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REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 05 APR 2022	DAY: <u>WED.</u>
TABLED BY:	<u>LOM</u>
CLERK-AT THE TABLE:	<u>M. WANJIKI MW</u>

THE AUDITOR-GENERAL

ON

**RECEIVER OF REVENUE - REVENUE
STATEMENTS (RECURRENT)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

THE NATIONAL TREASURY



RECEIVER OF REVENUE-
THE NATIONAL TREASURY

REVENUE STATEMENTS-
RECURRENT

FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2021

Prepared in accordance with the Cash Basis of Accounting Method under the
International Public Sector Accounting Standards (IPSAS)

*RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021*

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I. THE NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

The National Treasury was established via the Executive Order No. 2 of May 2013. The basis for establishment of the National Treasury is found in Article 225 (i) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

At Cabinet level, the National Treasury is represented by the Cabinet Secretary for National Treasury and Planning, who is responsible for the general policy and strategic direction of the Ministry with the assistance of the Chief Administrative Secretary.

- **Vision**

“Excellence in economic and public financial management, and development planning”

- **Mission**

“To provide leadership in economic and public financial management, for shared growth through formulation, implementation and monitoring of economic and financial policies”.

- **Core Values**

The National Treasury is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork all geared towards excellence in service delivery.

- **Mandate of the National Treasury**

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Orders No.2/2013 and No.1/2018. The National Treasury will be executing its mandate in consistency with any other legislation as may be developed or reviewed by Parliament from time to time.

The core functions of the National Treasury as derived from the above legal provisions include;

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;

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- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments;
- Assist county governments to develop their capacity for efficient, effective and transparent financial management;
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities; and
- Coordination and integration of public ports, railway and pipeline services.

- **Role of the National Treasury in the Devolved System of Government**

The National Treasury is mandated by law to:

- Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- Issue guidelines on the preparation of county development planning;
- Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
- Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- Build capacity of County Governments on public finance management matters for efficient, effective and transparent financial management as well as planning, monitoring and evaluation and;
- Administer the Equalization Fund.

(b) Principal activities

The receiver of revenue collects revenue from Tax and Non tax sources. Revenue collected is remitted to the National Treasury and used for National government budgetary support

(c) Key Management

The National Treasury day-to-day management is under the following key offices;

- **Office of the Principal Secretary**

The Office of the Principal Secretary is responsible for the day to day administration of the National Treasury operations and is the Accounting officer. In addition, the Principal Secretary is charged with the responsibility of providing advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility.

- **Organizational structure of the National Treasury**

The National Treasury is organized into five (5) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. In addition, the Treasury has two independent departments namely Public Procurement and Internal Auditor General both of which are headed by Directors. The Directorates and Departments are as follows:

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Directorate of Budget, Fiscal and Economic Affairs

The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following five (5) Technical Departments each headed by a Director:

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;
- Inter-Governmental Fiscal Relations Department

Directorate of Accounting Services and Quality Assurance

The Directorate is headed by a Director General reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

- Government Accounting Services;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.
- Government Digital Payments Unit.

Directorate of Portfolio Management

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following four (4) Technical Departments each headed by a Director:

- Government Investment and Public Enterprises;
- National Assets and Liabilities Management;
- Pensions Department.
- Public Investment Management Unit

Directorate of Public Debt Management Office

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

- Resource Mobilization (Front Office);
- Debt Policy, Strategy and Risk Management (Middle Office);
- Debt Recording and Settlement (Back Office).

Directorate of Public Private Partnership Unit

The Directorate is headed by a Director General, reporting to the Principal Secretary on matters relating to Public Private Partnership.

Directorate of Administrative and Support Services (Common Shared Services)

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

- Accounting,

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- Finance,
- Human Resource Management and Development,
- Central Planning and Project Monitoring,
- Supply Chain Management,
- Legal,
- Public Communications,
- General Administration,
- Records Management;
- Internal Audit;
- ICT
- Government Clearing Agency

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
13.	Deputy Internal Auditor General	Ms. Jane Micheni
14.	Director, Government Accounting Services Department	Mr. Jonah Wala
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
16.	Director, Financial Management Information System	Mr. Stanley Kamanguya
17.	Director, Public Private Partnership Unit	Mrs. Veronica Okoth
18.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
19.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
20.	Director, Pensions Department	Mr. Michel Kagika, EBS
21.	Director, Resource Mobilization Department	Mr. Moses Kanagi
22.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
23.	Director, Debt Recording and Settlement Department	Mr. George Kariuki

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24.	Secretary Administration	Mr. Hiram Kahiro
25.	Head, Accounts Division	Mr. Nemwel Motanya
26.	Head, Finance	Mr. Kimathi Mugambi, HSC
27.	Head, SCM	Mr. Aggrey kituyi
28.	Head, Internal Audit Unit	Ms. Esther Ngeru
29.	Director, Human Resource Management and Development	Ms. Susan Mucheru
30.	Director, Information Communication and Technology	Mrs. Lynn Nyongesa
31.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu, HSC
32.	Head, Public Communications	Ms. Catherine Njoroge
33.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
34.	Director, Government Clearing Agency	Mr. Felix Ateng

(e) Fiduciary Oversight Arrangements

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include:

Internal Audit Unit

The National Treasury has an internal Audit Unit charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk-based audits. The Unit reports directly to the Accounting Officer on a regular basis.

