Other Profits and Dividends	3,994,727,107	2,038,000,000	3,673,000,000
1410300	Withdrawals from Income of quasi-corporations			
1410400	Rents on land, houses and buildings			
1410401	Rent of Land	1,228,858,071	1,409,522,553	1,642,654,657
1410402	Rent of Government Buildings and Housing	0	0	0
1410403	Webuye Housing Scheme Rents	0	0	0
1410500	Other Property Income Collected as AIA			
	Total Property Income	7,780,751,223	4,072,522,553	7,737,654,657
	1420000 Sales of Goods and Services			
	(Receiver of Revenue - Financial Secretary to the Treasury, Permanent Secretary for Lands, Permanent Secretary for Environment and Natural Resources)			
1420100	Sales of Market Establishments	4,000,000,000	76,416,000,000	8,000,000,000
1420101	Sale of Kengen shares	0	0	0
1420102	Sale of Mumias shares	4,000,000,000	0	0
1420103	Sale of Kenye Re shares	0	2,000,000,000	0
1420104	Sale of Safaricom shares	0	50,000,000,000	0
1420105	Sale of Telkom shares	0	24,416,000,000	0
1420109	Others	0	0	8,000,000,000
1420200	Administrative Fees and Charges	1,492,867,598	1,998,671,692	2,302,789,671
1420201	Fees under Traffic Act	547,132,747	1,169,372,225	1,471,603,125
1420202	Motor Driver's Licences	536,842,125	819,099,348	819,099,348
1420203	Other Land Revenue	2,695,517	3,091,807	3,603,185
1420204	Land Adjudication and Case Fees	1,416,999	1,625,324	1,894,149
1420205	Sale of Freehold Interests in Agricultural Land	4,780,210	5,482,988	6,389,663
1420300	Administrative Fees and Charges Collected as AIA	0	0	0
1420400	Incidental Sales by Non-Market Establishments	0	0	0
1420500	Sales by Non-Market Establishments Collected as AIA	0	0	0
	Total Sales of Goods and Services	1,492,867,598	1,998,671,692	2,302,789,671

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MGK OIS

Code	Details	Actual Receipts 2006/2007	Revised Estimates 2007/2008	Estimates 2008/2009
		Ksh	Ksh	Ksh
	1430000 Fines Penalties and Forfeitures			
	(Receiver of Revenue - Registrar of High court)			
1430100	Fines, Penalties and Forfeitures and Other Charges	384,679,569	141,000,000	164,000,000
	Total Fines Penalties and Forfeitures	384,679,569	141,000,000	164,000,000
	1440000 Receipts from Voluntary transfers other than grants			
1440100	Current Grants from International NGOs - paid through Exchequer	-	-	-
1440200	Capital Grants from International NGOs - paid through Exchequer	-	-	-
1440300	Current Grants from International NGOs - collected as AIA	-	-	-
1440400	Capital Grants from International NGOs - collected as AIA	-	-	-
1440500	Other Voluntary Transfers for Current purposes	-	-	-
1440600	Other Voluntary Transfers for Capital purposes	-	-	-
	Total Receipts from Voluntary transfers other than grants	-	-	-
	1450000 Other Receipts Not Classified Elsewhere			
	(Receiver of Revenue - Financial Secretary to the Treasury)			
1450100	Paid to Exchequer	-	-	-
1450101	Miscellaneous Revenue	7,409,400,824	6,419,000,000	6,593,000,000
1450200	Collected as AIA	0	0	0
	Total Other Receipts Not Classified Elsewhere	7,409,400,824	6,419,000,000	6,593,000,000
	4510000 Repayments from Domestic Lending and On-lending			
	(Receiver of Revenue - Investment Secretary to the Treasury)			
4510100	Loans to Government Agencies and Other Levels of Government	0	0	0
4510200	Loans to Non-Financial Public Enterprises	682,241,727	622,392,883	632,303,597
4510300	Loans to Financial Institutions	6,146,294	5,607,117	5,696,403
4510400	Loans to Individuals and Households	-	-	-
4510500	Other Lending and On-lending	-	-	-
	Total Repayments from Domestic Lending and On-lending	688,388,020	628,000,000	638,000,000
	5110000 Domestic Borrowing			
	(Receiver of Revenue - Financial Secretary to the Treasury)			
5110200	Net Domestic Borrowing from Monetary Authorities (Central Bank)	34,700,000,000	34,000,000,000	54,500,000,000
	Ordinary Revenue(Excluding LATF)	337,614,991,713	402,654,250,000	467,894,050,000

