

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY	
REPORT PAPERS LAID	
DATE: 14 JUN 2023	DAY: WEDNESDAY AM
TABLED BY: <b>OF</b>	Mrs Naomi Wago, MP Deputy Majority Party Whip
CLERK-AT-THE-TABLE:	A. Shabako

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**KENYA REVENUE AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



**KENYA REVENUE  
AUTHORITY**

**ANNUAL REPORTS &  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDING  
30 JUNE 2022**

*Prepared in accordance with the Accrual Basis of Accounting method  
under the  
International Public Sector Accounting Standards (IPSAS).*

***Tulipe Ushuru Tujitegemee!***

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## KEY INFORMATION AND MANAGEMENT

### (a) Background Information

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

### (b) Principal Activities

The Authority's objectives are the assessment and collection of revenue, administration, enforcement of laws relating to and accounting for revenue collected under the Act.

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

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

#### CORE VALUES

- Trustworthy
- Ethical
- Competent
- Helpful

### (c) Key Management

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

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

### (d) Fiduciary Management

The key management personnel who held office during the financial period ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

- |   |                          |
|---|--------------------------|
| - Commissioner General                              | <b>Githii Mburu.</b>     |
| - Domestic Taxes Department                         | <b>Rispah Simiyu.</b>    |
| - Customs & Border Control Department               | <b>Lillian Nyawanda.</b> |
| - Corporate Support Services Department             | <b>David Kinuu.</b>      |
| - Investigations and Enforcement Department         | <b>Edward Karanja.</b>   |
| - Regional Coordination Department                  | <b>David Yego.</b>       |
| - Strategy, Innovation & Risk Management Department | <b>Mohamed Omar.</b>     |
| - Legal Services & Board Coordination Department    | <b>Paul Matuku.</b>      |
| - Intelligence & Strategic Operations Department    | <b>Terra Saidimu.</b>    |
| - Kenya School of Revenue Administration (KESRA)    | <b>Fred Mugambi.</b>     |
| - Finance Division                                  | <b>Josephat Omondi.</b>  |
| - Procurement Division                              | <b>Grace Murichu.</b>    |

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**(e) Headquarters**

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

**(f) Contacts**

Telephone (254) 020-310900, 2810000, 315553  
Email [callcentre@kra.go.ke](mailto:callcentre@kra.go.ke) , [cic@kra.go.ke](mailto:cic@kra.go.ke)  
Website [www.kra.go.ke](http://www.kra.go.ke)

**(g) Bankers**

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

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

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

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

**(h) Independent Auditors**

Auditor General,  
Office of the Auditor General,  
Anniversary Towers, University Way,  
P.O. Box 30084,  
GOP 00100,  
Nairobi, Kenya.

**(i) Principal Legal Advisor**

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

**BOARD OF DIRECTORS**

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



Amb. Dr. Muthaura is the Chairman for the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as the Chairman of the Board on 22<sup>nd</sup> May, 2018 and subsequently re-appointed for a further term of three (3) years on 21<sup>st</sup> October, 2019.

He holds a Bachelor of Arts Degree in Economics and Political Science and a Post Graduate Diploma in Diplomacy and International Relations from the University of Nairobi. He was awarded Honorary Doctorate Degrees for Diplomacy and Public Administration by the Kenya Methodist University of Kenya and Honorary Doctorates of Humane Letters (Honoris Causa) by Kenyatta University and The Meru University of Science and Technology.

Amb. Dr. Muthaura has served as a career diplomat, and held ambassadorial appointments to the European Union in Brussels and the Permanent representative to the United Nations in New York. He is the founder Secretary General for East African Community and has also served as a Permanent Secretary in the Ministries of: Information, Transport and Communications; Environment, Water and Natural Resources; Provincial Administration and Internal Security.

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

**2. HON. MRS. ROSE WARUHIU, EBS, OGW**



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

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

Hon. Mrs. Rose Waruhiu worked as a senior Administrator in the University of Nairobi, early in her career, and later as consultant in Deloitte Haskins&Sells. She has also worked as a consultant in the public sector, undertaking assignments in policy formulation and documentation.

She has held elected positions in women organisations locally and internationally and served in the pro-democracy movement as convener/chair of several initiatives in Kenya and was a nominated member of Kenya Parliament and the EEC/ACP Joint Assembly ,and was later a Member of the East African Legislative Assembly.

She has served on the boards of Kenya Post Bank, Kenyatta National Hospital, the National Museums of Kenya and as Vice Chair of the Council of the Jomo Kenyatta University of Science and Technology and is the Chairperson of the Audit and Risk Committee and member of the Human Resources Committee of KRA's Board of Directors.

**3. MR. PAUL ICHARIA**



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

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

Mr. Paul Icharia has served in senior positions at the Royal Bank of Canada (RBC) and Citigroup in the United States of America and is a member of the Finance, Administration and Procurement Committee of KRA's Board of Directors.

**4. ENG. LEONARD ITHAU**



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

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

He has served in the public service at the Kenya Ports Authority (KPA) and in professional service as a Project Management Consultant to various private bodies in the Health, Port and Harbours/Rail, Roads,

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Telecommunications, Oil and Gas, Hospitality, Industrial/Commercial and Housing Sectors. He is currently the Executive Director of Quemec Limited, a project management and advisory consultancy.

Eng. Leonard Ithau has over thirty seven (37) years' experience in senior project advisory, design and construction management roles on major civil engineering, infrastructure and building works in Kenya and the broader South East Africa region and is a Registered Engineer with the Engineers Board of Kenya, a member of the Association for Project Management (UK) and the Institute of Directors (K).

In social service, he is the current District Governor Elect for Rotary International, District 9212 and will serve as District Governor from July, 2023 to June, 2024 and is a member of the Board of Governors of Karen Technical Training Institute for the Deaf, Nairobi.

He is the Chairperson of the Human Resources Committee and Member of the Audit and Risk Committee of KRA's Board of Directors.

**MR. CHARLES MAKORI OMANGA**



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

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

Earlier in his career he served in the private sector as a Relationship and Product Manager at Citibank Kenya; Regional Head, Trade Finance (EA) and Head, Public Sector at the Barclays Bank of Kenya (now Absa Bank) and Head, Corporate Banking, CFC Stanbic Bank Limited (now Stanbic Bank).

Mr. Charles Makori Omanga is currently co-Managing Principal, Horizon Africa Capital Limited which is a financial advisory firm dealing in mergers and acquisitions in East Africa. In this role, he has developed significant commercial and transactional expertise in various industries. From a governance perspective, he has also served in various boards in the financial services sector including banking and stock brokerage.

He is a member of the Institute of Certified Investment, Financial Analysts (ICIFA) and a Member of the Revenue Strategy and Technology and Human Resources Committees of KRA's Board of Directors.

**5. MR. MUKESH K R SHAH**



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

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

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

Mr. Mukesh K.R. Shah holds directorships of private companies mainly in a professional capacity and is a non- executive Director of NCBA Group Plc and Carbacid Investments Plc, which are companies listed on the Nairobi Securities Exchange and of NCBA Bank Plc, a leading bank in East Africa. He advises Boards of various other corporate and family owned businesses.

He is a Fellow of the Chartered Association of Certified Accountants (UK), Member of the Institute of Certified Public Accountants of Kenya and Institute of Certified Secretaries of Kenya and is the Chairperson of the Revenue, Strategy and Technology Committee of KRA's Board of Directors. He is also a member of the Board of Trustees of the KRA Staff Pensions Scheme and chairs the Scheme's Finance and Investment Committee.

**6. MRS. SUSAN MUDHUNE, MBS**



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

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

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

Mrs. Susan Mudhune is a past Chairperson of the Board of Kenya Commercial Bank Group and the Kenya Girl Guides Association; has served as a non-executive Director in various Boards including Safaricom (K) Limited and Sanlam Limited and is currently a non-executive Director of Carbacid Group Limited and chairs the Board of Kenya Innovative Finance Facility for Water (KIFFWA) Foundation.

She is a Certified Corporate Governance trainer and a Member of Women Corporate Directors (Kenya Chapter) and Institute of Directors (Kenya) and is the Chairperson of the Finance, Administration and Procurement Committee of KRA's Board of Directors.

**7. FCPA - GITHII MBURU, MGH, CBS**



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

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

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

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

**EX OFFICIO MEMBERS**

1. **MR. MUSA KATHANJE (ALTERNATE DIRECTOR TO THE CABINET SECRETARY NATIONAL TREASURY AND PLANNING)**



Mr. Musa Kathanje was appointed to the Kenya Revenue Authority Board as the Alternate to the Cabinet Secretary, National Treasury and Planning on 17<sup>th</sup> March, 2021.

He holds a Masters degree in Business Administration and Bachelor degree in Economics, both from the University of Nairobi and is currently finalising a Phd in Business Administration - Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya. He also holds a certificate in macroeconomic modeling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa.

Mr. Musa Kathanje is the Director of Macro and Fiscal Affairs Department at the National Treasury having been appointed to the post in November, 2016. He joined the National Treasury in June, 2013 as the Head of Macro Division in the then Economic Affairs Department, on secondment from the Central Bank of Kenya where he was the Head of Monetary Policy Analysis Division.

He has over 26 years of experience in macro-economic policy formulation and analysis, fiscal and monetary policies formulation as well as regional economic integration policy gained from both the Central Bank of Kenya (June, 1996 to June, 2013) and at the National Treasury (June, 2013 to date).

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



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

She holds a Bachelor of Laws (LLB) degree and a Master of Business Administration degree from the University of Nairobi and is an Advocate of the High Court of Kenya with over thirty (30) years post admission experience in private and public law practice.

Ms. Maryann Njau-Kimani is a Senior Deputy Solicitor General and the Secretary, Justice and Constitutional Affairs in the State Law Office and Department of Justice. She is the head of the Department of Justice.

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

**MANAGEMENT TEAM**

**1. FCPA - Githii Mburu, MGH, CBS**



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

Prior to his appointment, Mr. Mburu was the Commissioner for Intelligence & Strategic Operations (I&SO), where he led KRA in establishing and operationalizing a formidable intelligence gathering and tax investigations infrastructure which has played a critical role in combating tax evasion and in enforcing KRA's Code of Conduct. He was instrumental in the collection and dissemination of intelligence with an estimated tax recovery of over Kshs. 250 Billion. In his role as head of investigations, he led various tax evasion investigations that have greatly enhanced revenue collection and border security.

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

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

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

**2. Dr. Mohamed Mohamud**



Dr Mohamed Omar was appointed Commissioner, Strategy Innovation & Risk Management from 1<sup>st</sup> October, 2015. His contract was renewed on 1<sup>st</sup> October 2018 for another term.

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

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

**3. Mr. Paul Muema Matuku, EBS**



Mr. Matuku is the Commissioner of Legal Services and Board Coordination having been appointed on 15<sup>th</sup> May 2019. He previously held the position of Deputy Commissioner of Legal Services (now Litigation). Mr. Matuku joined KRA in 1996 as a graduate trainee and has risen through the ranks to his current position as Commissioner of Legal Services and Board Coordination.

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

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

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

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

**4. Mr. David Yego**



Mr. David K.S. Yego, was appointed Commissioner, Regional Coordination Department on 22nd January, 2021 this was on a deployment from Investigations & Enforcement Department where he held the same position. His appointment was a continuation of his three (3) years contract that had been renewed on 24th March 2020.

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

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

**5. Dr. David Kinuu, EBS**



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

Before joining KRA, he had worked at Safaricom Ltd for more than seven (7) years in various capacities, including Head, Human Resources Shared Services and Senior Manager for Facilities, Health & Safety. Dr

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Kinuu also worked at different managerial roles in Shell Kenya Ltd and Oil Libya Kenya and Mozambique, among other companies.

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

**6. Dr. Fred Mugambi Mwirigi**



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

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

Dr Mugambi was the founding director of JKUAT's Mombasa Campus, where he served for seven years. He taught at JKUAT for 11 years and rose to the level of senior lecturer. Prior to joining JKUAT, Dr Mugambi taught at the Kenya Methodist University. He also served as the chairman of a task force appointed by the Education Cabinet Secretary to select the Board of the

Technical and Vocational Education and Training Authority (TVETA), under the Ministry of Education. Dr Mugambi has been involved in consultancy and training tasks for many national and international organisations across six countries. He has published 3 books and over 30 research papers.

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

**7. Dr. Terra Saidimu, EBS**



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

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

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

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

**8. Mrs. Rispah Mwangi Simiyu, EBS**



Mrs. Rispah Simiyu was appointed Commissioner of Domestic Taxes with effect from 22nd October, 2020. Prior to her appointment, she served as the Deputy Commissioner, Tax Dispute Resolution since April 2018. She previously served as the Regional Tax Manager, East Africa at Standard Chartered Bank with her role covering assignments in the wider Africa and Middle East from 2011 to March 2018, prior to which she was at PricewaterhouseCoopers from where she began her career in Tax. While at Standard Chartered Bank, she served as a member of the Finance and Audit Committee of the Kenya Bankers Association as well as the Chairperson of the Tax Sub-committee for the same institution.

Mrs. Simiyu is a qualified Chartered accountant, a Fellow Chartered and Certified Accountant (FCCA), an Advocate of the High Court of Kenya, Commissioner for Oaths and Notary Public, a member of the Law Society of Kenya and a Certified Public Secretary. She holds a Master of Laws degree from the University of Nairobi and a Bachelor of Laws degree from the University of Dar-es-Salaam.

**9. Lillian Anyango Nyawanda**



Mrs. Lillian Anyango Nyawanda was appointed Commissioner, Customs & Border Control effective 15<sup>th</sup> April 2021.

Mrs. Nyawanda holds a Masters of Business Administration degree from United States International University, Bachelor of Commerce (Finance) degree from The University of Nairobi and a Certificate in Customs and Tax Administration from Kenya School of Revenue Administration. She is currently pursuing Doctorate in Public Policy & Administration from

Walden University. She is a member of National Society of Leadership and Success (Sigma Alpha Pi Honor – September, 2020).

**10. Dr Edward Karanja**



Dr. Edward Karanja was appointed the Commissioner for Investigations and Enforcement effective 26<sup>th</sup> March, 2021. Before his appointment, Dr. Karanja had served as Deputy Commissioner, Investigations and Enforcement Department in 2019, and in January 2021 as the Acting Commissioner for the Department.

Dr Karanja holds a PhD in Business Administration from Washington International University (WIU), MBA in Entrepreneurship and Strategic Management from United States International University, Master of Arts in Public Finance from Grips University, Tokyo, Japan and a Bachelor of Arts Degree in Economics and Mathematics from Egerton University.

He is an Associate Member of Certified Fraud Examiners (ACFE), and a fellow of the Institute of Certified Public Accountants of Kenya (ICPAK).

## CHAIRMAN'S STATEMENT

### Foreword

It is a great honour to present the Kenya Revenue Authority (KRA) Annual Report and Financial Statements for the Financial Year 2021/22. This is the first report within KRA's Eighth Corporate Plan implementation period (2021/2022 to 2023/2024).

The 8<sup>th</sup> Corporate Plan theme is "**Revenue Mobilisation through Tax simplification, technology-driven compliance and tax base expansion**". The strategic thrusts adopted in realizing KRA's principal role of mobilizing resources to finance the country's development agenda as espoused in Kenya's Vision 2030, Big Four Agenda, and the Sustainable Development Goals, are i) revenue mobilization; ii) Tax base expansion; iii) Simplification of the tax regime to ease compliance and service delivery; iv) Application of cutting-edge technology; v) Performance-oriented and ethical organization culture; vi) Strategic partnerships to bolster compliance.

During the 8<sup>th</sup> plan period, the Kenya Revenue Authority targets to collect **Kshs. 6.831 Trillion**. In the first year, KRA attained an overall revenue performance of **107.9 percent** (collected Kshs 2.031 Trillion against the original target of Kshs 1.882 Trillion), with revenue growth of **21.7 percent** compared to FY 2020/21 collection. This represented a revenue to GDP ratio of **15.0 percent**. This revenue performance is the highest in KRA history, an indication of the ongoing transformation of the Authority into a high-performance culture as well as strict enforcement of tax laws in the fight against tax evasion.