Audit Committees

In line with the Public Finance Management Act, the National Treasury has established a Ministerial Audit Committee comprising five members, three of whom are independent. The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

Further, the National Treasury established an audit committee comprising officers from all departments of the Ministry, under the chairmanship of the Senior Chief Finance Officer. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee prepares responses to all audit queries for presentation to the relevant committees of parliament.

Project Implementation Committee

To monitor the implementation of the Government's Infrastructure Projects, the National Treasury has established a Project Steering Committee Comprising Principal Secretaries from implementing Ministries and appointed a technical committee comprising officers from the technical departments of the Ministry. The Committees review and analyse the progress made by ministries in the implementation of domestically and externally funded projects and advises accordingly.

Parliamentary Activities

In order to effectively manage the parliamentary activities relating to the Ministry, the National Treasury has established a committee and designated a liaison officer to coordinate the activities under the Office of the Cabinet Secretary in consultation with the Office of the Chief Administrative Secretary.

Development Partner Oversight

To effectively manage Official Development Assistance to the Government, the National Treasury has under the Public Debt Management a department responsible for all matters relating to

Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

Other fiduciary oversight arrangements include the following committees with specific objectives;

Top Management Committee and Other Committees

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Adhoc Committees to handle specific assignments in the Financial Year 2020/21.

Public Financial Management Sector Working Group

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

Budget Implementation Steering Committee

In order to effectively monitor the implementation of the National Government budget implementation, The National Treasury has established a steering Committee chaired by the Cabinet Secretary, National Treasury and Planning. The Principal Secretaries for the National Treasury and State Department of Planning provide general oversight in the Budget implementation.

Budget Implementation Technical Committee

The Committee is chaired by the Principal Administrative Secretary and comprises the Directors General and various Heads of Department. The Committee is responsible for

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monitoring the actual implementation of the identified measures and programmes and reporting detailed progress on the same regularly.

Budget Implementation Ministerial Committee

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising of officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of budget and the planned programmes and activities and advises the management accordingly.

Monitoring and Evaluation

The Ministry undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

(f) The National Treasury Headquarters

P.O. Box 30007- 00100,
Treasury Building,
Harambee, Avenue
Nairobi Kenya

(g) The National Treasury Contacts

Telephone: (254)020-2252299
Email: info@treasury.go.ke
Website: www.treasury.go.ke

(h) The National Treasury Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(i) Independent Auditors

The Auditor-General
Office of The Auditor-General
Anniversary Towers, University Way
P.O Box 30084
GPO 00100
Nairobi, Kenya

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(j) Principal Legal Adviser

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

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II. STATEMENT OF RECEIVER OF REVENUE’S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

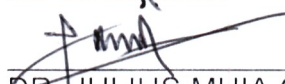
The Principal Secretary in charge of the National Treasury is responsible for the preparation and presentation of the receiver of revenue account, which gives a true and fair view of the state of affairs of the receiver of revenue for and as at the end of the financial year ended on 30 June, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the the National Treasury accepts responsibility for the entity’s receiver of revenue accounts, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the National Treasury’s - receiver of revenue account gives a true and fair view of the state of the National Treasury’s receiver of revenue transactions during the financial year ended June 30, 2021, and of the entity’s financial position as at that date. The Principal Secretary charge of the National Treasury further confirms the completeness of the accounting records maintained for the receiver of revenue, which have been relied upon in the preparation of the receiver of revenue account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the National Treasury confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity’s funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the receiver of revenue’s accounts has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The revenue statements were approved and signed by the Principal Secretary on 30th sept. 2021



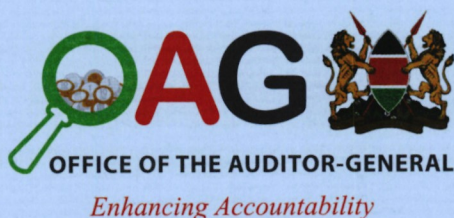
DR. JULIUS MUIA CBS
PRINCIPAL SECRETARY



NEMWEL.M. MOTANYA
ICPAK MEMBER NO.2367
HEAD OF ACCOUNTING UNIT

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE - REVENUE STATEMENTS (RECURRENT) FOR THE YEAR ENDED 30 JUNE, 2021 - THE NATIONAL TREASURY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Revenue Statements that considers whether the revenue statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the revenue statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying Receiver of Revenue - Revenue Statements (Recurrent) for The National Treasury set out on pages 1 to 32, which comprise the

statement of assets and liabilities and statement of arrears of revenue as at 30 June, 2021, and the statement of receipts and disbursements for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the revenue statements present fairly, in all material respects, the revenue position of the Receiver of Revenue (Recurrent) of The National Treasury for the year ended 30 June, 2021, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Arrears of Revenue

As disclosed in Part VI of the revenue statements, the statement of arrears of revenue as at 30 June, 2021 reflects total tax arrears amounting to Kshs.1,601,133,022,443 as analysed in the Kenya Revenue Authority debt portfolio. The balance includes an amount of Kshs.177,788,000,000 categorized as long outstanding legacy debts. These debts date back to 1992 and relate to penalties, interest, prior debt, estimated assessment debt and other debts that are subject to key factors including data corrections, objections and appeal processes.

Further, the statement of arrears of loan and interest as at 30 June, 2021 reflects non-tax revenues arrears of Kshs.74,015,186,078 comprising of loan redemption amounting to Kshs.38,078,376,052 and loan interest amounting to Kshs.35,936,810,026. Included in the balance is an amount of Kshs.39,165,038,029 which has been outstanding for more than two years.