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M&A OIS

Item	Details	Actual Period 2000/2007	Approved 6/11/05 2007/2011	2000/2007
		Ksh	Ksh	Ksh
Total Grants		15,494,000,000	36,912,000,000	21,418,000,000
Total AIA		33,070,000,000	46,055,000,000	12,985,000,000
Total Revenue		370,534,541,713	418,713,250,000	48,178,708,287
Total Net Domestic Borrowing		34,700,000,000	36,000,000,000	1,300,000,000
GRAND TOTAL		420,628,931,713	519,585,250,000	601,011,362,029

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	A		B		C		D		E		F		G		H		I	
	Original Estimates of Revenue as Captured in the CRAAG Report for FY2007-2008 (May 2009)	Final Revised Estimates of Revenue as Captured in the Estimates Report for FY2007-2008 (June 2008)	Differences in the Authority recorded by Parliament as estimates (A-B)=(A-B)-C	Original Estimates of Revenue as Captured in the CRAAG Report for FY2007-2008 (May 2009)	Actual Revenue as Captured in the Estimates Report for FY2007-2008 (June 2009)	Receipts as declared to Parliament/UNDER (OVER) Estimates FY 2007-2008 (D-E)=F	Original Estimates of Revenue as Captured in the CRAAG Report for FY2007-2008 (May 2009)	Actual Revenue in Exchequer Account as Captured by CRAAG Report for FY 2007-2008 (May 2009)	UNDER (OVER) Revenue Estimates as recorded by CRAAG & estimates for FY 2007-2008 (G-H)=I									
1101000 Income tax from individuals (PAYE)	71,816,000,000.00	85,169,000,000.00	(13,353,000,000.00)	71,816,000,000.00	85,953,000,000.00	(14,137,000,000.00)	71,816,000,000.00	86,680,229,230.20	(9,864,529,230.20)									
1110200 Income tax from corporations	72,340,000,000.00	79,986,000,000.00	(7,646,000,000.00)	72,340,000,000.00	79,123,000,000.00	(6,783,000,000.00)	72,340,000,000.00	81,595,472,472.40	(9,255,472,472.40)									
1110300 Withholding Tax	17,299,507,856.00	0.00	17,299,507,856.00	17,299,507,856.00	0.00	17,299,507,856.00	17,299,507,856.00	0.00										
1110400 Exemptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1130100 Immovable property	46,000,000.00	25,277,328.00	20,722,672.00	46,000,000.00	61,895,301.00	(15,895,301.00)	46,000,000.00	285,340,782.00	46,000,000.00									
1130200 Second hand motor vehicles duty tax	285,340,782.00	2,673,178.00	282,667,604.00	285,340,782.00	270,000.00	285,070,782.00	285,340,782.00	0.00										
1140100 VAT on domestic goods and services	59,828,000,000.00	59,827,000,000.00	1,000,000.00	59,828,000,000.00	58,277,000,000.00	1,551,000,000.00	59,828,000,000.00	61,505,108,468.70	(1,758,108,468.70)									
1140200 VAT on imported goods and services	51,992,000,000.00	55,187,000,000.00	(3,195,000,000.00)	51,992,000,000.00	53,627,508,116.00	(1,635,508,116.00)	51,992,000,000.00	53,807,634,460.85	(1,815,634,460.85)									
1140300 VAT remissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1140400 VAT on specific services	65,551,000,000.00	64,289,000,000.00	1,262,000,000.00	65,551,000,000.00	61,905,511,272.00	3,645,488,728.00	65,551,000,000.00	61,857,468,359.10	3,693,531,640.90									