The year 2021 was marked by accelerated growth in the global economy, Africa, and Kenya as well. The global economy was on a recovery path from the devastating effects of the COVID-19 pandemic but had not yet fully recovered. The global growth in 2022 is expected to slow down given the economic damage from the conflict between Russia and Ukraine and the rapid increase in fuel and food prices.

### Kenya's Economy

The Kenyan economy in 2021 demonstrated resilience to the COVID-19 shock. The Kenya National Bureau of Statistics (KNBS) estimated the Real Gross Domestic Product (GDP) to have grown by 7.5% in 2021 compared to a contraction of 0.3% in 2020. Most economic activities recorded growth except for Agriculture, Forestry and Fishing activities which contracted by 0.2% in the review period. Activities that were affected more severely by the pandemic in 2020 such as Education and Accommodation and Food services grew faster than those that were less severely affected. Economic growth in 2021 was supported by improved performance in key sectors of the economy including; Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and Financial and insurance activities (12.5%). Kenya's unemployment rate eased from 6.6% in 2020 to 6.2% in 2021 as businesses reopened and the number of working hours increased, after the relaxation of COVID-19 restrictions. In the first quarter of 2022, the economy expanded by 6.8 percent compared to 2.7 percent growth in the first quarter of 2021, supported by rebounds in most economic activities that had contracted significantly in the first quarter of 2021 due to measures instituted to curb the spread of COVID-19.

### Global Economy

World real Gross Domestic Product (GDP) recorded an accelerated growth of 5.9 percent in 2021 compared to a contraction of 3.1 percent in 2020. The growth was supported by the relaxation of measures put in place

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to control the spread of COVID-19. This resulted in an improvement in global trade as well as increased activity in the industrial and services sectors of most economies. The accelerated growth was witnessed across advanced economies as well as in Emerging Markets and Developing Economies (EMDEs). Advanced economies and EMDEs are estimated to have expanded by 5.0 percent and 6.5 percent, respectively, in 2021 compared to a contraction of 4.5 percent and 2.0 percent, in 2020. The Sub-Saharan Africa economy grew by 3.7 percent in 2021 compared to a contraction of 1.7 percent in 2020. The growth was supported by high commodity prices and increased agricultural production attributed to favourable weather conditions. East African Community (EAC) real GDP grew by 4.9 percent in 2021 compared to a growth of 1.0 percent in 2020, due to favourable weather conditions in most of the countries coupled with a partial lifting of COVID-19 restrictions in Kenya and Rwanda.

### **Revenue Performance**

During the Financial Year 2021/22, the Authority hit the two Trillion mark with a collection of **Kshs. 2.031 Trillion** against the revised target of **Kshs. 1.976 Trillion**. This represents a performance rate of **102.8 percent** and revenue growth of **21.7%** over **Kshs. 1.669 Trillion** collected in the Financial Year 2020/21. This performance reflects improved compliance among taxpayers, who contributed to the collection of revenue surplus of **Kshs. 148.9 Billion** against the original target of **Kshs. 1.882 billion**, the highest recorded surplus in KRA's history.

### **Exchequer Revenue**

During the Financial Year 2021/22, the Exchequer Revenue was **Kshs. 1.899 Trillion** against a target of **Kshs. 1.839 Trillion** and over above the **Kshs. 1.544 Trillion** collected in the previous financial year. This represents a performance rate of **103.3 percent** and a growth of **23 percent** respectively.

### **Agency Revenue**

In the FY 2021/22, **Kshs. 131.478 billion** was collected as Agency revenue against a target of **Kshs. 136.248 billion** translating to a performance rate of **96.5 percent**. The Agency revenue grew by **3 percent** as compared to **Kshs. 125.045 billion** collected in the Financial Year 2020/2021. Agency revenue performance was affected by declining volumes of petrol, diesel and kerosene.

### **Overview of factors underpinning revenue performance in 2021/22**

The impressive revenue performance is attributed to the implementation of revenue mobilisation strategies as enshrined in KRA's 8<sup>th</sup> Corporate Plan, tax policy measures, and enhanced revenue administration.

KRA has continued to employ the use of technology to curb revenue leakages. Some of the developments include enhancement of i-Tax to facilitate cross-matching of consultancy payments against PAYE return, use of scanners to give smart alerts, and use of Integrated Customs Management System (iCMS) including targeting and profiling through the use of smart alerts and iCMS risk engine as well bond management and reconciliation.

KRA has also embarked on continuous and close monitoring to ensure compliance across all tax heads. The extensive use of data and intelligence to unearth unpaid taxes has led to improved voluntary compliance and tax base expansion which is aimed at on-boarding taxpayers previously not paying their fair share of taxes. Additionally, the strengthening of integrity measures has contributed to the continued realization of set revenue collection objectives.

### **Global Outlook**

The global economy is projected to grow at 4.4 percent in 2022 with the world expected to cope better with the COVID-19 pandemic. The GDP for advanced economies is expected to return to the pre-pandemic output path with a projection of 3.9 percent in 2022, mainly due to the withdrawal of fiscal policy support put in place during the onset of the pandemic. The real GDP for the USA economy is projected to grow by 3.7 percent in 2022, mainly owing to the easing of supply chain disruptions and strong consumption growth while that of EMDEs is projected to grow by 4.8 percent. Growth in Sub-Saharan Africa is expected to grow by 3.8 percent in 2022. In the near term, recovery is expected to continue supported by elevated commodity prices as activities rebound in the region's main trading partners. Growth in EAC is expected to accelerate to 5.6 percent in 2022 due to the resumption of the economy and the enhanced rollout of the COVID-19 vaccination.

### **Kenya's Outlook**

The National Treasury in the 2022 BPS projects the Kenyan economy to grow by about 5.8 percent in 2022/23. This robust growth rate will be underpinned by continued improvements in economic activities following the reopening of the economy in 2021 and stabilization of the macroeconomic fundamentals such as inflation that continue to remain within the band. From the demand side, improvements in private consumption will be crucial in driving GDP growth. The country's macroeconomic environment is expected to remain stable despite the likelihood of a rise in inflation, the weakening of the Kenyan Shilling against its major trading currencies, and the significant rise in energy prices.

### **Appreciation**

On behalf of the Board of Directors, I wish to extend my appreciation to the National Treasury and look forward to their continued support as KRA undertakes its mandate of revenue mobilization. I'd like to take this opportunity to thank my fellow Board members, KRA management and all staff for their tireless efforts in ensuring the Authority achieved and surpassed the two Trillion mark during the Financial Year 2021/22.

To our esteemed taxpayers, thank you for honouring your tax obligations and contributing to our slogan of '*tulipe ushuru tujitegemee*'. It is your commitment to our nation through filing and paying your fair share of taxes that has enabled us to come this far.



**ANTHONY NG'ANG'A MWAURA**

**CHAIRMAN, KRA BOARD OF DIRECTORS**

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COMMISSIONER GENERAL'S STATEMENT

**1) Introduction**

The Financial Year 2021/22 marked the beginning of the Authority's Eighth Corporate Plan running from 2021/22 to 2023/24. The plan runs under the theme of '*Revenue Mobilization through Tax Simplification, Technology-Driven compliance, and Tax Base expansion*'. The Plan will leverage the gains made over time since KRA's inception while deepening efforts toward tax simplification, application of modern technology, and strategic partnerships. Even in the face of the challenging operating economic environment brought about by the COVID-19 pandemic, Kenya Revenue Authority (KRA) defied all odds to hit and surpass the two Trillion mark for the first time in history. This is the first time in 14 years that the Authority has surpassed its original target since FY 2007/08. This is after revenue collection in the FY 2021/22 (July 2021 - June 2022) reached a new record of **Kshs. 2.031 Trillion** compared to **Kshs. 1.669 Trillion** collected in FY 2020/21.

**2) Operating Environment**

According to the 2022 Budget Policy Statement, Kenya's GDP is projected to grow by 5.9 percent in the FY 2021/22 compared to 2.9 percent in 2020/21. The outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, the export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth.

**3) Revenue Performance**

Revenue collection in the FY 2021/22 reached an all-time highest of **Kshs. 2.031 Trillion** compared to **Kshs. 1.669 Trillion** collected in FY 2020/21. KRA exceeded the original target of **Kshs. 1.882 Trillion** and two upward revenue target revisions of **Kshs 1.911 Trillion**, which was then revised to **Kshs. 1.976 Trillion**. This represents a performance rate of **102.8%** against the original target and revenue growth of **21.7** percent. It is important to note that revenue collection just about tripled in the last 11 years from **Kshs 707.36 billion** in FY2011/12 to **Kshs. 2.031 Trillion** in FY 2021/22. The performance represents a growth of **187.1** percent in the last eleven years.

The trend in revenue performance as shown in Figure 1 indicates consistent revenue growth from 2015/16 to 2021/22, with average annual revenue growth of **9.8 percent** in the seven years and **9.1%** in the last three years.

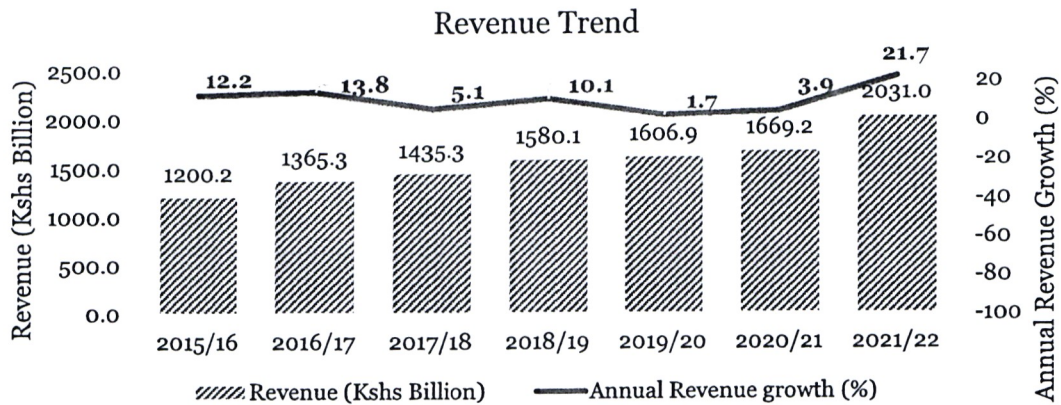


Figure 1: Revenue trends (2015/16 – 2021/22)

**i. Customs and Domestic Taxes Performance**

Revenue collection by Departments is as shown in Figure 2. Customs and Border Control collected **Kshs. 728.494 billion** in FY 2021/22 against a target of **Kshs. 702.823 billion** registering a revenue surplus of **Kshs. 25.671 billion**. Customs revenues grew by **16.6 percent** over **Kshs. 624.776 billion** collected in FY 2020/21 and recorded a performance rate of **103.7%**.

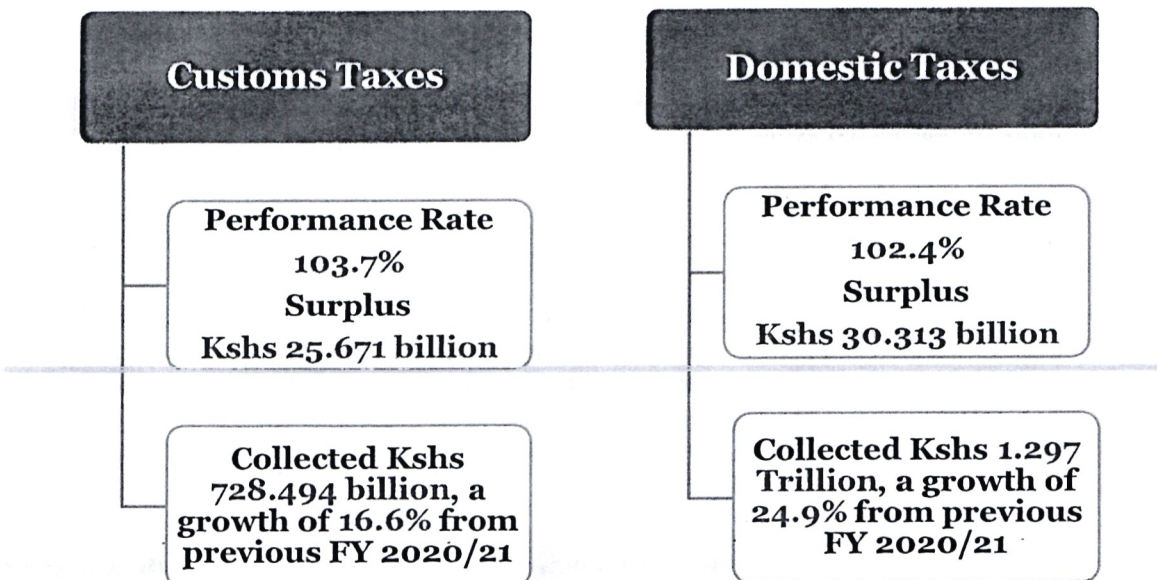


Figure 2: FY 2021/22 Performance rate against the target

On the other hand, the Domestic Taxes Department collected **Kshs. 1.297 Trillion** in FY 2021/22 against a target of **Kshs. 1.267 Trillion**, a revenue surplus of **Kshs. 30.313 billion**. Domestic tax revenue grew by **24.9 percent** over **Kshs. 1.039 Trillion** collections in FY 2020/21 and recorded a performance rate of **102.4 percent**.

**ii. Performance of Key Tax Heads**

**Corporation Tax:** Corporation tax collection stood at **Kshs. 242.018 Billion** against a target of **Kshs. 218.161 Billion**. The tax head recorded a growth of **32.7 percent** in the FY 2021/22. This performance was

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driven by increased remittance from key sectors like Finance and Insurance, Manufacturing, Wholesale and Retail Trade, and Transport and Storage sectors.

*Pay As You Earn (PAYE):* P.A.Y.E collection was **Kshs. 461.816 billion** against a target of **Kshs. 455.283 billion**. The performance was mainly driven by the gradual recovery of the job market emanating from post-Covid economic recovery.

*Domestic Excise:* The tax head recorded a growth of **6.2 percent** in FY 2021/22, with a collection of **Kshs 66.264 billion** against a target of **Kshs 66.243 billion**. The performance turnaround is attributed to stringent enforcement against tax evasion focusing on curbing illicit trade and blatant non-compliance with tax laws by the players in the alcoholic and cigarette sectors.

*Domestic VAT:* Domestic VAT collection amounted to **Kshs. 244.706 billion** in FY 2021/22 compared to **Kshs 197.287 billion** during the same period in FY 2020/21, a growth of **24.0 percent**. The good performance is primarily attributable to enhanced compliance efforts by KRA and the economic recovery.

#### **4) Key Revenue Drivers FY 2021/22**

The excellent revenue performance is attributed to the implementation of key strategies as enshrined in KRA's 8th Corporate Plan, tax policy measures, and enhanced revenue administration.

Some of the strategies in the corporate plan include enhanced active surveillance and enforcement operations that have been reinforced by collaboration with the multi-agency team under the whole Government approach in the fight against economic crimes.

To support the fight against economic crimes, KRA has also partnered with other jurisdictions globally to exchange tax information. Kenya's Exchange of Information (EOI) steadily increased from 73 in 2020 to 173 in 2021. Kenya also recovered **Kshs. 10.5 million** in 2020 and **Kshs. 985.2 million** in 2021.

Tax policy measures have also contributed to positive tax growth during the 2021/2022 financial year. For example, Voluntary Tax Disclosure Program (VTDP) has immensely contributed to increased revenue collection. VTDP allows a taxpayer to disclose to the KRA tax liabilities that were previously undeclared and enjoy full or partial relief of penalties and interest on the tax disclosed. The program was introduced vide the Finance Act, 2020, commenced on 1<sup>st</sup> January 2021, and shall run up to 31<sup>st</sup> December 2023. Under the program, **Kshs. 7.553 billion** in taxes was collected from **14,900** applications in the fiscal year 2021/22. A total of **Kshs. 9.419 billion** was applied for disclosure and waivers.

KRA has also continued to employ technological strategies to seal revenue loopholes. One of the strategies KRA has employed is the web-based system, iWhistle. The system allows the public to anonymously report corruption to KRA. This has enabled The Authority to gather corruption and tax evasion-related information from the public while concealing the identity of the reporters. Through iWhistle, The Authority received a total of **850** corruption reports from taxpayers with a total tax estimate of **Kshs. 6.26 billion** which grew from **Kshs. 2.9 billion** in the FY 2020/2021.