Although Management provided various reasons for the non-receipt of the revenues, it has not stated how it intends to ensure that the revenues are collected and accounted for or why the balances continue to be retained in the revenue statements some of which are unrecoverable.

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

Key Audit Matters

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

Other Matter

Under-Collection of Property Income

As disclosed in Note 7 to the revenue statements, total property income realized in the period under review was Kshs.50,499,781,627 against estimated revenue of Kshs.66,981,870,924 resulting to under-collection of Kshs.16,482,089,297 or 25%.

The under-collection may have impacted negatively on funding the budgets of the various public entities and therefore affecting development and service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing The National Treasury's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the revenue statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the revenue statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the revenue statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The National Treasury's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the revenue statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause The National Treasury to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the revenue statements, including the disclosures, and whether the revenue statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Receiver of Revenue (Recurrent) to express an opinion on the revenue statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


10 March, 2022

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FOR THE YEAR ENDED 30 JUNE, 2021

IV.. STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	(Restated*) 2019/2020
		Kshs	Kshs
TAX RECEIPTS			
Taxes on Income, Profits and Capital Gains	1	696,591,128,639	734,851,374,250
Taxes on financial and capital transactions	2	12,954,576,664	9,086,236,458
Taxes on Goods and Services	3	629,856,657,670	581,882,911,938
Taxes on International Trade & Transactions	4	148,117,856,418	127,650,533,108
TOTAL TAX RECEIPTS		1,487,520,219,390	1,453,471,055,754
NON -TAX RECEIPTS			
Fees on use of Goods/Services (traffic & PDL)	5	29,801,237,328	5,556,413,177
Social Security Contributions (MPs)	6	245,235,556	229,873,940
Property Income*	7	50,499,781,627	92,929,665,834
Other Receipts (Miscellaneous)	8	215,172,860	200,737,792
Receipts from Sale of Non- Financial Assets	9	5,577,701	0
Proceeds from domestic Borrowings	10	6,258,788,627	3,221,416,321
TOTAL NON -TAX RECEIPTS		87,025,793,699	102,138,107,064
TOTAL RECEIPTS		1,574,546,013,089	1,555,609,162,819
DISBURSEMENTS TO EXCHEQUER ACCOUNT		1,549,344,518,145	1,553,623,061,148
TRANSFER TO PDL		25,201,494,945	1,986,101,671
BALANCE DUE FOR DISBURSMENT	13	0	0

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 30th sept. 2021 and signed by:


 DR. JULIUS MUIA CBS
 PRINCIPAL SECRETARY


 NEMWEL.M. MOTANYA
 ICPAK Member NO.2367
 HEAD OF ACCOUNTING UNIT

*RECEIVER OF REVENUE—THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021*

V. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE, 2021

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11	39	39
TOTAL FINANCIAL ASSETS		39	39
TOTAL FINANCIAL ASSETS		39	39
FINANCIAL LIABILITIES			
Payables-Due to Exchequer	13	39	39
TOTAL FINANCIAL LIABILITIES		39	39

**RECEIVER OF REVENUE- THE NATIONAL IKELADUKI
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021**

VI. STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2021

Classification of Receipts	Balance as at 1 st July 2020	Arrears received during the year	Additions in arrears for the current year to June 30, 2021	Recognition of interest and penalties	Total arrears as at 30 June 2021	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Tax Receipts							
Taxes on income profits and capital gains	1,121,340,698,330	(318,622,211,660)	394,959,020,516		1,197,677,507,186		
Taxes on goods and services	330,081,544,888	(201,874,692,703)	261,298,293,026		389,505,145,211		
Taxes on International Trade and Transactions	7,606,832,732		1,703,336,704	4,640,200,611	13,950,370,047		
Total Tax Receipts	1,459,029,075,950	(520,496,904,363)	657,960,650,246	4,640,200,611	1,601,133,022,444		

An ageing analysis of revenue in arrears has been shown on note 14 of these financial statements.
Assessment to the recoverability of arrears

RECEIVER OF REVENUE- THE NATIONAL TREASURY
 REVENUE STATEMENTS-RECURRENT
 FOR THE YEAR ENDED 30 JUNE, 2021

Kenya Revenue Authority Debt Portfolio as at June 2021 (Kshs. Millions)

Department	Categories				Total Debt
	Principal	Penalty	Interest		
Customs	9,310		4,640		13,950
Sub Total	9,310		4,640		13,950
Domestic Taxes Department (Legacy)	83,882	18,941	74,965		177,788
Domestic Taxes Department (iTax)	910,088	219,928	279,379		1,409,395
Sub Total	993,970	238,869	354,344		1,587,183
Grand Total	1,003,280	238,869	358,984		1,601,133

Notes

(i) **Legacy system debt** - the uncollectable debt from Legacy system constitutes all penalties and interest (Kshs. 93,906M), 1992 and prior debt (Kshs. 4,766M), estimated assessment debt (Kshs-14,320M) and other debts that are subject to key factors including data corrections, objections and appeal processes (Court/TAT/ADR) that is not be collectable.

**RECEIVER OF REVENUE- THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021**

(ii) **iTax debt** -The total iTax Debt amounting to Kshs.1,409,555M includes PSD and LTO iTax debt amounts of Kshs.349,557 M and Kshs.325,300M which represents 25% and 23% respectively of the overall iTax debt . A big proportion of PSD Debt is as a result of unreconciled payments. Most public entities do not make their payments through iTax but rather through the Central Bank of Kenya Internet Banking Platform. From the continuous debt validation exercise that Debt Units have been undertaking, a bulk share of iTax Debt is uncollectable due to the huge ledger corrections being undertaken, Setoffs/Waivers backlogs being cleared, objections and appeal processes (Court/TAT).