1140500 Exchequer taxes	15,261,633.00	0.00	15,261,633.00	15,261,633.00	0.00	15,261,633.00	15,261,633.00	0.00										
1140600 Taxes on specific services	1,297,230,000.00	0.00	1,297,230,000.00	1,297,230,000.00	0.00	1,297,230,000.00	1,297,230,000.00	0.00										
1140700 Fees on use of goods & services	944,230,000.00	110,210,840.00	834,019,160.00	944,230,000.00	70,000,000.00	874,230,000.00	944,230,000.00	1,880,336,872.75	(936,106,872.75)									
1140800 Licences under traffic act	397,000,000.00	257,000,000.00	140,000,000.00	397,000,000.00	187,789,398.00	209,210,602.00	397,000,000.00	1,877,998,988.00	397,000,000.00									
1140900 Royalties	569,034,103.00	278,375,071.00	290,659,032.00	569,034,103.00	87,784,258.00	501,249,345.00	569,034,103.00	569,034,103.00	0.00									
1140800 Other taxes on goods and services	32,337,000,000.00	33,403,000,000.00	(1,066,000,000.00)	32,337,000,000.00	32,944,348,580.00	(607,348,580.00)	32,337,000,000.00	32,944,348,580.00	(607,348,580.00)									
1150100 Customs levies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1150200 Exports levies	0.00	200,000,000.00	(200,000,000.00)	0.00	0.00	0.00	0.00	0.00										
1150300 Other taxes on international trade on transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1150400 Stamp duty	11,687,000,000.00	13,546,000,000.00	(1,859,000,000.00)	11,687,000,000.00	12,913,424,236.00	(1,226,424,236.00)	11,687,000,000.00	12,913,424,236.55	(1,226,424,236.55)									
1150500 Contribution from Govt. emp to S. & W. S. within	3,337,625,115.00	4,288,624,529.00	(950,999,414.00)	3,337,625,115.00	4,536,387,522.00	(1,198,762,407.00)	3,337,625,115.00	4,504,450,455.50	(1,176,825,340.50)									
1210300 Grants from foreign Governments through Exchequer	0.00	1,000,000,000.00	(1,000,000,000.00)	0.00	1,052,000,000.00	(1,052,000,000.00)	0.00	0.00										
1310100 Cash	15,240,633,935.00	15,912,000,000.00	(671,366,065.00)	15,240,633,935.00	13,055,831,657.00	(2,184,802,278.00)	15,240,633,935.00	11,987,485,396.95	3,353,148,538.05									
1310200 Loans from foreign Governments through Exchequer	0.00	17,286,310,279.00	17,286,310,279.00	0.00	9,889,415,117.00	(9,889,415,117.00)	0.00	0.00										
1320100 Grants from International Organizations	3,806,000,000.00	3,759,000,000.00	47,000,000.00	3,806,000,000.00	3,759,295,312.00	46,704,688.00	3,806,000,000.00	8,889,745,798.80	9,086,564,480.20									
1410100 Interest received	1,067,000,000.00	635,000,000.00	432,000,000.00	1,067,000,000.00	572,016,914.50	494,983,085.50	1,067,000,000.00	494,983,085.45	572,016,914.55									
1410200 Profits and dividends from CBK	2,000,000,000.00	0.00	2,000,000,000.00	2,000,000,000.00	0.00	2,000,000,000.00	2,000,000,000.00	0.00										
1410300 Other profits and dividends	2,703,000,000.00	2,038,000,000.00	665,000,000.00	2,703,000,000.00	3,133,350,633.00	(430,350,633.00)	2,703,000,000.00	3,133,350,633.50	(430,350,633.50)									
1410400 Rent of land	1,220,967,178.00	1,409,522,539.00	(188,555,371.00)	1,220,967,178.00	1,297,434,958.00	(75,467,780.00)	1,220,967,178.00	1,375,328,671.40	(154,361,493.40)									