The Authority is currently rolling out the Tax Invoice Management System (TIMS), which aims at plugging loopholes resulting from weaknesses in the ETR regime. The system will help in the standardisation and authentication of tax invoices at the time of generation by the trader and transmission to KRA on a real-time

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or near real-time basis. It will also enable officers, traders, and the public to verify the validity of a tax invoice through the invoice QR Code or Tax Invoice Checker on the iTax portal.

KRA has progressively enhanced the iTax system for a better user experience. For instance, iTax has been enhanced to include an auto-populated return for taxpayers with employment income as the only source of income. As a result, over 5.6 million taxpayers filed their tax returns for the year 2021.

The investment in technology has further enhanced Customs operations and consequently improved revenue growth. For example, the Integrated Customs Management System (iCMS) has reduced the Customs cargo clearance and processing time, enhanced compliance, and increased efficiency. The system has helped reduce time-taken to clear air cargo from an average of **6 days to 48 hours (2 days)**. This reflects a **66 percent** improvement in clearance turnaround time, which has also reduced losses by traders and drastically reduced customer complaints. KRA has also invested in X-Ray baggage scanners, patrol boats, patrol vehicles, and field test kits among others. The equipment has enabled KRA to detect dangerous or contraband items concealed in luggage, parcels, and cargo and reduced revenue leakage at the ports of entry.

The extensive use of data and intelligence to unearth unpaid taxes has led to improved voluntary compliance and tax base expansion which is aimed at onboarding taxpayers previously not paying their fair share of taxes. For example, the Authority is permitted by law to utilise various databases to pursue suspected tax cheats, among them bank statements, import records, motor vehicle registration details, Kenya Power records, and water bills among other data.

Additionally, the strengthening of integrity measures has contributed to the continued realization of set revenue collection objectives. This is evidenced by the fact that revenue collection can never thrive alongside interferences. These interferences may present themselves in the form of counterfeiting and fake licenses and or permits; forms of collusion, cartels, and syndicates, or any form of interference from external stakeholders. The ability to deliver excellent customer service, enforce revenue collection laws and collect the amount due for revenue is also undermined by any lapse in the integrity of the officers charged with this responsibility.

To ensure that staff uphold integrity, KRA continued to implement measures that promote a corruption-free culture including creating awareness among staff on the Code of Conduct formulated to help them understand the standards of personal behaviour required as they perform their duties, lifestyle audits, vetting, and background checks on new staff as well as strict disciplinary measures that deal with unethical conduct promptly.

## **5) Outlook**

The revenue target for the FY 2022/23 is **Kshs. 2.274 trillion**, implying a growth of 12.0 percent over FY 2021/2022 collection. Revenue contribution for key tax categories is as follows: PAYE (**22.6%**), Dry taxes (**21.9%**), VAT Domestic (**13.4%**), Petroleum taxes (**11.8%**) and Corporation Tax (**12.5%**).

The National Treasury projects that the economy will expand by **5.9 percent** in FY 2021/22 and maintain the same growth over the medium term (2022/23-2024/25). This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and Economic Recovery Strategy.

The Authority continues to implement the 8<sup>th</sup> Corporate Plan whose revenue target over the period 2021/22 to 2023/24 is **Kshs. 6.8 Trillion**. With taxpayers' continued support, the projected economic recovery of **5.9 percent** in FY 2021/22, a progressive tax policy framework, tax simplification, and a robust tax

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compliance mechanism, KRA is confident that it will achieve this target and enable the country to sustain its economy.

**6) Conclusion**

I would like to thank the KRA Board of Directors, management, and staff for their commitment to public service delivery that has enabled the Authority effectively execute its mandate. Through your hard work and resilience, KRA reached the first two trillion mark in Kenyan history and surpassed the original target together with the other two upward revised targets for the first time in fourteen (14) years. I also thank the National Treasury and Planning for the support accorded to KRA.

On behalf of the KRA Board of Directors, senior management and staff, I appreciate all taxpayers for their contribution to Kenya's economic sustainability. It is by meeting your tax obligations that KRA has achieved and surpassed its revenue target. KRA endeavours to achieve a high level of customer service and reiterate its commitment to simplify the tax regime to ease tax and customs compliance. ***"Pamoja Twaweza"***



**FCCA, CS RISPAAH SIMIYU (Mrs.) Advocate, EBS**

**Ag. COMMISSIONER GENERAL**

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**STATEMENT OF KENYA REVENUE AUTHORITY'S PERFORMANCE AGAINST  
PREDETERMINED OBJECTIVES FOR FY 2020/2021**

KRA has four balanced scorecard perspectives and four objectives within its strategic plan for the period 2021/22 to 2023/24. These strategic perspectives are:

- 1) Revenue,
- 2) People,
- 3) Customer, and
- 4) Business process.

KRA develops its annual work plans based on the above four perspectives. Assessment of the Board's performance against its annual work plan is done monthly by perspective. The KRA achieved its performance targets set for the FY 2021/22 period for its four strategic perspectives as indicated in table 1.

**Table 1: Strategic Achievements in FY 2021-22**

Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
Revenue	Realize government revenue targets while building a sustainable tax base.	Total Revenue collected	<ul style="list-style-type: none"> <li>• Risk based compliance management</li> <li>• Debt management</li> <li>• Smart intelligence and investigation</li> <li>• Tax base expansion</li> <li>• Post clearance aukdit</li> <li>• Integrated scanner management</li> <li>• Cargo tracking</li> </ul>	Kshs. Bn	<p><b>Kshs. 2.031 Trillion</b> was collected against a revised target of <b>Kshs. 1.976 Trillion</b>. The Exchequer Revenue amounted to <b>Kshs. 1.899 Trillion</b> against a target of <b>Kshs. 1.839 Trillion</b> while agency revenue collection was <b>Kshs. 131 billion</b> against a target of <b>Kshs. 136 billion</b></p>
		On-time payment	Compliance activities	%	The on-time payment rate

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
					for June 2022 was 77%
		Active taxpayers	<ul style="list-style-type: none"> <li>Tax base expansion</li> <li>Turning around non-filers</li> </ul>	No	The number of active taxpayers by June 2022 was 7.225 million
		Landlords recruited	Implement Block Management System	No	16,754 recruited against a target of 15,000.
		High net worth individuals recruited	<ul style="list-style-type: none"> <li>Review the HNWI framework to redefine sub segments of HNWIs to include wealth value</li> <li>Implement the revised framework, identify and recruit more HNWIs</li> </ul>	No	291 High Net worth individuals were recruited
		Cases investigated	Enhance intelligence driven investigation	No	392 cases were investigated with a revenue implication of Kshs. 35.365 billion
		Cases resolved out of suitable disputes received under ADR	Interdepartmental collaboration and support to the ADR mechanism	%	73%. 644 out of 881 cases resolved. Target for FY 2021/22 was 70%
		Systems integrated	Integrate internal and external systems.	No	4 integrations achieved as follows: iCMS/NTSA II, iCMS/KPC II, iTax/iCMS

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
					(VAT Import/Export) and Achieve- iSupport integration
		Value of illicit goods removed from the market	<ul style="list-style-type: none"> <li>Implementation of stringent measures provided in law</li> <li>Awareness creation and deterrence through publicity</li> <li>Collaboration with other agencies</li> </ul>	Kshs. Mn	Illicit goods worth Kshs 1,206.94 million removed from the market. This performance is attributed to the enhanced intelligence, information sharing, enforcement
<b>Customer</b>	Achieve exceptional customer service and community outreach	Customer satisfaction index	<ul style="list-style-type: none"> <li>Tax simplification</li> <li>Stakeholder engagements</li> <li>Trade facilitation</li> <li>Refunds management</li> </ul>	%	KRA satisfaction index for the FY 2021/22 WAS 72.5% a 0.3% improvement from 72.2% in the previous year
		Activation of upload functionality on iTax	Provide an upload functionality in iTax for return amendments	Time	Completed
		Pre populated returns in iTax	iTax system enhancement to allow for pre-population of VAT Returns by June 2022.	status	Completed
<b>Business process</b>	Reduce the overall cost of collection while improving	Cost of collection	<ul style="list-style-type: none"> <li>Roll out of simplified online self-services</li> <li>Systems</li> </ul>	%	1.25%  • Recurrent Expenditure of Kshs 25,338.9M

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
	quality of operations and services		integration <ul style="list-style-type: none"> <li>Advanced data analytics</li> <li>Reliable and resilient IT infrastructure</li> <li>Maintenance of quality standards</li> </ul>		incurred against Revenue collection of Kshs. 2,031,038 Million. A cumulative performance rating of 1.25%
		Automation level		%	Automation score as per ICTA assessment was 96.6% as at May 2022.
People	Continue to build a performance driven and ethical workforce	Optimise human resource capability and capacity	<ul style="list-style-type: none"> <li>Talent management</li> <li>Implementation of structured trainings</li> <li>Improved performance management</li> <li>Repositioning KESRA as a premier training institution</li> </ul>	%	Ratio of technical to support staff increased from 69% to 70% as at January 2022.  1,003 Officers from various departments trained in foundation courses in Tax & Customs against a target of 400.
		Improved work environment	<ul style="list-style-type: none"> <li>Provision of working tools</li> <li>Implementation of transport management framework</li> </ul>	No	40 motor vehicles (20 double cabs, 12 vans, 8 SUVs) were leased and 15 vehicles purchased.

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
					Online T Services rolled out in 7 Regional Head Offices.
		Enhancing integrity	<ul style="list-style-type: none"> <li>• Staff vetting and investigation</li> <li>• Corruption risk analysis and prevention</li> <li>• Integrity awareness to internal and external stakeholders</li> </ul>		Corruption perception index improved from 34.2% in 2021/21 to 31.3% in 2021/22.

**CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the structure and processes used to direct and manage an organization in order to enhance corporate performance, accountability, fairness and transparency and accountability. It also entails the balancing of the interests of all stakeholders of the organization.

The Kenya Revenue Authority Board of Directors is the governing body of the Authority. The Board of Directors is responsible for the governance of the Authority and is accountable to the Cabinet Secretary, National Treasury to ensure compliance with the Kenya Revenue Authority Act, The Mwongozo Code of Conduct for State Corporations, international best practice and business ethics. The Directors attach great importance to the need to conduct business and operations of the Authority with integrity, professionalism and in accordance with generally accepted international corporate governance practice. The Authority is committed to the implementation of good corporate governance practices as outlined by promotion of ethical leadership, accountability and ensure the sustainability of the organization.

The Board's responsibilities are broadly set out in Section 6 (6) of the Kenya Revenue Act CAP 469 of the Laws of Kenya.

**Board Meetings**

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

**Board Committees**

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

**Human Resources Committee**

The Committee is responsible for monitoring and appraising the performance of Senior Management, reviewing of human resource policies, approval of remuneration policy for employees and making recommendations on Senior Management appointments to the Board. The Committee met six (6) times and its Members were:

1. Eng. Leonard Ithau,
2. Mr. Charles Omanga,
3. Hon. Ms. Rose Waruhiu, EBS and
4. Commissioner General.

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**Finance, Administration and Procurement Committee**

The Committee is responsible for review of the Authority's annual budget, Procurement and Disposal Plans and related policies. The Committee met seven (7) times and its Members were:

1. Ms. Susan Mudhune, MBS
2. Mr. Paul Icharia,
3. The Attorney General and
4. Commissioner General.

**Board Audit and Risk Committee**

The Committee is responsible for review of audit reports, compliance with relevant laws, procedure and standards, quality of financial reporting and oversight on internal control and risk, among others. The Committee assists the Board in discharging its supervisory and good corporate governance responsibilities. The Committee met five (5) times and its Members were:

1. Hon. Mrs. Rose Waruhiu, EBS
2. Eng. Leonard Ithau,
3. The Attorney General and
4. Principal Secretary – National Treasury and Planning.

**Revenue, Strategy and Technology Committee**

The Committee is responsible for review of the Authority's strategic implementation of the Corporate Plan and Reform Programme. It also serves as a forum to encourage continuous research and review of tax policy proposals; regulatory framework and revenue collection. The Committee met four (4) times and its Members were:

1. Mr. Mukesh Shah,
2. Mr. Charles Omanga,
3. Principal Secretary – National Treasury and Planning and
4. Commissioner General.

**Board of Trustees**

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

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

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**Board Matters**

Attendance to board meetings by members	<p>In the Financial Year 2021/2022: There were twelve (12) full Board Meetings and twenty two (22) committee of the Board Meetings attended by Members.</p> <table border="1" data-bbox="657 409 1444 678"> <thead> <tr> <th>Meetings</th> <th>No. of Meetings</th> </tr> </thead> <tbody> <tr> <td>Full Board</td> <td>12</td> </tr> <tr> <td>Finance, Administration and Procurement Committee</td> <td>7</td> </tr> <tr> <td>Human Resources Committee</td> <td>6</td> </tr> <tr> <td>Revenue, Strategy and Technology Committee</td> <td>4</td> </tr> <tr> <td>Audit Committee</td> <td>5</td> </tr> </tbody> </table>	Meetings	No. of Meetings	Full Board	12	Finance, Administration and Procurement Committee	7	Human Resources Committee	6	Revenue, Strategy and Technology Committee	4	Audit Committee	5
Meetings	No. of Meetings												
Full Board	12												
Finance, Administration and Procurement Committee	7												
Human Resources Committee	6												
Revenue, Strategy and Technology Committee	4												
Audit Committee	5												
Succession plan	<p>Appointment is by the President (for the Board Chairman) and Cabinet Secretary – The National Treasury (for Members).As per the Kenya Revenue Authority Act Section 6(2)(a) and Section 6(2)(e). Expiry of term is usually communicated to The National Treasury at least 3 months before expiry of Term</p>												
Existence of a board charter	<p>There is an existing Board Charter, which was reviewed and approved by the Board on 18<sup>th</sup> March, 2021.</p>												
Process of appointment and removal of directors	<p>As per the Kenya Revenue Authority Act Sections 7 and 8.</p>												
Roles and functions of the Board	<p>As per the Kenya Revenue Authority Act Section 6(6).</p>												
Induction and training	<p>The Directors attended the following workshops and trainings:</p> <ul style="list-style-type: none"> <li>• Board of Directors Workshop on Business Continuity Management (29<sup>th</sup> November, 2021 to 30<sup>th</sup> November, 2021) – seven (7) Directors attended.</li> <li>• Training on Leadership in Complexity for Innovation and Growth (New York, USA) (4<sup>th</sup> October, 2021 to 8<sup>th</sup> October, 2021) - one (1) Director attended.</li> <li>• The Institute of Certified Public Accountants of Kenya (ICPAK) Executive Seminar (Istanbul, Turkey) (1<sup>st</sup> November, 2021 to 5<sup>th</sup> November, 2021) - three (3) Directors attended.</li> <li>• Strategy and Scenario Planning for Boards Seminar (Dubai, UAE) (8<sup>th</sup> November, 2021 to 12<sup>th</sup> November, 2021) - two (2) Directors attended.</li> <li>• Intra-African Trade Fair 2021 (Durban, South Africa) (15<sup>th</sup> November, 2021 to 21<sup>st</sup> November, 2021) - one (1) Director attended.</li> <li>• Board of Directors Workshop on Business Continuity Management (29<sup>th</sup> November, 2021 to 30<sup>th</sup> November, 2021) - seven (7) Directors attended.</li> <li>• Board Audit Committee Workshop (Dubai, UAE) (22<sup>nd</sup> November, 2021 to 26<sup>th</sup> November, 2021) - one (1) Director attended.</li> <li>• Gender Mainstreaming Workshop (17<sup>th</sup> March, 2022) - seven (7) Directors attended.</li> </ul>												

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	<ul style="list-style-type: none"> <li>• Sensitization on Government of Kenya Security Protective Manual (15<sup>th</sup> April, 2022) - nine (9) Directors attended.</li> <li>• International Executive Trainings from InterAfrica Group on Corporate Governance and Board Development (London) (2<sup>nd</sup> May, 2022 to 6<sup>th</sup> May, 2022) - two (2) Directors attended.</li> <li>• International Executive Training from Southern Africa Training Hub (SATHU) on Corporate Financial Planning and Decision Making, Cost Systems and Financial Reporting (Capetown) (9<sup>th</sup> May, 2022 to 13<sup>th</sup> May, 2022) – two (2) Directors attended.</li> <li>• International Executive Training from African Management Services Company (AMSCO) Development Solution (Istanbul) (13<sup>th</sup> May 2022 to 17<sup>th</sup> May, 2022) – one (1) Director attended</li> <li>• Breakfast Meeting for Women in Taxation Forum (20<sup>th</sup> May, 2022) - two (2) Directors attended.</li> <li>• Artificial Intelligence for Business and Organization Seminar (Dubai) (6<sup>th</sup> June, 2022 to 10<sup>th</sup> June, 2022) – one (1) Director attended.</li> <li>• Sensitization on Productivity Measurements and Recognition in State Corporations (9<sup>th</sup> June, 2022) – eight (8) Directors attended.</li> </ul>
Board and member performance	The Board Performance Self-Assessment for Financial Year 2021/2022 was conducted on 19 <sup>th</sup> July, 2022 and facilitated by the State Corporations Advisory Committee.
Conflict of interest	Conflict of interest is declared in all Board and Board Committees Meeting and recorded as part of the proceedings.
Board remuneration	As per the relevant Government Circular: Sitting Allowance: Letter dated 11 <sup>th</sup> February, 2011 Ref ZZ MOF 131/04
Ethics and conduct	This is provided for under chapter 3 of the Board Charter, which quotes policies and acts that the board members as public officers are subject to.
Governance audit	The Governance Audit has not taken place. The State Corporations Advisory Committee (SCAC) vide their letter Ref No. OP/SCAC.9/175A dated 20 <sup>th</sup> February, 2020 indicated that the SCAC was in the process of accrediting Governance Auditors and they would share the list once the process was complete. The Authority awaits further guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue Performance and Growth FY 2015/16 – FY 2021/22

KRA continues to implement her mandate of assessing, collecting, and accounting for all revenues per specific laws governing it. At the same time, the Authority, advises on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws while performing such other functions concerning revenue as the Minister for Finance may direct. In the following sections, the report presents the revenue collected, the contribution from the two main departments, and collection against the target for the seven years. It also gives an overview of some anticipated risks and their mitigation measures.