(iii) Customs debt - Total Debt has been established to be Kshs.13,950M including Kshs.11,015 M worth of hardcore debts at the Corporate Taxpayer Account Management Division.

Measures in Place to Improve Outstanding Debt Arrears

1. Continuous strengthening of the Corporate Taxpayer Account Management Division that is charged with debt management by improving structures and staff capacity (numbers and training).
2. Automation and roll out of debt module in iTax to transform the overall debt management.
3. Establishment of a full-time project team to fast track debt validation of legacy system debts and creation of specific debt validation teams at TSOs.
4. Strengthening of the tax appeal processes including objections, ADR and TAT to enhance timely resolution of the many cases tying huge debts
5. Undertaking business process re-engineering of the debt functions to enhance operations efficiency

RECEIVER OF REVENUE—THE NATIONAL IKAESUKI
 REVENUE STATEMENTS-RECURRENT
 FOR THE YEAR ENDED 30 JUNE, 2021

Non-tax Receipt

**DGIPE SUMMARY
 STATEMENT OF ARREARS OF LOAN AND INTEREST AS AT 30TH JUNE, 2021**

Classification of Receipts	Balance as at 1 July 2020	Arrears received during the year	Additional in arrears in the current year to June 30 2021	Total arrears as at 30 June 2021	Measures taken to recover the arrears
Loan redemption (receipts)	23,839,119,678	-	14,239,256,374	38,078,376,052	Refer to detailed Summary
Loan Interest (receipts)	30,261,268,672	-	5,675,541,354	35,936,810,026	Refer to detailed Summary
TOTAL	54,100,388,350	0	19,914,797,728	74,015,186,078	

RECEIVER OF REVENUE – THE NATIONAL TREASURY
 REVENUE STATEMENTS-RECURRENT
 FOR THE YEAR ENDED 30 JUNE, 2021

NON TAX REVENUE 1

THE NATIONAL TREASURY AND PLANNING

SCHEDULE OF ARREARS OF REVENUE HEAD 4510000 LOAN REDEMPTION RECEIPTS
 DUE AND UNCOLLECTED AS AT 30/6/2021

Description	Fy 2018/2019 And Earlier Years	Fy 2019/2020 And Earlier Years	Increase/ Decrease Fy 2020/2021	Total Arrears Fy2020/2021	Remarks
	Kshs	Kshs	Kshs	Kshs	
East African Sugar Industries (Muhoroni)	43,102,355	43,102,355	-	43,102,355	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
South Nyanza Sugar Co.	207,504,015	207,504,015	-	207,504,015	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Nzoia Sugar Co.	12,964,320	12,964,320	-	12,964,320	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Miwani Mills Ltd Outgrowers	16,787,643	16,787,643	-	16,787,643	Dormant. A Task Force has been constituted to consider and recommend the amounts for write-off.
Mumias Ltd Outgrowers	18,003,840	18,003,840	-	18,003,840	Dormant. A Task Force has been constituted to consider and recommend the amounts for write-off.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021

Miwani Sugar Co.	74,544,107	74,544,107	-	74,544,107	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Loans to Local Government Authorities	293,009,980	293,009,980	-	293,009,980	LGLA has been dormant since the 1990's. A Task Force has been constituted to consider and recommend the amounts for write-off
Nairobi City Council	4,550,785,854	4,550,785,854	-	4,550,785,854	The NCC loans are now vested in the Nairobi County Government. A Task Force has been constituted to consider and recommend the amounts for write-off
National Water Conservation / Mombasa Pipeline	1,262,386,658	2,257,517,238	20,899,102	2,278,416,340	The NCC loans are now vested in the Nairobi County Government. The recoverability of these loans remain doubtful. A Task Force has been constituted to consider and recommend the amounts for write-off
Agricultural Settlement Fund and Central Land Board	75,425,176	75,425,176	-	75,425,176	The SFT is consistent in its loan repayments and therefore reducing the arrears.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021

Moi University	168,750,000	168,750,000	-	168,750,000	The institution has indicated that the funds were used in favour of Karatina University which has since become autonomous. The loan will be regularized in accordance with the Vesting Order.
Agro-Chemical and Food Co. Ltd	2,401,241,486	2,401,241,486	-	2,401,241,486	The Co. is earmarked for privatization. The treatment of GoK loans will be addressed under the privatization framework.
Co-operative Bank of Kenya	72,915,185	72,915,185	-	72,915,185	A reconciliation exercise to be undertaken to agree the TNT & the Bank's records. The Bank has indicated inability to repay loans that it on-lent to various Co-operative Societies that have since collapsed.
Catering Levy Trustee/Utalii College	128,000,000	123,000,000	-	123,000,000	The college has requested for the loan balance be written off. A Task Force has been constituted to consider and recommend the amounts for write-off.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURENT
FOR THE YEAR ENDED 30 JUNE, 2021

Athi Water Services Board	274,556,000	4,904,021,514	290,207,256	5,194,228,770	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Halal Meat Products	27,701,420	27,701,420	-	27,701,420	The Company has not been servicing the loan. The Co. sued the Government and the court decided in their favour.
Tanathi Water Services Board	313,048,365	993,976,054	111,818,651	1,105,794,705	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Coast Water Services Board	1,569,271,038	3,377,423,105	188,221,945	3,565,645,050	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021