1410500 Rent of Government buildings	0.00	0.00	0.00	0.00	1,458,487.00	(1,458,487.00)	0.00	0.00										
1410600 Weblog housing scheme	0.00	2,000,000,000.00	(2,000,000,000.00)	0.00	1,800,000,000.00	(1,800,000,000.00)	0.00	1,800,000,000.00	(1,800,000,000.00)									
1420100 Sale of M&E Shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1420102 Sale of Humus	2,500,000,000.00	0.00	2,500,000,000.00	2,500,000,000.00	0.00	2,500,000,000.00	2,500,000,000.00	0.00										
1420103 Sale of Kengen shares	33,800,000,000.00	50,000,000,000.00	(16,200,000,000.00)	33,800,000,000.00	49,887,137,100.00	(16,087,137,100.00)	33,800,000,000.00	49,887,137,100.00	(16,087,137,100.00)									
1420104 Sale of Safaricom Shares	5,600,000,000.00	24,416,000,000.00	(18,816,000,000.00)	5,600,000,000.00	24,301,320,000.00	(18,701,320,000.00)	5,600,000,000.00	24,301,320,000.00	(18,701,320,000.00)									
1420105 Sale of Telkom Shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1420109 Sale of marketable securities - Others	698,738,367.00	1,169,372,225.00	(470,633,858.00)	698,738,367.00	913,336,872.00	(214,598,505.00)	698,738,367.00	913,336,872.00	(214,598,505.00)									
1420109 Fees under traffic Act	540,770,000.00	819,099,348.00	(278,329,348.00)	540,770,000.00	627,000,000.00	(86,230,000.00)	540,770,000.00	540,770,000.00	0.00									
1420202 Motor drivers licences	443,517,223.00	3,091,407.00	440,425,816.00	443,517,223.00	0.00	443,517,223.00	443,517,223.00	0.00										
1420202 Other land revenue	636,780.00	1,625,324.00	(988,544.00)	636,780.00	12,150.00	624,630.00	636,780.00	636,780.00	0.00									
1420204 Land adjudication and case fees	12,878,319.00	7,959,331.00	4,919,988.00	12,878,319.00	14,577,775.00	(1,699,456.00)	12,878,319.00	12,878,319.00	0.00									
1420205 Sale of freehold interests in agr. land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00										
1420205 Fines, penalties and forfeitures and other charges	406,000,000.00	141,000,000.00	265,000,000.00	406,000,000.00	158,521,084.00	247,478,916.00	406,000,000.00	158,521,084.00	247,478,916.00									
1430101 Miscellaneous Revenue	2,733,000,000.00	6,419,000,000.00	(3,686,000,000.00)	2,733,000,000.00	7,402,166,078.00	(4,673,166,078.00)	2,733,000,000.00	7,402,166,078.40	(4,673,166,078.40)									
1430200 Other receipts not classified AIA	697,882,968.00	0.00	697,882,968.00	697,882,968.00	708,564,701.45	(10,681,733.45)	697,882,968.00	708,564,701.45	(10,681,733.45)									
1431200 Loans to non financial public enterprises	2,117,032.00	5,607,117.00	(3,490,085.00)	2,117,032.00	0.00	2,117,032.00	2,117,032.00	0.00										
1431300 Loans to financial institutions	33,959,000,000.00	34,000,000,000.00	(41,000,000.00)	33,959,000,000.00	(13,881,000,000.00)	47,840,000,000.00	33,959,000,000.00	33,959,000,000.00	0.00									
5110200 Net domestic borrowing (CBK)	522,372,682,070.00	558,439,999,999.00	(36,067,317,929.00)	522,372,682,070.00	494,371,308,021.00	28,001,374,049.00	522,372,682,070.00	516,108,407,205.15	6,264,274,864,888.85									