In figure 1, the revenue collection trend from FY 2015/16 to FY 2021/22 is presented. The figure shows consistent revenue performance in this period, with average annual revenue growth of **9.8 percent** in the seven years and **9.1 percent** in the last three years. The highest revenue growth was recorded in the FY 2021/22 at **21.7 percent**.

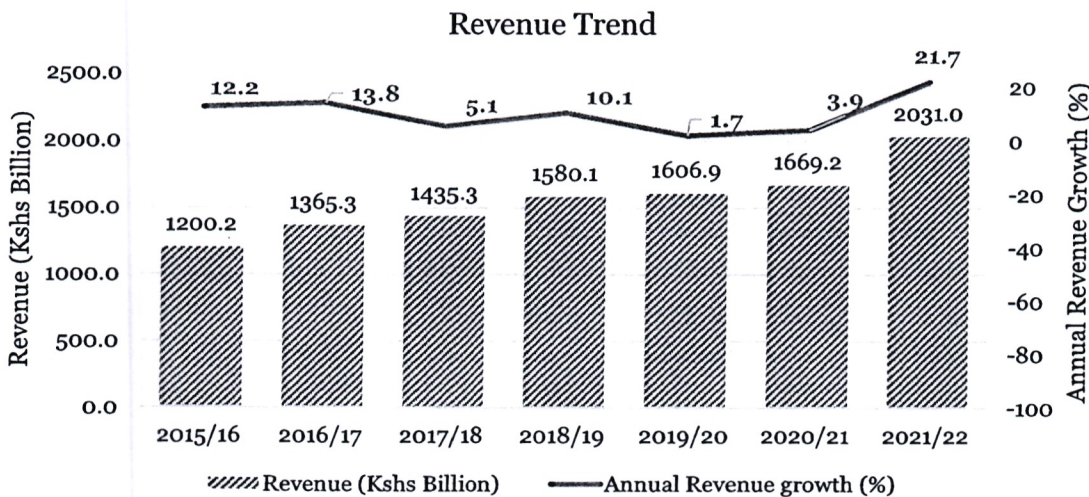


Figure 3: Revenue trends (2015/16 – 2021/22)

As shown in Figure 2, Customs and Border Control collected **Kshs. 728.494 billion** in FY 2021/22 against a target of **Kshs. 702.823 billion** registering a revenue surplus of **Kshs. 25.671 billion**. Customs revenues grew by **16.6 percent** over **Kshs. 624.776 billion** collections in FY 2020/21 and recorded a performance rate of **103.7%**. On the other hand, the Domestic Taxes Department collected **Kshs. 1.297 Trillion** in FY 2021/22 against a target of **Kshs. 1.267 Trillion**, a revenue surplus of **Kshs. 30.313 billion**. Domestic tax revenue grew by **24.9 percent** over **Kshs. 1.039 Trillion** collections in FY 2020/21 and recorded a performance rate of **102.4 percent**.

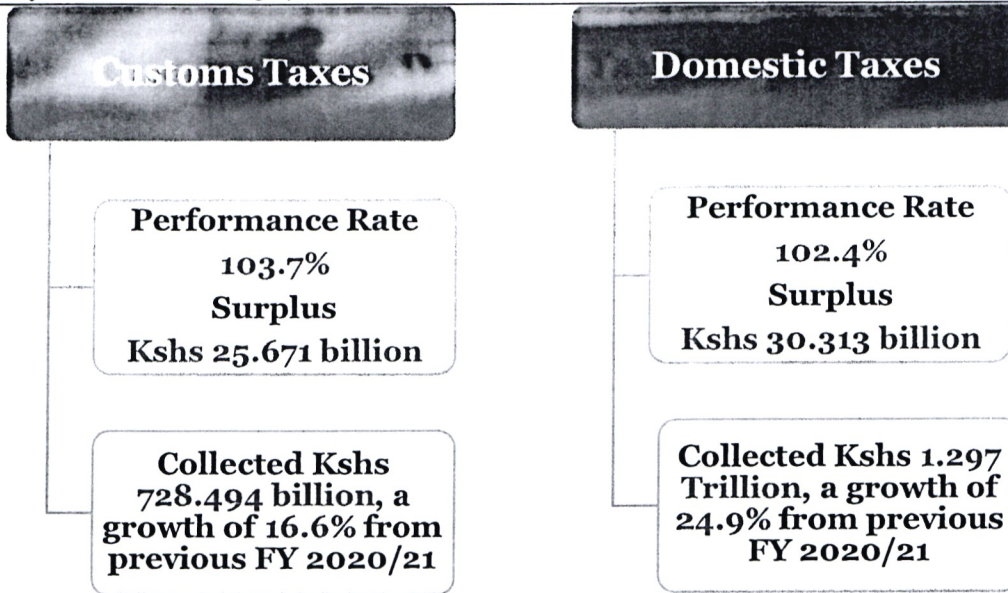


Figure 4: FY 2021/22 Performance rate against the target

## 2. Revenue Performance against Target FY 2015/16 – FY 2020/22

In figure 3, we present the historical performance of revenue against revised targets. It is noted that the target has been revised over the years to adjust for changes in the macroeconomic environment that dictates the level of revenue collection. For the last eight years, KRA has consistently missed her target by an average of 3.7%. However, in the FY 2020/21 the target was surpassed by 1.02% despite the challenges in the operating environment. In the FY 2021/22, the revenue collection surpassed the revised target by 2.8 percent, an indication of the improved tax compliance from patriotic taxpayers who contributed to the collection despite the tough operating environment.

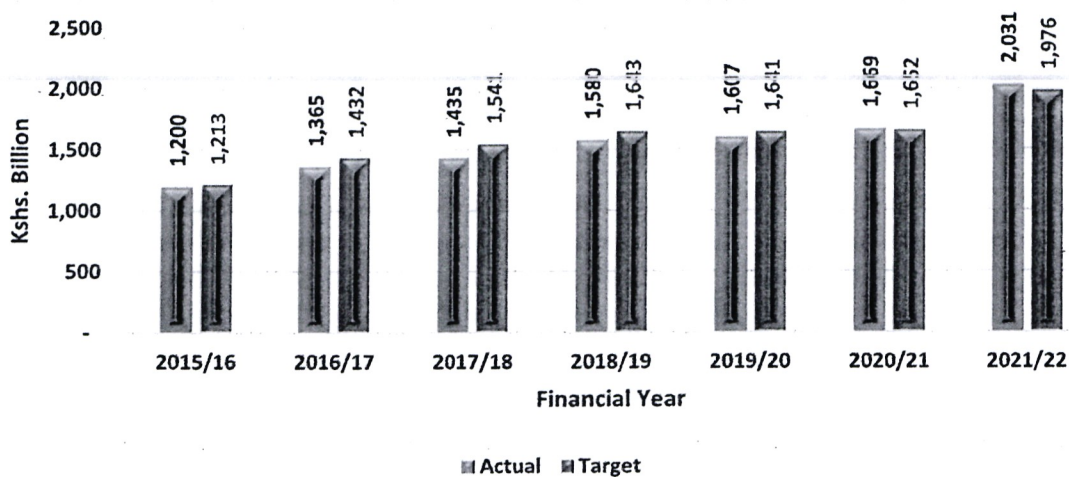


Figure 3: FY 2015/16 - FY2020/21 Actual Collection against Revised Target

### **3. Risks and Mitigation in the 8<sup>th</sup> Corporate plan**

While KRA remains optimistic about implementing her mandate, we take cognisance of the risks that can lead to challenges in the implementation of this mandate. For this reason, risk mitigation measures have been put in place to ensure effective risk management. Some of the anticipated risks are discussed in the section that follows.

#### **a. Non-registration of taxpayers**

To mitigate this risk, KRA's Eighth corporate plan is implementing tax base expansion through the recruitment of new taxpayers, introducing new taxes, subjecting persons and entities to taxes that were previously exempt, and addition of new obligations to the taxpayers already in the system. The strategies for tax base expansion focus on the taxation of the informal sector, use of Geographic Information System for Block management system, increased compliance by High Net-Worth Individuals to promote equity, taxation of the digital economy, and strategic collaboration and partnerships for revenue mobilization.

#### **b. Taxpayer/Customer experience risk**

To mitigate this risk, KRA has enhanced efforts towards simplification of tax processes and technology links to make it easy for taxpayers' to comply with their tax obligations. KRA is also implementing tax policy reforms to ensure stability and clarity of tax laws and avert risks associated with policy formulation and design.

#### **c. Data integrity risk**

This is the risk that data stored and processed by Information Technology (IT) systems are incomplete, inaccurate, or inconsistent across different IT systems. KRA is in the process of cleaning up the taxpayer database. A clean taxpayer database is critical for revenue mobilisation as it ensures that the taxpayers have the correct obligations and ledger balances reflect the correct position.

#### **d. Smuggling risk**

This comes about due to the instability and underdevelopment of some neighbouring countries thus facilitating smuggling across porous borders. This risk is mitigated through the following strategies: i) Use of East Africa Community Centralized Platform for information and data exchange interface; ii) Work with the multi-agency task force to tackle security, smuggling, and illicit trade; and iii) Improve border management.

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**4. KRA Project Portfolio**

KRA is implementing the following projects with the goal of effectively delivering its primary mandate of revenue mobilization. The projects are at different stages of completion and are shown in Table 2.

**Table 2: KRA's Project Portfolio**

Stage	Number of Projects	Projects
Completion & Closure (90% - 100%)	7	<ol style="list-style-type: none"> <li>1. Integrated Access &amp; Identity Management Solution (IAM)</li> <li>2. Data Warehouse Business Intelligence (DWBI)</li> <li>3. Nairobi County Revenue System (NRS)</li> <li>4. Tax Invoice Management System (TIMS)</li> <li>5. Ushuru Pension Towers. Phase Ii Fit Out</li> <li>6. Integrated Customs Management System (ICMS)</li> <li>7. Travel Management</li> </ol>
Execution (16% - 89%)	8	<ol style="list-style-type: none"> <li>1. Electronic Queue Management System (EQMS)</li> <li>2. Refurbishment Of Secondary Data Site</li> <li>3. Social Media Management (SMM)</li> <li>5. Performance Management Solution</li> <li>7. Mservice Phase II</li> <li>5. Digital Forensic Laboratory (DFL)</li> <li>6. Security Operation Centre (SOC)</li> <li>7. Case Management System</li> <li>8. East African Regional Transport Trade And Development Facilitation Project (EARTTDFP)</li> </ol>
Start-up (0-15%)	2	<ol style="list-style-type: none"> <li>1. Web Based Anonymous Reporting System (WBARS)</li> <li>2. Proposed Horn Of Africa Gateway Development Project (HOAGDP)</li> </ol>
Completed Projects	2	<ol style="list-style-type: none"> <li>1. Tenable Security (IAD)</li> <li>2. KESRA Chatbox</li> </ol>

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**ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

**A. Employee welfare**

<b>Policies on Safety and Compliance with Occupational Safety and Health Act of 2007 (OSHA)</b>	<b>Gender Ratio - Yes</b>	<b>Stakeholder Engagements - Yes</b>	<b>Improvement Frequency</b>
Work Environment Standard Policy	1.3 The Authority is committed to promote and maintain high standards of health and safety of employees, customers and the general public	i) The Authority ensures regular sensitizations on safety and health. ii) Reporting accidents and incidences to DOSH when they occur	i) Regularly ii)When they occur
	1.6.6. Safety and health audits: The Authority ensures that work environment audits are conducted in all work places at least once in a year	i) All work environment audits are initiated by Human Resource Division and reports submitted to relevant Heads of Department (HoDs) for implementation of recommendations to ensure a safe and healthy work environment ii) Employees/Departments channel their work environment related challenges to Human Resource Division for facilitation as necessary. iii) Regular Work Environment Spotchecks are conducted by Human Resource Division and recommendations submitted to relevant departments for implementation to ensure compliance. iv)Reporting of accidents and incidences to DOSH is done by Security & Safety Division once they occur and Human Resource Division is notified for other facilitations.	Regularly
	2.23 Rest Days and Annual Leave: States that staff shall be entitled to at least one rest day in every period of seven days and allowed to utilize their annual leave entitlements as provided for in the Leave Policy	i) Staff are allowed to utilise their annual leave entitlements in compliance with the leave policy ii) Human Resource Division facilitates staff on all leave matters iii) Human Resource Disivion communicates/sensitizes staff on the need to utilise annul leave to rest and avoid burnout.	Regularly

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## CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

### Introduction

The Corporate Social Responsibility (CSR) statement is a progress report on the stakeholder and community engagements towards our good corporate citizenship mantra. KRA seeks to take account of corporate sustainability approaches that include employees, their families, local communities and society at large to improve quality of life, the environment and the economy in the long-term.

Since 2016, KRA has been implementing CSR initiatives through four pillars namely: **Environment, Health, Education, and Sports Marketing**. In 2021/2022 Financial Year, KRA included staff in the implementation of its projects through a **CSR Volunteerism Programme** and CSR sponsorship.

### The theme of FY 2021/22 CSR initiatives

Our theme for CSR is **Inclusion and Engagements**. This statement highlights how through our internal and external stakeholder engagements we identified the need to actively engage our staff in our CSR initiatives to foster community engagements.

### CSR Volunteerism Programme as an Enabler

#### Inclusion through CSR Volunteerism Programme

In the financial year 2021-2022, KRA adopted a staff inclusion model through the CSR Volunteerism Programme. This programme aims at integrating KRA staff with communities in areas that are not related to tax matters. The programme has registered **200 volunteers** across all eight regions. The CSR volunteerism programme is meant to facilitate community engagements that aim at entrenching customer centric social impact model in implementation of the CSR projects.

CSR Volunteerism Programme acts as an enabler of community engagements. KRA staff will participate in volunteerism initiatives and engage the community while helping them become tax compliant and consequently contribute to the economic development of Kenya.

The purpose of staff volunteering is to steer a work culture that facilitates staff passion outside tax administration duties and appreciate informal engagements initiated by staff.

### Inclusion and Diversity

In March 2022 KRA received the National Diversity and Inclusion Award and Recognition (DIAR Awards). This is in recognition that the Authority has employed approximately **100 Persons Living with Disabilities** spread across all KRA stations countrywide. These staff are provided with monthly allowances, letters for tax exemption services on their salary, renewal to membership services, and registration to National Council for Persons with Disabilities among many other benefits.