National Board	Irrigation	138,994,333	308,531,480	44,278,850	352,810,330	The Board is facing financial difficulties thus unable to repay the loan. They have requested Treasury to write-off the loan or convert it into a grant. The request is being considered. Treasury continues to demand for the amounts due.
Kenya Commission	Meat	213,200,000	275,600,000	31,200,000	306,800,000	The Commission has been experiencing financial difficulties and continues to make huge losses. It is one of the public owned companies that had been earmarked for privatization and the balances were to be addressed during the privatization. The commission is currently under Ministry of Defense and The National Treasury will continue demanding the amount due.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURENT
FOR THE YEAR ENDED 30 JUNE, 2021

Lake Victoria North Water Service Board	29,273,120	632,863,533	20,302,529	653,166,062	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Lake Victoria South Water Service Board	121,853,847	1,109,985,446	69,045,039	1,179,030,485	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Tana Water Service Board	32,113,931	472,053,726	26,009,065	498,062,791	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Rift Valley Water Services Board	27,144,804	530,826,154	27,144,804	557,970,958	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021

Water Resources Management Authority	16,413,038	28,500,114	16,670,267	45,170,381	The Authority is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Kenyatta University	-	862,085,932	477,486,327	1,339,572,260	The University Hospital has been taken over by the Government from the College.
Kenya Railways Corporation	-	-	12,915,972,539	12,915,972,539	
TOTAL	12,088,990,514	23,839,119,678	14,239,256,374	38,078,376,052	

SCHEDULE OF ARREARS OF LOAN INTEREST RECEIPTS DUE AND UNCOLLECTED AS AT 30/6/2021

	FY 2018/2019 AND EARLIER YEARS	FY 2019/2020 AND EARLIER YEARS	INCREASE/ DECREASE FY 2020/2021	TOTAL ARREARS FY2020/2021	REMARKS
	Kshs	Kshs	Kshs	Kshs	
Nairobi City Council	10,160,506,076	10,160,506,076	-	10,160,506,076	The NCC loans are now vested in the Nairobi County Government. The recoverability of these loans remain doubtful. A Task Force has been constituted to consider and recommend the amounts for write-off
South Nyanza Sugar Co.	372,512,027	372,512,027	-	372,512,027	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Muhoroni Sugar Co. (In receivership)	26,316,314	26,316,314	-	26,316,314	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Nzoia Sugar Co.	10,989,522	10,989,522	-	10,989,522	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Miwani Outgrowers Mills Ltd	11,409,917	11,409,917	-	11,409,917	Dormant. A Task Force has been constituted to consider and recommend the amounts for write-off.
Mumias Outgrowers Ltd	3,056,485	3,056,485	-	3,056,485	Dormant. A Task Force has been constituted to consider

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021

					and recommend the amounts for write-off.
Miwani Sugar Co. (In receivership)	46,303,555	46,303,555	-	46,303,555	The amount in arrears have been authorized for write-off via CAB Memo(20)38.
Loans to Local Government Authorities	555,107,640	555,107,640	-	555,107,640	LGLA has been dormant since the 1990's. A Task Force has been constituted to consider and recommend the amounts for write-off
Kenya Meat Commission	33,503,046	35,323,046	1,196,000	36,519,046	The Commission has been experiencing financial difficulties and continues to make huge losses. It is one of the public owned companies that had been earmarked for privatization and the balances were to be addressed during the privatization. The commission is currently under Ministry of Defense and The National Treasury will continue demanding the amount due.
National Irrigation Board	466,215,029	549,542,132	51,535,567	601,077,699	The Board is facing financial difficulties thus unable to repay the loan. They have requested Treasury to write-off the loan or convert it into a grant. The request is being considered. Treasury continues to demand for the amounts due.
National Water Conservation / Mombasa Pipeline	3,149,419,831	3,149,419,831	19,697,405	3,169,117,237	The corporation has indicated that the assets have since moved from them to the new Water Boards thus the later should bear the loan burden. The arrears will be addressed under devolution framework.
Agricultural Settlement Fund and Central Land Board	25,856,898	25,856,898	-	25,856,898	The SFT is consistent in its loan & interest repayments.
KTDC Revolving Fund	48,536,000	52,616,000	-	52,616,000	This is interest on a irredeemable revolving fund of Kshs.48M. The Corporation requested for the termination of the interest payment. A Task Force has been constituted to consider and recommend the amounts for write-off
Agro-Chemical and Food Co. Ltd	3,196,553,616	3,196,553,616	-	3,196,553,616	The Co. is earmarked for privatization. The treatment of GoK loans will be addressed under the privatization framework.
Moi University	32,143,292	32,143,292	-	32,143,292	The institution has indicated that the funds were used in favour of Karatina University which has since

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021

					become autonomous. The loan will be regularized in accordance with the Vesting Order.
Catering Levy Trustee/Utalii College	556,430,637	556,430,637	-	556,430,637	The college has requested for the loan balance be written off. A Task Force has been constituted to consider and recommend the amounts for write-off
Lake Victoria North Water Service Board	491,111,581	491,111,581	10,557,315	501,668,897	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Water Resources Management Authority	42,691,071	42,691,071	11,962,583	54,653,654	The Authority is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Athi Water Services Board	294,562,065	711,671,777	21,765,544	733,437,322	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Coast Water Services Board	567,501,910	696,701,344	14,116,646	710,817,990	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Halal Meat Products	6,679,310,917	7,530,845,655	601,005,147	8,131,850,802	The Company has not been servicing the loan. The Co. sued the Government and the court decided in their favour. The department is seeking the AG opinion in the wake of the counter-claim from the Co.
Tanathi Water Services Board	229,078,308	302,261,544	70,445,751	372,707,295	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Tana Water Services Board	30,106,810	329,040,228	16,385,711	345,425,938	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Rift Valley Water Services Board	11,536,542	213,536,588	10,179,301	223,715,889	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to

RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURENT
FOR THE YEAR ENDED 30 JUNE, 2021

					review all water Sector loans.
Lake Victoria South Water Service Board	35,288,427	609,742,114	15,017,296	624,759,410	The Board is facing financial difficulties thus unable to repay the loan. An Inter-Ministerial Committee has been constituted to review all water Sector loans.
Kenyatta University	-	549,579,782	286,491,796	836,071,578	The University Hospital has been taken over by the Government from the College.
Kenya Railways Corporation	-	-	4,545,185,291	4,545,185,291	
TOTAL	27,076,047,515	30,261,268,672	5,675,541,354	35,936,810,027	

VII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the National treasury. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the National treasury.

2. Recognition of Receipts

The National treasury recognises all receipts from the various sources when the related cash has been received by the National treasury. The tax receipts are received net of any refund.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in these revenue statements.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya.

5. Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012 which is a memorandum statement.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Disbursements to the Exchequer

The Receiver of Revenue has a daily arrangement for sweeping of funds from its bank account to the Exchequer account. Total disbursements to the exchequer are as a result of the sweeping arrangement during the year.

7. Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended 30 June, 2021

*RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021*

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. TAXES ON INCOME, PROFITS AND CAPITAL GAINS

Description	Original Estimates	Revised Estimates	Actual	% Realized
Income Tax from Individuals (PAYE)	376,991,468,857	361,025,000,000	363,323,490,973	101
Income from Corporations (Other Enterprises)	308,322,483,180	336,285,407,240	333,267,637,666	99
Other Income Tax	0	0	0	
Less: Refunds	-300,000,000	-300,000,000		
Total Revenue	685,013,952,037	697,010,407,240	696,591,128,639	100
Balance brought forward			0	
Transfers to the Exchequer account			696,591,128,639	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

- I. 1110101- Income tax from individuals (PAYE) – Actual collection of Kshs 363.3 billion which was above the revised target of Kshs 361 billion
- II. 1110201- Income tax from Corp (OIT)- Actual collection Kshs. 333.3 billion against revised estimate of kshs. 336 Billion indicating a shortfall of Kshs.2.7 billion (0.9 % below target) which is within the accepted margin of $\pm 5\%$ of forecast error

*RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TAXES ON FINANCIAL AND CAPITAL TRANSACTIONS

Description	Original Estimates	Revised Estimates	Actual	% Realized
Immovable Property (Stand Premia on Town Plots, Land Rent)	0	0	0	
Second-hand Motor Vehicle Purchase Tax	0	0	0	
Capital gains tax	0	0	0	
Stamp Duty	11,273,182,403	12,041,307,338	12,954,576,664	108
Other Property Taxes				
Less: Refunds	-6,000,000	-6,000,000		
Total Revenue on Property	11,267,182,403	12,035,307,338	12,954,576,664	108
Balance brought forward			0	
Transfers to the Exchequer account			12,954,576,664	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

I. 1160101- Stamp duty – Actual collection of Kshs 13 billion which was Kshs. 1 billion above the revised target of Kshs 12 billion

*RECEIVER OF REVENUE – THE NATIONAL TREASURY
REVENUE STATEMENTS-RECURRENT
FOR THE YEAR ENDED 30 JUNE, 2021*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
3. TAXES ON GOODS AND SERVICES**

Description	Original Estimates	Revised Estimates	Actual	% Realized
VAT on Domestic Goods and Services	262,904,819,996	217,645,983,170	197,080,227,366	100
VAT on Imported Goods and Services	218,746,768,516	205,492,843,994	213,687,807,789	104
VAT Refund	-20,040,000,000	-20,040,000,000		
VAT Remissions	0	0		
Total VAT	481,611,588,512	403,098,827,164	410,768,035,155	102
Excise Receipts	241,917,956,925	218,464,338,758	219,088,622,514	100
Refunds	-540,000,000	-480,000,000		
Anti- adulteration levy	3,429,128,750	3,149,267,671		
Other taxes on goods and services- Cement Levy	0	0		
Total Revenue from Taxes on goods and services	726,418,674,187	624,232,433,593	629,856,657,670	101
Balance brought forward			0	
Transfers to the Exchequer account			629,856,657,670	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

- I. **1140101- The actual VAT on domestic goods and services** collected was Ksh.197.1 billion against a revised estimate of Kshs. 197.6 billion, 0.5 billion below target. This implies an underperformance of 0.3% which is within the accepted limit of $\pm 5\%$ forecast error margin.
- II. **1140201- VAT on Imported goods and services-** the actual collection was Kshs. 213.7 billion, which was above revised target by Kshs. 1.1 billion.
- III. **1140301- Excise taxes-** the actual excise taxes collected was Kshs. 219.1 billion which was Kshs. 1.1 billion above the revised estimate of Kshs. 218 billion.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
 REVENUE STATEMENTS-RECURRENT
 FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS (CUSTOMS)

Description	Original Estimates	Revised Estimates	Actual	% Realized
Customs Duties	106,942,074,741	102,597,770,241	108,374,447,345	106
Customs Duties Refunds	-180,000,000	-180,000,000		
Other Taxes on International Trade and Transactions (Import Declaration and Inspection Fees)	28,784,617,346	35,642,409,348	39,743,409,073	112
Total Revenue	135,546,692,087	138,060,179,589	148,117,856,418	107
Balance brought forward			0	
Transfers to the Exchequer account			148,117,856,418	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