Table using original estimates

Opening balance 1st July 2007

Under (Over) estimates

6,264,274,864,888.85

8,101,751,75

6,256,173,113.10

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TABLE 1: 2007/2008 FINANCIAL YEAR REVENUE ACCOUNTS
VARIANCE ANALYSIS.

Item	Details	Original Estimates (Ksh.)	Min. Actual (Ksh.)	A-G Actual (Ksh.)	Min.-A-G Variance (Ksh.)
	Opening Balance	-	-	8,101,751.75	
1110000	Taxes on Income, Profits and Capital Gains				
1110100	Income Tax from Individual (PAYE)	71,816,000,000.00	85,953,000,000.00	81,680,929,230.20	4,272,070,769.80
1110200	Income Tax from Corporations(Other Income Tax)	72,340,000,000.00	79,125,000,000.00	86,695,983,472.40	(7,570,983,472.40)
1110300	Withholding Tax	17,298,507,856.00	-	-	-
	Gross Income Tax.	161,454,507,856.00	165,078,000,000.00	168,385,014,454.35	(3,307,014,454.35)
1110400	Exemptions	-	-	-	-
1110500	Income Tax Share of LATF	-	8,253,900,000.00	-	8,253,900,000.00
	Total Taxes on Income, Profits and Capital Gains	161,454,507,856.00	156,824,100,000.00	168,385,014,454.35	(11,560,914,534.35)
1130000	Taxes on Propoerty				
1130100	Immovable Property	46,000,000.00	61,895,301.00	-	61,895,301.00
1130202	Second Hand Motor Vehicle Purchase	285,340,782.00	270,000,000.00	-	270,000,000.00
	Total Taxes on Property.	331,340,782.00	331,895,301.00	-	331,895,301.00
1140000	Taxes on Goods and Services				
1140100	VAT on domestic goods and services	59,828,000,000.00	58,277,000,000.00	61,586,108,468.70	(3,509,098,468.70)
1140200	VAT on Imported Goods and Service	51,992,000,000.00	53,627,508,116.00	53,807,634,460.65	(180,126,341.65)
	Total VAT.	111,820,000,000.00	111,904,508,116.00	115,393,742,929.55	(3,489,234,558.55)
1140300	Excise Taxes	65,551,000,000.00	61,905,511,272.00	61,857,468,359.10	3,247,012,712.90
1140400	Taxes on Specific Service	15,261,633.00	-	-	-
1140500	Fees on Use of goods and on Perm	1,297,230,000.00	-	-	-
	Lincenses Under Traffic Act	944,230,000.00	70,000,000.00	1,880,336,872.75	(1,036,106,872.75)
1140600	Royalties	397,000,000.00	187,799,398.00	187,799,398.00	-
1140700	Taxes on Goods and Services Collected as AIA				
1140703	Petroleum Development Levy (PDL)	-	1,204,000,000.00	-	1,204,000,000.00
1140704	Road Maintenance Levy (RML)	-	17,301,000,000.00	-	17,301,000,000.00
1140800	Other Taxes on Goods and Services	569,034,103.00	67,784,758.00	-	67,784,758.00
	Total Excluding PDL and RML	68,773,755,736.00	62,231,095,428.00	63,925,604,629.65	(1,691,339,261.35)

	Total Taxes on Goods and Services	180,593,755,736.00	174,135,603,544.00	179,319,347,559.40	(6,183,714,071.60)
1150000	Taxes on International Trade & Transactions				
1150100	Custom Duties	32,337,000,000.00	32,244,348,580.00	32,944,348,580.00	
1150200	Export Levies	-	-	-	-
1150300	Exemptions on customs and other import duties	-	-	-	-
1150400	Other Taxes on International Trade and Transactions	44,667,000,000.00	12,913,424,236.00	12,913,424,236.55	
	Total Taxes on International Trade & Transactions (Customs)	44,667,000,000.00	45,857,772,816.00	45,857,772,816.60	
1160000	Other Taxes (not elsewhere Classified)				
1160101	Stamp Duty	3,337,625,115.00	4,536,387,522.00	4,584,430,435.50	(48,042,913.50)
	Total Other Taxes (not elsewhere Classified)	3,337,625,115.00	4,536,387,522.00	4,584,430,435.50	(48,042,913.50)
1210000	Social Security Contributions				
1210300	Contributions from Govt Employees to Social and Welfare Schemes within Govt.	-	1,062,000,000.00	-	1,062,000,000.00
	Total Social Security Contributions	-	1,062,000,000.00	-	1,062,000,000.00
1410000	Property Income				
1410100	Interest Received	1,067,000,000.00	572,016,914.00	572,016,914.55	(6,022,000.00)
1410201	Profits and Dividends from CBK	2,000,000,000.00	-	-	
1410202	Other Profits and Dividend	2,703,000,000.00	3,133,350,633.00	3,133,350,633.50	(0.50)
1410401	Rent of Land	1,220,967,178.00	1,297,434,958.00	1,375,378,671.40	(77,943,713.40)
1410403	Webuye Housing Scheme Rent	-	1,458,487.00	-	1,458,487.00
	Total Property Income	6,990,967,178.00	5,004,260,992.00	5,080,746,219.45	(76,485,227.45)
1420000	Sale of Goods and Service				
1420101	Sale of Kenya Re shares	-	1,800,000,000.00	1,800,000,000.00	-
1420102	Sale of Mumias Shares	-	-	-	-
1420103	Sale of Kengen Shares	2,500,000,000.00	-	-	-
1420104	Sale of Safaricom Shares	33,800,000,000.00	49,887,137,100.00	49,887,137,100.00	-
1420105	Sale of Telkom Shares	5,600,000,000.00	24,301,320,000.00	24,301,320,000.00	-
	Total Sale of Market Establishment	41,900,000,000.00	75,988,457,100.00	75,988,457,100.00	-
1420201	Fees under Traffic Act	698,738,367.00	913,336,872.00	-	913,336,872.00
1420202	Motor Driver's Licences	540,770,000.00	627,000,000.00	-	627,000,000.00
1420203	Other Land Revenue	443,517,723.00	-	-	-
1420204	Land adjudication & Case fees	636,750,000.00	12,150.00	-	12,150.00