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The Authority has also registered with National Council for Persons with Disabilities Career Portal that is dedicated to the employment of Persons with Disabilities. Through this portal, KRA advertises job opportunities giving the Persons with Disabilities an equal opportunity to serve at the tax agency. The Authority has staff who have knowledge in sign language interpretation and who assist to facilitate auditory impaired taxpayers.

**In the financial period ending 30<sup>th</sup> June, 2022 KRA achieved the following;**

**1. Caring for the Environment**

In demonstrating care for the environment and support of the Government's objective of achieving a 10% forest cover by 2022, KRA planted **30,914 trees**. This achievement was as a result of collaborative efforts between KRA staff, regional communities and other stakeholders.

**From Tree planting to Tree growing**

KRA has adopted a sustainable tree growing model where students adopted trees in schools and are nurturing them. Some of the partner schools include; Bohorera and Kombe in Isebania, Malaba Township School amongst others. This model has seen **100%** survival rate for the trees planted.

**2. Nurturing the future Generation**

**Reading Ambassadors**

On the 16<sup>th</sup> June, 2022, KRA through its education pillar, joined the world in celebrating International Day of the African Child. In marking this celebration, thirty four (34) KRA staff volunteers went to 25 schools for a 30 minute reading session where they read an excerpt from the book "Shambulizi La Akina Shida" by Muthoni Muchemi.

Other volunteerism initiatives were;

- Four hundred and Sixty Seven (**467**) staff participated in Staff sensitization on the role of volunteerism in economic development held virtually on **24<sup>th</sup> June, 2022**
- Five hundred and one (**501**) staff participated in the Staff sensitization on Autism to appreciate employees who are parents and care givers in areas of neurodiversity. This sensitization was conducted on **22<sup>nd</sup> April, 2022**

**3. Safeguarding our generation**

KRA is also contributing to Sustainable Development Goal (SDG) 3 on affordable Healthcare through its CSR Programme. This programmes were implemented in various Level 5 Hospitals between 2017 and 2018.

In the Financial Year 2021/2022 KRA conducted a social impact analysis of the following projects;

1. Kilifi District Hospital diabetes clinic
2. Nyeri County Referral Hospital Central, and
3. KNH Paediatric Cancer Ward

The social impact analysed the three key areas of impact namely; operational investment in relation to the beneficiaries, operational efficiency, the number of adopters, output and value added CSR induced changes in the hospitals above.

The following has been achieved following CSR programme intervention in the health sector:

**a) Kilifi District Hospital diabetes clinic**

- Improved service delivery. The hospital casualty area is decongested after the diabetic clinic was constructed at a different area. This means that diabetic patients do not have to go through the casualty to receive the specialized treatment.
- Increased number of patients from **36 to 1500** in the diabetic clinic
- Diabetic clinic sessions now occur twice a week whereas previously it was only open once a week.
- The clinic has expanded its support beyond Kilifi County to the neighbouring counties of Taita, Mombasa, Kwale, Tana River, Lamu ,Garissa and Nairobi

**b) Nyeri County Referral Hospital Central**

The handwashing till has greatly improved and promoted hygiene within the hospital, particularly during COVID-19 pandemic. It has facilitated in reducing diarrheal diseases due to improved good hand-washing practice by patients.

**c) KNH Paediatric Cancer Ward**

The role of play in child development cannot be understated at KRA, we understand the important role of a playground plays in a paediatric ward. We believe that it helps children to learn, develop and feel less anxious while in hospital. It helps them to express their feelings and worries, understand what is happening and cope with treatment. Following KRA's rehabilitation of the KNH Paediatric Cancer Ward Playground the following impact was noted:

- The playground has served as a therapeutic tool to distract the children from the unsettling hospital environment. Serving approximately 100 children per day.
- It has provided the children with an opportunity to interact with each other in a child friendly environment.

**Conclusion**

Staff involvement in CSR has helped to improve overall relationship and image of KRA. KRA will therefore continue to involve staff in all its CSR activities to enhance a good rapport with taxpayers. The Authority will also invest in CSR projects aimed at making positive contributions to our community and empowering Kenyans.



**FCCA, CS RISPAAH SIMIYU (Mrs.) Advocate, EBS**

**Ag, COMMISSIONER GENERAL**

## REPORT OF THE BOARD DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June, 2022 which show the state of Kenya Revenue Authority's affairs.

### Principal activities

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

### Results

The results of the Authority for the year ended June, 2022 are set out on pages 47 to 78.

### Directors

The Members of the Board who served during the year are shown on page 4 to 12.

### Auditors

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



.....

Paul Matuku, EBS

By Order of the Board

Board Secretary

Date: ..... 20/03/2023 .....

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The KRA Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Authority's financial statements were approved by the Board on 24<sup>th</sup> March 2023 and signed on its behalf by:



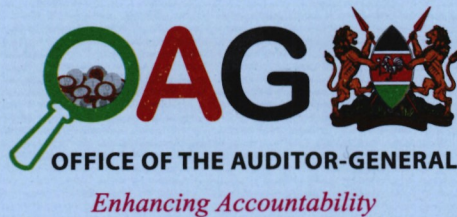
.....  
FCCA, CS RISPAAH SIMIYU (Mrs.) Advocate, EBS  
Ag. COMMISSIONER GENERAL



.....  
ANTHONY NG'ANG'A MWAURA  
CHAIRMAN

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial 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 financial 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 the 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, the Public Finance Management Act, 2012 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 FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Kenya Revenue Authority (KRA) set out on pages 47 to 77, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net

assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Revenue Authority as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Revenue Authority Act, 1995.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **1. Land Without Title Documents**

As reported in the previous year, the statement of financial position reflects a balance of Kshs.30,410,287,000 under property, plant and equipment which, as disclosed in Note 8 (ii) to the financial statements, includes eight (8) pieces of leasehold land with a total acreage of 21.5831 hectares and which the Authority is yet to receive title documents. The properties, with a net book value of Kshs.321,548,952 as detailed below, are said to be at various stages of registration with the National Land Commission and Ministry of Lands even though the issue of title documents has been outstanding for a long period of time.

	<b>Location</b>	<b>Acreage</b>	<b>Net Book Value (Kshs.)</b>	<b>Remarks</b>
1	Kisumu (Robert Ouko)	0.3483 Ha.	1,978,846	Residential Flats
2	Mombasa (Oceanic-Kizingo)	0.166 Ha.	145,312,500	24 Residential Units
3	Mtwapa	0.4048 Ha.	5,812,500	Residential Blocks
4	Kilifi	0.046 Ha.	6,781,250	Office Block, Residential Houses, and former VAT Offices
5	Horohoro	4.0 Ha.	26,100,000	Office Block

	<b>Location</b>	<b>Acreage</b>	<b>Net Book Value (Kshs.)</b>	<b>Remarks</b>
6	Namanga	4.0 Ha.	14,464,286	Office Block
7	Kisumu	2.662 Ha.	1,978,846	Residential Units
8	Busia	0.40 Ha.	14,531,250	Office Blocks
	<b>Total</b>	<b>12.0271</b>	<b>216,959,478</b>	

Further, the Authority was allocated five (5) plots of land in Hulugho, Amuma, Gerille, Elwak, and Diffu which has been gazetted as border entry points. The Authority was also allocated three (3) plots of land at Kainuk, Kakuma and Lodwar by the County Government of Turkana for regional cargo monitoring as detailed below:

	<b>Location</b>	<b>Acreage</b>	<b>Remarks</b>
1	Diffu Site - Wajir County	7.0 acres	Proposed site for One Stop Border Point
2	Gerille Site - Wajir County	1.3 acres	Proposed site for One Stop Border Point
3	Amuma Site - Garissa County	7.6 acres	Proposed site for One Stop Border Point
4	Hulugho Site - Garissa County	1.3 acres	Proposed site for One Stop Border Point
5	Elwak Site - Mandera County	30 acres	Proposed site for One Stop Border Point
6	Kainuk – Turkana County	7.9819Ha	Proposed site for Regional Cargo Monitoring
7	Kakuma – Turkana County	8.3056Ha	Proposed site for Regional Cargo Monitoring
8	Lodwar– Turkana County	68.5Ha	Proposed site for Regional Cargo Monitoring

The eight (8) plots of land have not been valued and are therefore excluded from the property, plant and equipment balance of Kshs.30,410,287,000.

Further, in the absence of title documents, it has not been possible to ascertain that all the above properties and improvements thereon belong to the Authority.

In the circumstances, the existence, completeness and accuracy of the property, plant and equipment balance of Kshs.30,410,287,000 as at 30 June, 2022 could not be confirmed as fairly stated.

## **2. Long Outstanding Payables**

The statement of financial position reflects a balance of Kshs.3,458,777,000 under payables which, as disclosed in Note 15 to the financial statements, includes an amount of Kshs.1,812,044,000 relating to trade creditors and accounts payables. The latter balance includes Kshs.230,641,507 for local creditors out of which an amount of Kshs.60,641,507 has been outstanding for more than 360 days. The balance of Kshs.60,641,507 relates to invoiced amounts by the Administration Police for guarding KRA premises for the period between July, 2016 and January 2018 before gazettelement of the Authority as a protected area vide Legal Notice No.96 of 17 April, 2019. However, records maintained by the State Department for Interior and Citizen Services indicated that the bill had accrued to Kshs.340,778,000 as at 30 June, 2022.

Available information indicated that the issue was discussed by the Public Accounts Committee (PAC) and PAC advised KRA to engage The National Treasury and the State Department of Interior and Coordination of National Government on the matter. However, and although Management has indicated its commitment to follow up the resolution of the issue, the bill continue to accrue and there is no evidence of the issue coming to a closure soon.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**31 March, 2023**

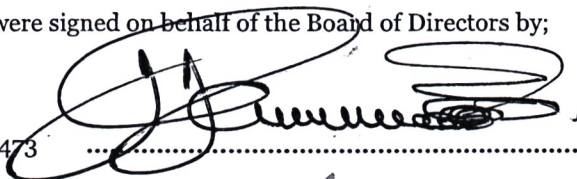
**KENYA REVENUE AUTHORITY**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2022**

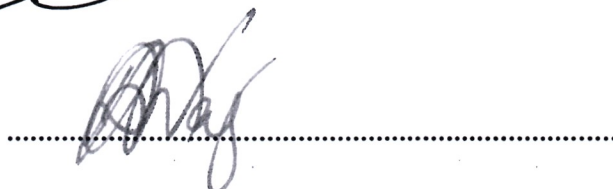
	NOTE	2021/2022 <u>Kshs'000</u>	2020/2021 <u>Kshs'000</u>
<b>REVENUE</b>			
<b>Revenue from non- exchange transactions</b>			
Deferred grant income amortisation	2	890,721	859,681
<b>Revenue from exchange transactions</b>			
Agency Income	3	29,135,657	20,557,087
Commissions Income	4(a)	2,943,483	2,759,009
Interest Income	4(b)	264,000	247,188
Other Income	4(c)	486,565	440,821
<b>TOTAL REVENUE</b>		<b><u>33,720,426</u></b>	<b><u>24,863,786</u></b>
<b>EXPENDITURE</b>			
Administrative Expenses	5	28,719,575	24,435,674
Operating Expenses	6	1,471,774	1,454,094
Maintenance Expenses	7	521,925	362,218
<b>TOTAL EXPENDITURE</b>		<b><u>30,713,274</u></b>	<b><u>26,251,986</u></b>
<b>Other gains/(losses)</b>			
Gain / (Loss) on disposal of assets		3,666	(181,829)
Loss on Write Off of Property	8	-	(968,834)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b><u>3,010,818</u></b>	<b><u>(2,558,863)</u></b>

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

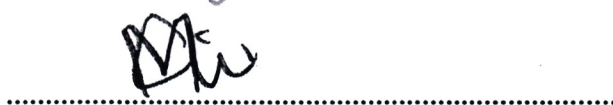
Josephat Omondi  
Head of Finance - ICPAK Member No. 3473



FCCA, CS Rispah Simiyu (Mrs.) Advocate, EBS  
Ag. Commissioner General



Anthony Ng'ang'a Mwaura  
Chairman



Date

24/03/2023

The notes set out on pages 52 to 75 form an integral part of the Financial Statements

Kenya Revenue Authority  
Annual Reports and Financial Statements  
for the year ended June 30, 2022

**KENYA REVENUE AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022**

	NOTE	2021/2022 Kshs '000	2020/2021 Kshs '000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Bank Balances	13	7,521,419	1,562,844
Stocks	14	84,493	98,164
Receivables	10	566,061	608,790
		<b>8,171,973</b>	<b>2,269,798</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	8	30,410,287	30,365,026
Intangible Assets	9	225,727	1,196,142
Amount due from Treasury	11	4,419,775	6,050,563
Security Deposits	12	3,059,484	2,838,361
		<b>38,115,273</b>	<b>40,450,092</b>
<b>Total Assets</b>		<b>46,287,246</b>	<b>42,719,890</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	15	3,458,777	2,634,849
Leave Pay and Gratuity Provision	16	1,969,422	2,113,225
Deferred Income Amortisation	24	890,721	836,294
		<b>6,318,920</b>	<b>5,584,368</b>
<b>Non Current Liabilities</b>			
Contribution to Government Pension Fund	17	6,705	6,705
Designated Fund	18	126,723	166,786
		<b>133,428</b>	<b>173,491</b>
<b>Total Liabilities</b>		<b>6,452,348</b>	<b>5,757,859</b>
<b>Net Assets</b>		<b>39,834,898</b>	<b>36,962,031</b>
Capital grants by the Treasury	19	19,255,649	18,644,300
Deferred Grants Income	24	465,304	943,737
Accumulated Fund		3,810,601	799,782
Revaluation Reserve		16,303,344	16,574,212
		<b>39,834,898</b>	<b>36,962,031</b>
<b>Total Net Assets and Liabilities</b>		<b>46,287,246</b>	<b>42,719,890</b>

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

Josephat Omondi  
Head of Finance - ICPAK Member No. 3473

FCCA, CS Rispah Simiyu (Mrs.) Advocate, EBS  
Ag. Commissioner General

Anthony Ng'ang'a Mwaura  
Chairman

Date

24/03/2022

The notes set out on pages 52 to 75 form an integral part of the Financial Statements

**KENYA REVENUE AUTHORITY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Capital Grants by Treasury	Deferred Grants Income	Accumulated Fund	Revaluation Reserve	Total Fund
		Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<b>1 July 2020</b>		<b>18,541,910</b>	<b>1,582,655</b>	<b>3,338,645</b>	<b>16,896,325</b>	<b>40,359,535</b>
Contribution for the year		102,390	220,762	-	-	323,152
Charge for the year		-	(859,680)	-	(322,112)	(1,181,792)
Deficit for the year				(2,538,863)		(2,538,863)
<b>At 30 June 2021</b>		<b>18,644,300</b>	<b>943,737</b>	<b>799,782</b>	<b>16,574,212</b>	<b>36,962,031</b>
<b>1 July 2021</b>		<b>18,644,300</b>	<b>943,737</b>	<b>799,782</b>	<b>16,574,212</b>	<b>36,962,031</b>
Contribution for the year	19	611,349	466,715	-	-	1,078,065
Deficit for the year		-	-	3,010,819	-	3,010,819
Charge for the year	24	-	(890,721)	-	(270,868)	(1,161,589)
Current portion of Deferred Income		-	(54,428)	-	-	(54,428)
<b>At 30 June 2022</b>		<b>19,255,649</b>	<b>465,304</b>	<b>3,810,601</b>	<b>16,303,344</b>	<b>39,834,898</b>

The notes set out on pages 52 to 75 form an integral part of the Financial Statements