- I. **1150101-Custom Duties**- The actual custom duties collected recorded an over performance of Kshs. 6 billion, 5.8% above the Revised estimate of Kshs. 102.4 billion.
- II. **1150401-Other Taxes on International Trade Transactions (IDF)** – The actual collection was above the revised estimate by Ksh. 4.1 billion, 11.5%. The over performance is attributed to the increase in the rate of IDF rate that was effected through the Finance Act, 2020.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. FEES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR TO PERFORM SERVICES AND ACTIVITIES

Description	Original Estimates	Revised Estimates	Actual	% Realized
Licences under Traffic Act	4,633,762,599	3,947,778,069	4,599,742,384	117
Licenses under the Communication Act				
Licenses under Betting, Lotteries and Gaming Act				
Mineral Export Licensing □				
Prospecting Fee				
Petroleum Development Levy (PDL)	3,584,000,000	23,570,000,000	25,201,494,945	107
Roads Maintenance Levy (RML)				
Total Fees	8,217,762,599	27,517,778,069	29,801,237,328	108
Balance brought forward			0	
Transfers to the Exchequer account			4,599,742,384	
Transfer to PDL			25,201,494,945	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

- I. **1420201-Fees under Traffic Act, 1140506 – License under Traffic Act, Second Hand M.V Purchase tax:** Revised estimate of Kshs. 3.9 billion against the actual of Kshs. 4.6 billion, an over performance of Ksh.0.7 billion (17.9%).
- II. **1140703- Petroleum Development Levy (PDL) –** the actual collection of Kshs. 25.2 billion against the revised estimate of Kshs. 23.6 billion. This implies an over performance of 1.6 billion, 6.8 % attributed to the increase of PDL rates for Petrol and Diesel by Kshs. 5.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
6. SOCIAL SECURITY CONTRIBUTIONS**

Descriptions	Original Estimates	Revised Estimates	Actual	% Realized
Contributions from Government Employees to Social and Welfare Schemes within Government	207,733,590	175,524,924	245,235,556	140
Total Contributions			245,235,556	
Balance brought forward			0	
Transfers to the Exchequer account			245,235,556	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

Contribution from Government Employees to Social and Welfare Schemes within Government -Actual collection to Kshs. 245.2 million against a revised estimate of Kshs. 175.5 million. This was Kshs.69.7 million (39.7 %) above the target which is mainly attributed to increased contributions by the members.

**RECEIVER OF REVENUE – THE NATIONAL TREASURY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
7. PROPERTY INCOME**

Description	Original Estimates	Revised Estimates	Actual	% Realized
Interest	1,659,783,124	1,886,634,220	2,095,215,295	111
Dividends from Central Bank of Kenya (CBK)	0	7,500,000,000	7,500,000,000	100
Other Profits and Dividends	28,567,655,534	32,567,655,534	37,607,115,535	116
Surplus funds from Regulatory Authorities	12,338,000,000	24,400,000,000	2,777,185,000	11
Rent of Land	884,332,266	627,581,170	520,265,797	83
Stand Premia on Town Plots	0	0	0	
Royalty on Carbon Dioxide	0	0	0	
Mining Royalties	0	0	0	
Magadi Soda Royalty	0	0	0	
Base Titanium Royalty	0	0	0	
Fishing Rights	0	0	0	
Total Property Income	43,449,770,924	66,981,870,924	50,499,781,627	75
Balance brought forward			0	
Transfers to the Exchequer account			50,499,781,627	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

i. 1410101: Loan Interest

Revised estimates of Kshs. 1.89 billion against actual receipts of KSh. 2.1 billion shows an over collection of Kshs. 0.28 billion mainly due to repayment of interest on loans where the revision had been done based on moratorium request that had been received at The National Treasury and financial challenges that were reported by the State Corporations. KENGEN paid their interest equivalent to the moratorium that they had been given in the 2020/21 FY.

ii. 1410202: Dividends from Central Bank of Kenya (CBK)

The budgeted dividend from CBK in FY 2020/2021 revised estimates of Kshs 7.50 billion against actual receipts of KSh. 7.5 billion shows there was no variance. hence the revenue item was on target.

iii. 1410202: Other Profits & Dividends

The budgeted dividend in the revised estimates of Kshs 32.6 billion against actual receipts of KSh. 37.61 billion shows an over collection of Kshs. 5.01 billion. The increase is mainly attributable to Kenya Ports Authority (KPA), Kenya Pipeline company (KPC) and Kenya Electricity Generating Company Ltd (KENGEN) where majority paid a special dividend to the National Treasury. This was an accrued amount that was supposed to be paid in 2019/20 FY after the review and rationalization of State Corporations budget for 2019/2020 FY, where some Entities were found with resources that were not required for immediate use and the funds were identified to be remitted to the National Exchequer. (15.3% against the target)..

iv. 1410203: Surplus Funds

Revised estimates Kshs 24.4 billion against actual receipts of KSh.2.8 billion shows an under collection of Kshs 21.6 billion. The decrease is mainly due to some State Corporation (Regulatory) who were expected to remit the surplus to National Treasury but they paid directly to Kenya Revenue Authority.

v. 1410401-Land Rent – Revised estimate of Kshs. 627.6 million against the actual of Kshs. 520.3 million shows revenue underperformance of Kshs. 107.3 million. This implies a shortfall of about 17.1% against the target which is attributed to difficult operating environment during the financial year