1420205	Sale of freehold interest in agricultural land	12,878,219.00	14,577,775.00	-	14,577,775.00
	Total Sale of Goods and Services (excluding sale of market establishment.)	1,696,541,189.00	1,554,926,797.00	-	1,554,926,797.00
1430000	Fines Penalties & Forfeitures				
1430100	Fines, Penalties & Forfeitures & Other Charges	406,000,000.00	158,521,084.00	158,521,084.00	-
	Total Fines, Penalties and Forfeitures	406,000,000.00	158,521,084.00	158,521,084.00	-
1450000	Other Receipts Not classified Elsewhere				
1450101	Miscellaneous Revenue	7,913,000,000.00	7,402,166,078.00	15,956,423,390.40	(8,554,257,312.40)
1450200	Collected AIA	2,733,000,000.00	-	-	-
	Total Other Receipts Not classified Elsewhere	10,646,000,000.00	7,402,166,078.00	15,956,423,390.40	(8,554,257,312.40)
4510000	Repayments from Domestic Lending and On-Lending				
4510200	Loans to Non-Financial Public Enterprises	697,882,968.00	708,564,701.45	708,564,701.45	-
4510300	Loans to Financial Institutions	2,117,032.00	-	-	-
	Total Repayments from Domestic Lending and On-Lending	700,000,000.00	708,564,701.45	708,564,701.45	-
	TOTAL ORDINARY REVENUE (Excluding LATF)	452,080,737,856.00	397,576,198,835.45	496,039,277,761.15	(98,463,078,925.70)
1310000	Grants from Foreign Governments				
1310100	Grants from Foreign Governments -Cash through Exchequer	15,240,633,935.00	13,055,831,657.00	11,887,485,396.95	1,168,346,236.05
1310200	Grants from Foreign Governments -Direct payments A-I-A				
	Loans from Foreign Government through Exchequer	17,286,310,279.00	-	8,189,745,798.80	(8,189,745,798.80)
	Total Grants from Foreign Governments	32,526,944,214.00	22,954,246,774.00	20,077,231,195.75	2,877,015,578.25
1320000	Grants from International Organization				
1320100	Grants from International Org.	3,806,000,000.00	3,759,295,312.00	-	3,759,295,312.00
	Total Grants from International Organization	3,806,000,000.00	3,759,295,312.00	-	3,759,295,312.00
	Total Grants	36,332,944,214.00	26,713,542,086.00	20,077,231,195.75	6,636,310,890.25
	Appropriation in Aid.	-	35,700,000,000.00	-	35,700,000,000.00
	Total Revenue.	488,413,682,070.00	459,989,740,921.45	516,116,508,956.90	(56,126,768,035.45)
5110000	Domestic Borrowing				
5110200	Net Domestic Borrowing (CBK)	33,959,000,000.00	(13,891,000,000.00)	0	(13,891,000,000.00)
	Total Net Domestic Borrowing	33,959,000,000.00	(13,891,000,000.00)	-	(13,891,000,000.00)
	GRAND TOTAL	522,372,682,070.00	446,098,740,921.45	516,116,508,956.90	(70,017,768,035.45)