**KENYA REVENUE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022**

		2021/2022 Kshs `000	2020/2021 Kshs `000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus / (Deficit) for the year		3,010,818	(2,538,863)
<b>Non- cash movements</b>			
Depreciation	8	1,299,149	1,112,552
Amortisation of Intangible Assets	9	990,582	972,860
Decrease in Amortisation of Deferred Income	24	(890,721)	(859,681)
(Gain) / Loss on disposal of Assets		(3,666)	181,829
Write - Off of Property Plant & Equipment	8	-	968,834
Increase in Security Deposits	12	(221,123)	(272,410)
Decrease in Stocks	14	13,671	13,808
Decrease/ (Increase) in Debtors and receivables	10 & 11	1,673,518	(2,856,738)
(Decrease) / Increase in Creditors, payables and Provisions	15 & 16	680,125	847,065
<b>Net cash flows from operating activities</b>		<b>6,552,353</b>	<b>(2,430,744)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant & Equipment	8	(1,186,781)	(1,759,459)
Proceeds from sale of Property, Plant & Equipment		23,961	23,237
<b>Net cash flows from investing activities</b>		<b>(1,162,820)</b>	<b>(1,736,222)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in Contribution by the National Treasury	19	142,390	102,390
Decrease in Designated Funds	18	(40,063)	(102,268)
Increase in Deferred Funding by the World Bank	24	287,661	189,772
Increase in Deferred Grants - Asset Donations	24	179,054	30,990
<b>Net cash flows from financing activities</b>		<b>569,042</b>	<b>220,885</b>
<b>NET INCREASE / (DECREASE) CASH AND CASH EQUIVALENTS</b>		<b>5,958,575</b>	<b>(3,946,080)</b>
Cash and cash equivalents at 1 July		1,562,844	5,508,924
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	13	<b>7,521,419</b>	<b>1,562,844</b>

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

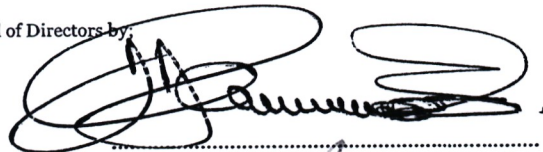
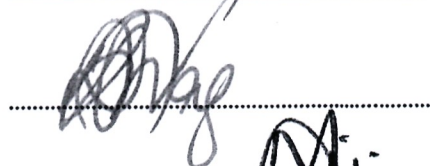
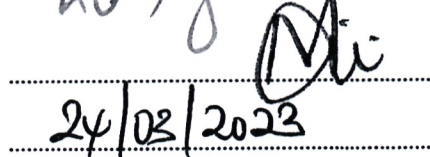
Josephat Omondi  
Head of Finance - ICPAK Member No. 3473

FCCA, CS Rispah Simiyu (Mrs.) Advocate, EBS  
Ag. Commissioner General

Anthony Ng'ang'a Mwaura  
Chairman

Date

The notes set out on pages 52 to 75 form an integral part of the Financial Statements

24/02/2023

Kenya Revenue Authority  
Annual Reports and Financial Statements  
for the year ended June 30, 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022						
	ADJUSTED BUDGET	ADJUSTMENTS	2nd REVISED BUDGET	ACTUAL COMPARABLE BASIS	PERFORMANCE DIFFERENCE	PERFORMANCE DIFFERENCE
	KSHS '000	KSHS '000	2021/2022 KSHS '000	2021/2022 KSHS '000	2021/2022 KSHS '000	2021/2022 (%)
<b>INCOME :</b>						
Agency fees	22,202,449	3,709,100	25,911,549	25,911,449	(100)	100%
Bonus Income	-	-	-	3,224,208	3,224,208	
Road Maintenance Levy	1,746,315	1,192	1,747,507	1,727,915	(19,592)	99%
Sale of Tamper- Proof seals	5,738	1,280	7,018	11,548	4,530	165%
Petroleum Development levy	571,245	(11,332)	559,913	536,988	(22,924)	96%
NTSA Agency Commission	12,617	(817)	11,801	10,215	(1,586)	87%
Interest income	176,660	36,602	213,262	264,000	50,738	124%
Transit Toll	25,931	760	26,691	28,098	1,406	105%
Rent receivable	11,527	(1,514)	10,014	6,160	(3,854)	62%
Public Overtime	1,001	449	1,450	1,910	461	132%
Institutional houses - rent	138,601	(586)	138,015	151,683	13,668	110%
Aviation Revenue	74,971	2,072	77,043	83,764	6,721	109%
Air Passenger Service charge	75,794	28,834	104,628	163,677	59,048	156%
KESRA Income	334,100	-	334,100	374,395	40,295	112%
Miscellaneous Income	96,644	(9,341)	87,303	626	(86,678)	1%
Nairobi City County Government	217,898	-	217,898	322,488	104,589	148%
Tax Appeals Tribunal Filing Fees	-	-	-	-	-	100%
Sugar Levy	-	-	-	10,582	10,582	100%
Deferred Income Amortisation	-	-	-	890,721	890,721	100%
Roll Over Funding	-	-	-	-	-	100%
<b>Total Operational Income</b>	<b>25,691,492</b>	<b>3,756,700</b>	<b>29,448,192</b>	<b>33,720,426</b>	<b>4,272,234</b>	<b>115%</b>
<b>STAFF COSTS:</b>						
Basic pay	13,843,004	(31,627)	13,811,377	13,746,832	(64,545)	100%
Other Staff Expenses	7,262,790	(280,000)	6,982,790	6,636,814	(345,976)	95%
Medical Expenses	653,504	875,313	1,528,817	1,545,102	16,285	101%
<b>Total Staff Salaries and Allowances</b>	<b>21,759,297</b>	<b>563,686</b>	<b>22,322,983</b>	<b>21,928,748</b>	<b>(394,236)</b>	<b>98%</b>
<b>OPERATIONAL Expenses:</b>						
Staff Welfare Expenses	22,995	(2,963)	20,032	22,506	2,474	112%
Training Expenses	91,839	67,570	159,409	161,796	2,387	101%
Uniform & Laundry Expenses	85,161	(17,763)	67,398	4,734	(62,664)	7%
Travel & Accomodation	210,955	272,230	483,185	510,713	27,528	106%
Utilities Expenses	449,722	80,800	530,522	497,967	(32,555)	94%
Building Repairs & maintenance	110,355	59,141	169,496	137,942	(31,555)	81%
Motor Running Expenses	238,995	59,510	298,505	302,449	3,943	101%
Motor boat running Expenses	15,387	(700)	14,687	4,563	(10,124)	31%
Scanner Expenses	431,703	(121,188)	310,516	379,421	68,905	122%
Rents & Rates	560,535	356,249	916,784	903,874	(12,910)	99%
Computer Software	571,398	538,682	1,110,081	1,048,077	(62,004)	94%
Computer Expenses	54,411	44,393	98,804	88,233	(70,572)	29%
Security Expenses	487,735	213,571	701,305	669,178	(32,127)	95%
Insurance Expenses	231,568	(8,600)	222,968	196,873	(26,095)	88%
Publicity & Advertising	72,492	96,560	169,052	144,910	(24,142)	86%
Taxpayers Education	91,420	(7,588)	83,832	86,136	2,304	103%
Consultancy	155,586	225,892	381,478	350,322	(31,156)	92%
Legal & Secretarial Expenses	18,271	3,000	21,271	14,533	(6,738)	68%
Directors' Expenses	30,000	16,600	46,600	39,935	(6,664)	86%
Bank Charges	30,056	(14,737)	15,319	10,052	(5,267)	66%
Conference Expenses	59,819	87,036	146,855	126,338	(20,516)	86%
Office Running Expenses	391,949	117,327	509,275	516,014	6,738	101%
Printing & Stationery Expenses	32,825	15,347	48,172	62,698	14,526	130%
Materials & Supplies Expenses (e-Seals)	213,157	(210,787)	2,370	-	(2,370)	0%
Enforcement Expenses	79,971	19,226	99,197	63,873	(35,324)	64%
Laboratory Expenses	16,250	(1,006)	15,244	5,086	(10,158)	33%
Depreciation Expenses	-	-	-	2,289,694	2,289,694	-
COVID - 19 Response	85,538	(40,000)	45,538	-	(45,538)	0%
Corporate Membership Subscriptions	30,920	6,500	37,420	33,615	(3,805)	90%
<b>TOTAL Operational Expenses</b>	<b>4,868,513</b>	<b>1,850,468</b>	<b>6,718,981</b>	<b>8,784,527</b>	<b>2,065,546</b>	<b>131%</b>
<b>TOTAL Recurrent Expenses</b>	<b>26,627,810</b>	<b>2,414,154</b>	<b>29,041,964</b>	<b>30,713,275</b>	<b>1,671,310</b>	<b>106%</b>
Less: Disposal of Fixed Assets				3,666		
Less: Write Off of PPE				-		
Less: Additional capital funding				-		
<b>(DEFICIT)/ SURPLUS FOR THE PERIOD</b>	<b>(936,318)</b>	<b>1,342,546</b>	<b>406,228</b>	<b>3,010,818</b>	<b>(2,604,590)</b>	
<b>Notes:</b>						

The notes set out on pages 52 to 75 form an integral part of the Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

### ADOPTION OF NEW AND REVISED STANDARDS

**New standards and amendments to published standards effective for the year ended 30 June 2021**

**i. Relevant new standards and amendments to published standards but not yet effective for the year ended 30 June 2022**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

**Kenya Revenue Authority  
Annual Reports and Financial Statements  
for the year ended June, 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 42:</b> Social Benefits	<b>Applicable: 1<sup>st</sup> January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2023:</b> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

**ii. Early adoption of standards**

The Authority did not early – adopt any new or amended standards in year 2021/2022.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Revenue Recognition**

**i) Agency Income**

In accordance with the Kenya Revenue Authority Act CAP 469, income to the Authority is “such amounts not exceeding 2% as may be determined by the Minister each financial year” of the total estimated revenue to be collected by the Authority on behalf of the Exchequer. In addition, the Authority is entitled to a Bonus of 3% of the surplus revenue collected above the estimates and also earns income from other activities. Agency Income is recognised.

**ii) Revenue from exchange transactions**

*Finance Revenue*

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

*Rental income*

Rental income is recognised on a straight line basis over the lease term.

*Commission revenue*

Commission income comprises agency fees charged on collections made on behalf of other regulatory bodies.

*Other operating income*

Other income is recognised when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be reliably measured.

**(b) Development funding and capital grants by the Treasury**

Grants by the Treasury in form of assets or funding for acquisition of major assets or development projects are recognized as a financing reserve when received. No repayment of the financing is expected by the Authority.

**(c) Property, Plant and Equipment**

All categories of property, plant and equipment are stated at cost or valuation less accumulated depreciation and annual impairment losses. Depreciation is calculated to write off the cost or valuation of each asset to its residual value where applicable, over the expected useful life of the asset in equal instalments. A full year's depreciation is charged in the year of purchase but no charge is made in the year of disposal.

The estimated useful life is as follows: -

Plant & Machinery	8 years
Equipment/Furniture/Fittings	8 years
Equipment – Loose Tools	5 Years
Boats	8 years
Motor Vehicles	5 years (with a 10% residual value)
Computers	3 years
Computer Software	3 Years
Buildings	40 years
Leasehold land	Over the remaining lease period

Gains or losses on property, plant and equipment are determined by reference to their carrying value and are taken into account in determining the surplus / (deficit) for the year.

**(d) Intangible Assets**

Intangible assets consist of various computer software systems purchased for use by the Authority. The Authority recognises Intangible Assets acquired separately at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over their useful lives as estimated by management from time to time.

**(e) Cash and Cash equivalents**

For purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and short-term deposits held with banks.

**(f) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Kenya Shillings at the rate ruling on that date. The resulting foreign exchange gains and losses are recognized on a net basis, differences are dealt with in the income and expenditure statement in the financial year in which they arise.

**(g) Employee benefits costs**

*(i) Retirement benefit obligations*

The Authority operates an hybrid pension scheme with a defined contribution plan for the permanent and pensionable employees. Payments to the scheme by the Authority are recognised as an expense when employees have rendered service entitling them to the contributions. The scheme is funded by contributions from both the entity and the employees. The entity and all employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

*ii) Other entitlements*

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for outstanding leave at the reporting date.

**(h) Inventories**

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

**(i) Receivables**

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counter party or when there is a default or delinquency in payment according to agreed terms. When a receivable is considered uncollectible it is written off. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance. Changes in the carrying amount of the allowance account are recognized in the Statement of Financial Performance.

**(j) Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), otherwise they are presented as non-current liabilities. Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

**(k) Provisions**

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

**(l) Budget information**

The KRA Board of Directors approved the original budget for FY 2021-2022 on 19<sup>th</sup> August 2021. An additional funding of 3.709 Billion was received from the National

Treasury to fund operations. The additional funding was incorporated in the Revised Budget prepared, presented to and approved by the Board on 20<sup>th</sup> May 2022 and signed on 31<sup>st</sup> May 2022. Further, due to funding shortages for critical activities, reallocation of funds across vote heads was prepared. This was incorporated in the Revised Budget which was presented and approved by the Board on 20<sup>th</sup> May and signed on 31<sup>st</sup> May 2022. The Revised Budget took into account the impact of changes in funding and expenditure patterns, Surplus in Appropriation-In-Aid and savings identified in Capital, Development and Revenue Expenditure.

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

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

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

**(m) Nature and Purpose of Reserves**

The Authority creates and maintains reserves in terms of specific requirements. The Authority has created Capital Grants from the National Treasury reserves to represent the National Treasury's input by directly funding capital development for the Authority. The Revaluation reserves represent the surplus arising from the revaluation of the Authority's Property, Plant and Equipment.

**(n) Related Parties**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

**(o) Critical Accounting Estimates and Judgements in applying the Authority's accounting policies**

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

**Critical accounting judgments in applying the Authority's policies**

*Impairment losses*

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

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*Plant and equipment*

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

*Contingent liabilities*

The directors evaluate the status of any exposures on a regular basis to assess the probability of the entity incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

**2. REVENUE FROM NON EXCHANGE TRANSACTIONS**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Amortisation of grants deferred Income	890,721	859,681
	<u><b>890,721</b></u>	<u><b>859,681</b></u>

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

**3. REVENUE FROM EXCHANGE TRANSACTIONS**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Agency Income	25,911,449	20,361,521
Bonus	3,224,208	195,566
	<u><b>29,135,657</b></u>	<u><b>20,557,087</b></u>

The Agency Income is provided for in accordance with the provisions of the Kenya Revenue Authority Act CAP 469 Section 16. The Bonus Income is provided for at 3% of surplus revenue collection in a quarter in the period in accordance with KRA Act Section 16(b).

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**4. REVENUE FROM EXCHANGE TRANSACTIONS**

*a. Commissions Income*

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Road Maintenance Levy Commission	1,727,915	1,746,315
Aviation Revenue Commission	83,764	66,386
Air Passenger Service Charge Commission	163,677	59,927
NCCG Commission Income	322,488	261,604
KEBS & Sugar Levy Agency Income	10,582	10,089
Road Transit Toll	28,098	23,703
National Transport & Safety Authority Commission	10,215	11,725
Petroleum Development Levy	536,988	517,600
KAA Concession Fees	2,971	2,898
Petroleum Regulatory Levy	24,650	25,034
Merchant Shipping Service Levy	32,135	33,728
	<u><b>2,943,483</b></u>	<u><b>2,759,009</b></u>

The Agency Income represents 2% of the collected revenue as per the Service Level Agreements (SLAs) with government agencies.

- The decrease in Road Maintenance Levy Commission is attributable to a decrease in Road Maintenance Levy collections.
- The increase in Air Passenger Service Charge Commission and Aviation Revenue is attributable to increased activities following resumption of international flights.
- The increase in Petroleum Development Levy Commission is attributable to an increase in collections due to increased volumes
- The increase in NCCG Commission is attributable to direct costs incurred in the collection of the County Government's levies.

*b. Interest Income*

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Interest on Fixed Deposits	242,877	230,100
Interest on Security Deposits	21,123	17,087
	<u><b>264,000</b></u>	<u><b>247,188</b></u>

Interest Income consists of incomes from deposits placed on Short Term Fixed Deposits and on Security Deposits on back up funds on staff mortgage and staff car loan schemes. The increase in interest income is due to the increase in deposit base.

*c. Other Incomes*

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Sale of Tamperproof Seals	11,548	8,271
Public Overtime	1,910	1,509
Tax Appeals Tribunal (TAT) Filing Fees	-	49,717
Staff Housing Rental Income	151,683	130,180
Property Rental Income	6,160	9,507
KESRA Incomes	374,395	220,128
Insurance Commission	5,931	5,520
Miscellaneous Income **	65,062	15,989
	<u><b>486,565</b></u>	<u><b>440,821</b></u>

\*\* Miscellaneous income consists of income from sale of tender documents, staff identity cards and gains / losses on foreign exchange on payments.