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

Description	Original Estimates	Revised Estimates	Actual	% Realized
Miscellaneous Revenue				
Sundry Revenue	1,078,147,958	10,766,698,299	215,172,860	2
Total Revenue		10,766,698,299	215,172,860	2
Balance brought forward				
Transfers to the Exchequer account			215,172,860	
Balance carried forward				

Commentary on Actual Revenue against the Revised Estimates

i. **1450101- Miscellaneous Revenue-** Revised estimate of Kshs. 10.8 billion against the actual receipts of Kshs. 215.2 million. This shows a deficit of Kshs. 6.8 billion (92.3% below the target). This revenue item includes the 3% commission on payroll deductions and sundry revenues and is forecasted as a holding for any receipts not envisaged at budget time. It is usually assigned a conservative figure based on historical trends.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 . RECEIPTS FROM SALE OF NON- FINANCIAL ASSETS

Description	Original Estimates	Revised Estimates	Actual	% Realized
Receipts from the Sale of Buildings	0	0	0	
Receipts from the Sale of Vehicles and Transport Equipment	0	0	5,577,701	
Receipts from the Sale of Inventories, Stocks and Commodities	0	0	0	
Receipts from the Sale of Intangible Non-Produced Assets	0	0	0	
Total Revenue	0	0	5,577,701	
Balance brought forward	0	0	0	
Transfers to the Exchequer account	0	0	5,577,701	
Balance carried forward	0	0	0	

Commentary on Actual Revenue against the Revised Estimates

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 PROCEEDS FROM DOMESTIC BORROWINGS

Description	Original Estimates	Revised Estimates	Actual	% Realized
Borrowing within General Government	4,824,900,886	1,785,044,546	6,258,788,627	350.6
Borrowing from Monetary institutions (CBK)			0	
Borrowings from Commercial Banks			0	
Borrowings from other domestic financial institutions			0	
Borrowings from other domestic creditors			0	
Domestic Accounts Payable			0	
Total Proceeds from domestic borrowings	4,824,900,886	1,785,044,546	6,258,788,627	
Balance brought forward			0	
Transfers to the Exchequer account			6,258,788,627	
Balance carried forward			0	

Commentary on Actual Revenue against the Revised Estimates

1. 4510201: Loan Redemption

Revised estimates of Kshs. 1.78 billion against actual receipts of Kshs. 6.26 billion, shows an over collection of Kshs. 4.47 billion. This was mainly caused by revision of loan redemption amount done based on moratorium that had been given and financial challenges that were reported by the State Corporations. However, KENGEN paid the whole amount of Kshs.5.7 billion being the moratorium that had been given in the 2020/21 FY.

RECEIVER OF REVENUE – THE NATIONAL TREASURY
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FINANCIAL STATEMENTS (Continued)

11. BANK BALANCES

Name of Bank, Account No. & currency	Amount in bank account currency	Exc. rate (if in foreign currency)	2020-2021 Kshs	2019-2020 Kshs
Central Bank of Kenya. 1000000996, KSHS	39		39	39
Name of Bank, Account No. & currency				
Name of Bank, Account No. & currency				
Total	39		39	39

12 (a) Balance carried forward as at 30 June 2021 and subsequently transferred

Ref	Amount (Kshs)	Date subsequently transferred
1	0	1 July 2020
2	0	3 July
Total		

13. PAYABLES- DUE TO EXCHEQUER

Payables	2020-2021 Kshs	2019-2020 Kshs
Balance b/f at the beginning of the year	0	0
Amounts disbursed to Exchequer during the year	1,549,344,518,145	1,553,623,012,393
,Balance c/d at the end of the year	0	0
Total	1,549,344,518,145	1,553,623,012,393

This relates to amounts yet to be disbursed to the exchequer at the end of the financial year. The amount should be supported by the bank balances as per note 12 above.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. AGEING ANALYSIS OF REVENUE IN ARREARS

Description	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
Taxes on income profits and capital gains	351,489,718,150	490,828,294,503	155,128,022,352	200,231,472,181	1,197,677,507,185
Taxes on goods and services	108,908,285,308	129,902,906,234	40,048,978,526	110,644,975,144	389,505,145,211
Taxes on international transactions	1,703,336,704		1,231,419,699	11,015,613,644	13,950,370,047
TOTAL (agree to statement of arrears)	462,101,340,162	620,731,200,737	196,408,420,576	321,892,060,968	1,601,133,022,443

15. Restatement of Comparative balances

The comparative balance under Note 7 on property income has been restated due to a casting error in the previous year notes to the financial statement

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IX. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR RECOMMENDATIONS

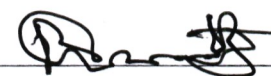
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1	Variance between revenue statements and IFMIS balances	The Financial Statement has been reconciled with IFMIS Trial balance and the same given to the auditors	Head of Accounting unit	Resolved	
2	Unresolved Prior year issues	All outstanding issues resolved and communicated to the Auditor	Head of Accounting unit	Resolved	
3	Budgetary Controls and performance	The under-collection on indicated items were due to subdued economic activities due to covid 19 pandemic	Director Macro-economics	Resolved	

The above revenue statement was approved on 30th sept. 2021 and signed by:



DR. JULIUS MUIA CBS
 PRINCIPAL SECRETARY



NEMWEL.M. MOTANYA
 ICPAKMEMBERNO.2367
 HEAD OF ACCOUNTING UNIT