- In the FY 2021/22, the TAT is separately funded by the National Treasury.

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- The increase in KESRA Incomes is due to increased student enrolment by 62% (from 891 to 1,442 students).
- The decrease in other miscellaneous Incomes is due to foreign exchange loss on payments to foreign suppliers.
- The increase in sale of tamper proof seals is attributable to increase in the number of export shipment.

*d. Other Funds Receivable*

In the FY 2021/2022 the Authority received a total of Kshs. 2,134,239,152.54 from KCB being payments on penalties incurred due to delayed transfer of revenue taxes to CBK accounts as per the SLA terms which require revenue transfers to be done on a T+2 period. These penalties were accrued before the enactment of the Tax Laws Amendment Act of April 2020 which classified subsequent penalties as part of tax debt enforceable under tax laws. The Authority obtained the approval of the CS – National Treasury and Planning on 22<sup>nd</sup> August 2022 as provided under the KRA Act Section 16 (i) part (d) to utilise these funds for priority projects in the KRA 4<sup>th</sup> ICT Strategy.

As at 30<sup>th</sup> June 2022, the funds were held in the Revenue Payment Account at the Central Bank of Kenya (CBK) awaiting the National Treasury approval to enable recognition in the Financial Statements.

**5. ADMINISTRATIVE COSTS**

*a. Staff and Employee Costs*

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Salaries & Allowances	20,527,448	17,650,758
Medical Expenses	1,545,132	1,215,876
Provision for Staff Leave	(329,542)	(232,782)
Provision for Staff Contract Gratuity & Severance Pay	185,709	241,590
	<b>21,928,747</b>	<b>18,875,443</b>

*b. Other Administrative Costs*

	<b>Kshs '000</b>	<b>Kshs '000</b>
Travelling & Accommodation	510,713	275,470
Utilities	497,967	473,683
Staff Welfare	22,506	20,694
Printing & Stationery	62,698	68,744
Consultancy	308,554	278,121
Electronic Seals Managements Services	248,380	-
Computer Expenses	1,048,077	817,949
Training	161,796	108,220
Office Running Expenses	516,014	484,759
Insurances	196,873	194,371
Board Expenses (i)	39,935	23,069
Conference Expenses	126,338	57,836
Consumable Stores	28,233	19,278
Security Expenses	669,178	567,033
Enforcement Expenses	63,873	85,590
Depreciation Charge	1,299,112	1,112,552
Amortisation of Intangible Assets	990,582	972,860
	<b>6,790,828</b>	<b>5,560,231</b>
<b>TOTAL ADMINISTRATIVE COSTS</b>	<b>28,719,575</b>	<b>24,435,674</b>

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- The increase in salaries and allowances is attributable to conversion of 2,246 staff members from Fixed Term Contract to Permanent and Pensionable terms and the annual salary increment.
- The increase in medical expenses is attributable to increase in staff numbers in the period.
- The decrease in provision for leave is attributable to increased utilisation of leave days by staff.
- The decrease in provision for contract gratuity and Severance pay is due to payment made and conversion of Fixed Term Contract staff to Permanent and Pensionable terms.
- The increase in Travel and Accommodation is due to travel for Revenue collection enhancement measures, senior management trainings and revenue growth strategy retreats in the period. Also, there was limited travel in the FY 2020/2021 due to the COVID – 19 pandemic.
- The increase in utilities is attributable increase in data and internet connectivity to enhance tax collection.
- The increase in consultancy expenses is attributable to increased engagement of trainers in KESRA due to increase in student enrolment.
- The payment for Electronic Seals Management Service fees commenced in FY 2021/2022.
- The increase in computer expenses is attributable to increased annual maintenance costs for ICT systems including Microsoft licenses, Oracles support and licenses, Simba and CCRS systems and iSupport.
- The increase in training expenses is attributable to training expenses for Customs Border Control officers and senior management trainings.
- The increase in conference expenses is attributable to increased conference facilities for strategy meetings retreats in the period.
- The increase in Consumable Stores is attributable to provision for materials for sanitisation & disinfection services.
- The increase in security expenses is attributable to additional guards and increased rate for hired security services.
- The increase in depreciation and is mainly attributable to capitalisation of Electronic Seals.
- The decrease in enforcement expenses is attributable to enhancement of Multi-Agency activities in the FY 2020/2021 as compared to FY 2021/2022.

*i. Board Expenses*

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Directors' fees	13,775	12,444
Sitting Allowances	8,155	7,718
Accommodation & Travel Expenses	18,006	2,908
	<u><b>39,935</b></u>	<u><b>23,069</b></u>

- The increase in Accommodation and Travel is attributable training programs and workshops for the Board members in FY 2021/22.

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**6. OPERATING EXPENSES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Rent & Rates	903,874	840,607
Taxpayer Education	86,136	69,461
Motor Running Expenses	302,449	208,224
Advertising & Public Relations	144,910	148,350
Secretarial Expenses	14,533	20,727
Tax Appeals Tribunal (TAT) Expenses	-	132,963
Uniforms & laundry	4,734	127
Bank Charges	10,052	26,422
Laboratory Expenses	5,086	7,212
	<u>1,471,774</u>	<u>1,454,094</u>

- The increase in Rent and Rates is attributable to rent for additional offices and also escalation of lease contract amounts.
- The increase in Taxpayer Education expenses is attributable to enhanced uptake of media services during the Voluntary Tax Disclosure (VTD) and Taxpayer Activation campaigns in the period.
- The increase in motor vehicle expenses is attributable to leasing of motor vehicles effective January 2022.
- In the FY 2021/22, the TAT is separately funded by the National Treasury.
- The decrease in bank charges is attributable to decrease in the number of transactions through the Common Cash Receipting System (CCRS) with the uptake of the Integrated Customs Management System (ICMS), which does not attract commissions.

**7. MAINTENANCE EXPENSES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Building Repairs & Maintenance	137,942	137,841
Scanner Maintenance (a)	379,421	218,288
Motor Boat Expenses	4,563	6,088
	<u>521,925</u>	<u>362,218</u>

(a) Scanner expenses

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Annual Maintenance Contract	223,155	211,940
Scanner Leasing Expenses	156,266	-
Routine Maintenance and Other Expenses		6,348
	<u>379,421</u>	<u>218,288</u>

The Authority leased 7 scanners in the financial year for use at the border/entry and exit points.

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**8. PROPERTY, PLANT AND EQUIPMENT.**

**(i)**

	LAND BUILDING	PLANT & MACHINERY	MOTOR VEHICLE	OFFICE EQUIPMENTS & FURNITURE	OFFICE EQUIPMENTS LOOSE TOOLS	COMPUTERS	MOTOR BOATS	WIP	TOTAL
	KSHS'000'	KSHS'000'	KSHS'000'	KSHS'000'	KSHS'000'	KSHS'000'	KSHS'000'	KSHS'000'	KSHS'000'
<b>VALUATION</b>									
1 July 2021	22,744,164	2,535,201	1,071,954	987,494	1,265,710	1,104,281	398,693	5,645,653	35,753,150
Additions	468,958.94	187,774	198,700	222,824	-	84,896	-	479,361	1,642,514
Transfer of WIP	1,427,294	203,904	-	-	-	-	-	(1,638,138)	(6,941)
Disposal	-	(9,000)	(89,807)	-	(8,083)	-	-	-	(106,890)
<b>30 June 2022</b>	<b>24,640,417</b>	<b>2,917,879</b>	<b>1,180,847</b>	<b>1,210,318</b>	<b>1,257,627</b>	<b>1,189,177</b>	<b>398,693</b>	<b>4,486,876</b>	<b>37,281,834</b>
<b>DEPRECIATION</b>									
1 July 2021	2,101,558	1,038,609	537,969	338,174	289,487	796,278	286,052	-	5,388,126
Charge for the Year	237,451	342,090	125,359	141,849	253,043	197,814	1,542	-	1,299,149
Dep. On Reval	226,308	(25,384)	48,189	-	-	-	25,198	-	274,311
Disposal / Retirement	-	(5,437)	(80,946)	-	(3,654)	-	-	-	(90,038)
<b>30 June 2022</b>	<b>2,565,317</b>	<b>1,349,877</b>	<b>630,570</b>	<b>480,023</b>	<b>538,876</b>	<b>994,092</b>	<b>312,793</b>	<b>-</b>	<b>6,871,547</b>
<b>NET BOOK VALUES:</b>									
<b>30 June 2022</b>	<b>22,075,100</b>	<b>1,568,002</b>	<b>550,277</b>	<b>730,295</b>	<b>718,751</b>	<b>195,086</b>	<b>85,900</b>	<b>4,486,876</b>	<b>30,410,287</b>
<b>VALUATION</b>									
1 July 2020	20,231,367	3,504,767	1,017,823	723,093	785,351	979,292	389,138	8,827,576	36,458,407
Additions	21,904	17,124	147,566	264,401	480,358	124,989	9,554	686,950	1,752,846
Write off	(1,079,599)	(986,690)	-	-	-	-	-	-	(2,066,289)
Transfer of WIP	3,570,493	-	-	-	-	-	-	(3,868,871)	(298,378)
Disposal	-	-	(93,436)	-	-	-	-	-	(93,436)
<b>30 June 2021</b>	<b>22,744,164</b>	<b>2,535,201</b>	<b>1,071,954</b>	<b>987,494</b>	<b>1,265,710</b>	<b>1,104,281</b>	<b>398,692</b>	<b>5,645,656</b>	<b>35,753,150</b>
<b>DEPRECIATION</b>									
1 July 2020	1,811,815	1,493,619	477,507	226,607	52,357	616,873	260,505	-	4,939,283
Charge for the Year	168,885	330,038	85,088	111,659	237,129	179,404	348	-	1,112,551
Dep. On Reval	231,623	201,642	55,744	(92)	-	-	25,198	-	514,116
Write off	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposal	(110,765)	(986,690)	(80,371)	-	-	-	-	-	(1,177,826)
<b>30 June 2021</b>	<b>2,101,558</b>	<b>1,038,609</b>	<b>537,969</b>	<b>338,174</b>	<b>289,486</b>	<b>796,278</b>	<b>286,052</b>	<b>-</b>	<b>5,388,125</b>
<b>NET BOOK VALUES:</b>									
<b>30 June 2021</b>	<b>20,642,606</b>	<b>1,496,592</b>	<b>533,985</b>	<b>649,320</b>	<b>976,224</b>	<b>308,003</b>	<b>112,640</b>	<b>5,645,656</b>	<b>30,365,026</b>

**(ii) Land & buildings**

The Authority received several leasehold properties (land and buildings) from the government at inception in 1995. The Authority was not required to pay for the property hence did not incur any cost on the same. To recognize the property in its books, the Authority undertook a professional valuation of the land and buildings in 1996 and the values were adopted in the Authority's statement of financial position. The assets were revalued again in the Financial Year 2016/17 and the values adopted in the statements.

The Authority is yet to receive title documents for 8 pieces of leasehold land from the Government. These properties are at various stages of registration with the Commissioner of Lands. Another title deed is in the name of East African Common Services Authority (EACSA) and the process of transfer of the title is ongoing. The Authority was allocated 8 plots of land in Halugho, Amuma, Gerille, Elwak & Diff which have been gazetted as border entry points. The Authority was further allocated 3 plots of land at Kainuk, Kakuma and Lodwar by the Turkana County Government to develop and use the proposed land for the purposes of Regional Cargo monitoring. The total (8 plots) are yet to be valued and the Authority is in the process of acquiring title documents.

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**(iii) Capital Work In Progress**

	<b>2021/2022</b> <b>Kshs '000</b>	<b>2020/2021</b> <b>Kshs '000</b>
Datawarehouse and Business Intelligence	502,765	502,765
New Data Centre (CBC)	1,781,920	1,781,920
CBM Rehabilitation of Border Stations	450,257	304,788
Integrated Customs Management System	587,786	551,417
Scanner Networking & Command Centre	438,440	438,440
TIMS Implementation	124,976	124,976
ICT Security Tools	145,365	100,743
ITSM Tools	4,436	4,436
Rehabilitation of Kilindini Infrastructure	296,669	194,525
Case Management System	3,638	3,638
Ushuru Towers Fit Out Phase II	50,404	-
New Data Centre (Times Towers)	100,220	-
Moyale & Namanga One Stop Border Posts	-	1,350,279
Customer Service Centre Fit Out (Banking Hall)	-	44,683
Renovation of JKIA Offices	-	15,964
Rehabilitation of Lamu Office	-	16,197
Replacement of Lifts (Times Towers)	-	203,904
eBoard System	-	6,980
<b>TOTAL</b>	<b>4,486,876</b>	<b>5,645,656</b>

The Authority transferred the value of 2 OSBPs amounting to Kshs. 1.3 Billion, in addition to 5 other projects amounting to KShs. 287 Million from Work In Progress (WIP) to PPE the projects' completion.

**9. INTANGIBLE ASSETS**

	<b>2021/2022</b> <b>Kshs '000</b>	<b>2020/2021</b> <b>Kshs '000</b>
<b>COST</b>		
1 July	3,599,344	3,294,352
Additions	13,226	6,613
Transfer from WIP	6,940	298,379
30 June	<b>3,619,510</b>	<b>3,599,344</b>
<b>AMORTISATION</b>		
1 July	2,403,202	1,430,341
for the year	990,582	972,860
30 June	<b>3,393,783</b>	<b>2,403,201</b>
<b>NET BOOK VALUE</b>		
30 June	<b>225,727</b>	<b>1,196,142</b>

The intangible assets are made up of different IT software in use by the Authority. Included in the Intangible Assets are fully amortised assets whose original cost was Kshs.3,177,698,252. Additions for the year related to the capitalisation of the eBoard Management system and the enhancements to the Simba system.

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**10. RECEIVABLES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Trade Debtors</b>		
Other Agency debtors	370,470	207,227
Rent Receivable	73,247	73,945
<i>Less: Provision for Doubtful Debt</i>	<i>(73,232)</i>	<i>(73,232)</i>
Interest Receivable	18,680	2,045
	<u><b>389,165</b></u>	<u><b>209,984</b></u>
<b>Other Debtors</b>		
Staff Debtors	109,086	136,498
Prepayments	53,306	211,708
Other Debtors	14,503	50,600
	<u><b>176,896</b></u>	<u><b>398,806</b></u>
<b>Debtors Total</b>	<u><u><b>566,061</b></u></u>	<u><u><b>608,790</b></u></u>

Other agency debtors represent outstanding commission on collection of revenues on behalf of other organisations. Staff debtors mainly comprise of outstanding travel imprests, loans for acquisition of laptops and medical advances.

The increase in Other Agency Debtors is attributable to commission due from the Nairobi County Government.

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

**11. AMOUNT DUE FROM TREASURY**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>1 July</b>	6,050,563	3,364,046
Accrued in the year	29,135,658	20,557,087
Amount received in the year	<u>(30,766,446)</u>	<u>(17,870,570)</u>
<b>30 June</b>	<u><b>4,419,775</b></u>	<u><b>6,050,563</b></u>

The amount represents outstanding agency commission and bonus earned (for surplus revenue collection as per KRA Act Section 16(b)) in the financial year ended June 2021.

**12. SECURITY DEPOSITS**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Savings & Loan (k) Ltd	2,106,564	1,912,790
Housing Finance	707,778	681,839
National Bank of Kenya Ltd	220,142	218,732
Higher Educations Loans Board (HELB)	25,000	25,000
	<u><b>3,059,484</b></u>	<u><b>2,838,361</b></u>

The deposits with Savings & Loans, National Bank and Housing Finance are placed as security against staff mortgage advances and car loans (National Bank – Kshs. 167 Million). Deposits with HELB are placements against college fees issued to staff for further studies.

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**13. CASH AND BANK BALANCES**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Cash in Hand	1,637	1,795
Cash at Bank	2,877,348	649,991
Fixed Deposits	4,642,434	911,058
	<u>7,521,419</u>	<u>1,562,844</u>

The fixed deposits are made up of one month deposits in the commercial banks shown below. The maturity period for the deposits is between July and August 2022. The funds are fully committed against creditors (note 15), ongoing commitments (note 21) and various funds held by the Authority at the end of the financial year. The Authority received Kshs. 2,040 Million on 30<sup>th</sup> June 2022.

The analysis of Cash in Hand is as below;

**Cash in Hand**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
<b><u>Station</u></b>		
Nairobi	500	500
Mombasa	200	200
Thika	63	78
Nyeri	50	14
Kisumu	200	200
Namanga	50	50
Nakuru	57	58
Eldoret	175	109
Embu	25	-
Garissa	-	40
Loitoktok	-	100
KESRA NBI	68	211
KESRA MSA	150	150
JKIA	64	64
Meru	36	20
	<u>1,637</u>	<u>1,795</u>

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The analysis of Cash at Bank is as below;

**Cash at Bank**

<u>Station</u>	<u>Account No.</u>	<u>Bank</u>	<b>2021/2022</b> <b>Kshs '000</b>	<b>2020/2021</b> <b>Kshs '000</b>
Nairobi Main Account	01023015000000	National Bank of Kenya	2,506,239	466,696
Nairobi Dollar Account	002023015000800	National Bank of Kenya	11,605	10,496
Excise Stamps Account	01023121375100	National Bank of Kenya	152,989	75,821
KRA East African Regional Transport Account	01020014867900	National Bank of Kenya	6,363	2,288
Horn of Africa Gateway Development Project	01071233555600	National Bank of Kenya	123,917	54,148
Kenya School of Revenue Administration Account - Nairobi	01023015000900	National Bank of Kenya	44,612	16,921
Kenya School of Revenue Administration Dollar Account	02020015000900	National Bank of Kenya	3,701	3,745
Kenya School of Revenue Administration Account - Mombasa	01071015000900	National Bank of Kenya	349	6
Kenya School of Revenue Administration Account - Nairobi	01136743362900	COOP Bank	8,632	8,524
Mombasa Account	0100157035200	National Bank of Kenya	4,288	2,509
Nyeri Account	01001043153000	National Bank of Kenya	1,108	204
Kisumu Account	01023024672900	National Bank of Kenya	4,877	1,354
Nakuru Account	01001020365300	National Bank of Kenya	1,397	1,499
Eldoret Account	01023028526700	National Bank of Kenya	3,574	3,984
Embu Account	01023068681400	National Bank of Kenya	2,234	582
Thika Account	01023076219300	National Bank of Kenya	259	330
JKIA Account	01003058936400	National Bank of Kenya	150	54
Machakos Account	01023078537500	National Bank of Kenya	400	400
Garissa Account	01001079045300	National Bank of Kenya	494	209
Namanga Account	1112179674	Kenya Commercial Bank	4	48
Meru Account	01023040511600	National Bank of Kenya	156	173
			<b>2,877,348</b>	<b>649,991</b>

**Fixed Deposits**

	<b>2021/2022</b> <b>Kshs '000</b>	<b>2020/2021</b> <b>Kshs '000</b>
National Bank of Kenya	2,323,588	-
Cooperative Bank of Kenya	950,000	-
Kenya Commercial Bank - Gratutiy	1,316,025	513,886
KESRA - Cooperative Bank of Kenya	52,820	397,172
	<b>4,642,434</b>	<b>911,058</b>

The amount held in Kenya Commercial Bank includes Kshs. 916 Million (2020/2021 Kshs. 513 Million) deposits for Contract staff Gratuity provisions for payments as they fall due.

**14. STOCKS**

	<b>2021/2022</b> <b>Kshs '000</b>	<b>2020/2021</b> <b>Kshs '000</b>
General Stationery	48,787	61,901
Printed Stores Inventory	4,927	6,373
Computer Consumable Inventory	23,330	21,092
Miscellaneous Stores Inventory	7,450	8,797
	<b>84,493</b>	<b>98,164</b>

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**15. PAYABLES**

	2021/2022 Kshs '000	2020/2021 Kshs '000
Trade Creditors and Accounts Payable	1,812,044	1,241,313
Payroll Deduction and Staff Creditors	1,559,607	1,302,136
Taxes	87,126	91,400
	<u>3,458,777</u>	<u>2,634,849</u>

Trade creditors and accounts payables represent the outstanding payments to suppliers and other parties, Payroll deductions include outstanding amounts for statutory deductions, loans, SACCOS contributions and others. Staff creditors comprise of outstanding payments due to staff and funds for staff welfare associations. The increase in Payroll deductions and Staff Creditors is due to increase in accrual of staff performance bonus for the financial year 2021/2022.

Included in Accounts Payable is a balance of Kshs. 153 Million (analysed below) in the sale of Excise Stamps Account held for payment to the suppliers of the Stamps.

**Excise Stamps Fund Account**

	2021/2022 Kshs '000	2020/2021 Kshs '000
Balance B/F	75,819	725,962
Total Receipts	3,337,549	3,726,301
Total Payments	(3,260,380)	(4,376,444)
Balance C/F	<u>152,988</u>	<u>75,819</u>

**16. LEAVE PAY, CONTRACT GRATUITY & STAFF PROVISIONS**

	2021/2022 Kshs '000	2020/2021 Kshs '000
Provision for staff leave	580,607	910,149
Provision for Gratuity	879,342	542,956
Provision for Staff on Suspension	407,968	390,793
Provision for Severance Pay	101,505	269,327
	<u>1,969,422</u>	<u>2,113,225</u>

Leave pay provision is in respect of leave days earned by staff members but not taken as at 30<sup>th</sup> June 2022. Contract gratuity provision is in respect of gratuity accrued for staff on contract terms for the period to 30<sup>th</sup> June 2022. Provision for staff on suspension relates to unpaid accrued salaries and allowances for staff members who are on suspension. Provision for Severance Pay is for the Fixed Term Contract staff. The decrease in provision for severance pay is due to payment to staff who were converted to permanent and pensionable terms.

**17. CONTRIBUTION TO GOVERNMENT PENSION FUND**

	2020/2021 Kshs '000	2020/2021 Kshs '000
<b>1 July</b>	6,705	6,705
<b>Paid</b>	-	-
<b>30 June</b>	<u>6,705</u>	<u>6,705</u>

This amount relates to contributions made to the Government pension during the nine-month secondment period from October 1995 to June 1996 for pensionable staff who were transferred from the Treasury to the Authority. The amount falls due for payment on retirement of an officer and is then transferred to the Treasury to facilitate payment of the pension.

#### 18. DESIGNATED FUNDS

	2021/2022 Kshs '000	2020/2021 Kshs '000
1 July	166,786	269,054
Expenses	(40,063)	(102,268)
30 June	<u>126,723</u>	<u>166,786</u>

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

#### 19. CAPITAL / DEVELOPMENT GRANTS BY THE NATIONAL TREASURY

	2021/2022 Kshs '000	2020/2021 Kshs '000
1 July	18,644,300	18,541,910
<b>Contribution in the Year</b>		
ERP system for Support Services	60,000	20,000
Cordinated Border Management Project	40,000	40,000
Data Centre Project (Disaster Recovery)	42,390	42,390
	<b>142,390</b>	<b>102,390</b>
30th June	<u>18,786,690</u>	<u>18,644,300</u>

The amounts represent assets and funds provided by the Treasury. The Treasury separately funds the major reform and modernization programmes undertaken by the Authority in all departments for revenue enhancement and efficient service delivery.

#### 20. RETIREMENT BENEFIT COSTS

During the year ended 30<sup>th</sup> June 2022, Kshs. 1,078 Million (2020 Kshs. 895 Million) was paid as contributions to the staff pensions scheme. The scheme changed from a defined benefit plan to a Defined Contribution Scheme with a defined benefit section and a defined contribution section with effect from 1 July 2005. Under the defined benefit scheme, the employer contribution on actuarial advice was maintained at 13.2% per member while a rate of 14% was adopted for the defined contribution scheme. Employees contribute 7.5% of their salaries for both sections of the scheme. The value of Net Assets available for benefits was Kshs. 24,590 Million as at 30<sup>th</sup> June 2021 as per the scheme's Financial Statements.

#### 21. CAPITAL COMMITMENTS

	2021/2022 Kshs '000	2020/2021 Kshs '000
Approved and contracted	1,603,000	915,081
Approved and not contracted	558,974	2,438,040
	<u>2,161,974</u>	<u>3,353,121</u>

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**22. RECURRENT COMMITMENTS**

	2021/2022 Kshs '000	2020/2021 Kshs '000
30 June	<u>2,348,624</u>	<u>2,112,530</u>

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

**23. EMPLOYEES**

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

	June 2022	June 2021
Executive Contract Staff	187	178
Permanent & Pensionable	7,150	4,976
Fixed Term Contract Staff	<u>1,156</u>	<u>2,837</u>
	<u>8,493</u>	<u>7,991</u>

**24. DEFERRED GRANT INCOME RECONCILIATION**

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

**i) Deferred grant income reconciliation**

	2021/2022 Kshs '000	2020/2021 Kshs '000
At 1 July	1,780,031	2,418,950
EARTTFP Funds	287,661	180,218
Motor Vehicles	6,375	30,990
Scanners (China Govt., US Embassy & UN)	172,680	-
Lake Boat (KRA 007)	-	9,555
Additions in the Year	466,715	220,762
Amortisation	<u>(890,721)</u>	<u>(859,681)</u>
<b>At 30 June</b>	<u>1,356,025</u>	<u>1,780,031</u>
Grant income to be amortised within one year	<u>890,721</u>	<u>896,294</u>
<b>At the end of the period</b>	<u>465,304</u>	<u>943,737</u>

The amounts represent assets and funds provided by Donors both directly or through the National Treasury towards reform and modernization programmes undertaken by the Authority in all departments for revenue enhancement and efficient service delivery. The donation are analysed below.

Donor Funded Projects							
FINANCIAL YEAR	ASSET DESCRIPTION	DONOR	AMOUNT Kshs. '000	BAL AS AT 1st July 2021 Kshs. '000	ADDITIONS 2020/2022 Kshs. '000	CHARGE - 2021/2022 Kshs. '000	BAL AS AT 30th JUNE 2022 Kshs. '000
2008/2009	Motor Boats	World Bank	131,765	-	-	-	-
2009/2010	Motor Boats	World Bank	-	-	-	-	-
2009/2010	Scanner	World Bank	141,222	-	-	-	-
2010/2011	Local Area Network System	World Bank	8,915	-	-	-	-
2011/2012	Power back Up - Times Towers	World Bank	135,146	-	-	-	-
2011/2012	Motor Vehicle/ Audit Software / Server and Computers	World Bank	76,791	-	-	-	-

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2012/2013	Gas Chromatograph Mass Spectrometer System	World Bank	21,895	-	-	-	-
2013/2014	High Speed Server	World Bank	193,293	-	-	-	-
2015/2016	3 Scanners	China Gvt	1,224,773	459,290	-	153,097	306,193
2016/2017	Motor Vehicles	JICA	27,955	2,797	-	2,797	-
2017/2018	10 CT Baggage Scanners	China Gvt	1,175,008	587,494	-	146,881	440,613
2018/2019	Datawarehouse and Business Intelligence	SIDA & DANIDA	486,048	162,016	-	162,016	-
2018/2019	New Data Centre (CBC)	TMEA & GOK	573,011	191,004	-	191,004	-
2018/2019	Integrated Customs Management System	TMEA	498,984	166,338	-	166,338	-
2018/2019	EARTTF Funding (Training)	World Bank	44,140				
2020/2021	EARTTF Funding (Training)	World Bank	48,734	2,287	58,216	54,141	6,362
2021/2022	EARTTF Funding (Training)	World Bank	58,216				
2020/2021	Horn of Africa Funding	World Bank	54,148				
2021/2022	Horn of Africa Funding	World Bank	70,066	54,148	70,066	297	123,917
2020/2021	Kilindini Port ICT Infrastructure	World Bank	86,166	86,166	-	-	86,166
2020/2021	Kilindini Port ICT Infrastructure	World Bank	27,941	27,941	-	-	27,941
2020/2021	EARTTF Funding (Training)	World Bank	23,250	-	-	-	-
2021/2022	Kilindini Port ICT Infrastructure	World Bank	50,582	-	50,582	-	50,582
2021/2022	Kilindini Port ICT Infrastructure	World Bank	17,156	-	17,156	-	17,156
2021/2022	Kilindini Port ICT Infrastructure	World Bank	19,848	-	19,848	-	19,848
2021/2022	9 Motor Vehicles	World Bank	71,793	-	71,793	5,479	66,314
2020/2021	3 Motor Vehicles	JICA	30,990	30,990	-	5,578	25,412
2020/2021	1 Patrol Boat	JICA	9,554	9,554	-	1,194	8,360
2021/2022	2 Motor Vehicles	JICA	6,375	-	6,375	96	6,280
2021/2022	4 Hand Held Scanners	US Embassy	26,000	-	26,000	276	25,729
2021/2022	1 Baggage Scanner	UN	10,381	-	10,381	108	10,273
2021/2022	1 Mobile Cargo Scanner	China Gvt	136,299	-	136,299	1,420	134,879
			<b>5,486,447</b>	<b>1,780,026</b>	<b>466,716</b>	<b>890,721</b>	<b>1,356,026</b>

## 25. RELATED PARTIES

### Nature of Related Party Relationships

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

### Government of Kenya

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

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

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

**(a) Transaction**

**i) Government of Kenya**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Capital Grants	142,390	102,390
Agency Income	25,911,449	20,361,521
Bonus	3,224,208	195,566
	<u>29,278,047</u>	<u>20,463,911</u>

**ii) Key management compensation**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Salaries and other short - term employment benefits	147,191	158,812
	<u>147,191</u>	<u>158,812</u>

**iii) Directors' remuneration**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Fees and other Emoluments (note 5)	39,935	23,069
	<u>39,935</u>	<u>23,069</u>

**(b) Balances**

Due (to)/from related parties

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Amount due from Treasury (note 11)	4,419,775	6,050,563
Contribution to Government pension fund (note 17)	(6,705)	(6,705)
	<u>4,413,070</u>	<u>6,043,858</u>

**26. FINANCIAL RISK & CAPITAL MANAGEMENT**

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Authority's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as agency and other receivables.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk is made up as follows:

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	Fully Performing Kshs 000	Past Due Kshs 000	Impaired Kshs 000
<b>At 30 June 2022</b>			
Receivables	566,061	-	-
Security Deposits	3,059,484	-	-
Bank Balances	7,521,419	-	-
<b>At 30 June 2021</b>			
Receivables	608,838	-	-
Security Deposits	2,838,361	-	-
Bank Balances	1,562,844	-	-

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

**(ii) Liquidity risk management**

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

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

	Less than 1 month Kshs '000	Between 1-3 months Kshs '000	Over 5 months Kshs '000	Total Kshs '000
<b>At 30 June 2022</b>				
Trade payables	410,958	1,619,540		2,030,498
Provisions			1,982,780	1,982,780
Contribution to Govt. Pension Fund			6,705	6,705
<b>Total</b>	<b>410,958</b>	<b>1,619,540</b>	<b>1,989,485</b>	<b>4,019,983</b>
<b>At 30 June 2021</b>				
Trade payables	292,073	949,240		1,241,313
Provisions			2,113,225	2,113,225
Contribution to Govt. Pension Fund			6,705	6,705
<b>Total</b>	<b>292,073</b>	<b>949,240</b>	<b>2,119,930</b>	<b>3,3361,243</b>

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while

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optimising the return. Overall responsibility for managing market risk rests with the Audit Committee.

The Authority's Corporate Risk Department is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

**(a) Foreign currency risk**

The Authority has transactional currency exposures. Such exposure arises from foreign denominated bank balances.

The carrying amount of the Authority's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
KRA US Dollar Account (NBK)	11,605	10,496
KESRA US Dollar Account (NBK)	3,701	3,745
	<u>15,306</u>	<u>14,241</u>
Liabilities / Payables	-	68
Net Foreign currency liability	<u>15,306</u>	<u>14,173</u>

**(b) Interest rate risk**

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from fixed and security deposits. This exposes the Authority to cash flow interest rate risk.

**(c) Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**(d) Sensitivity analysis**

The Authority analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by five percentage (5% as a decrease/increase of Kshs. 765,300 (2021: Kshs. 708,650).

**(e) Price risk**

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

**27. CONTINGENT LIABILITIES**

These include:-

- An amount of Kshs. 2 million included in utility deposits representing a bank guarantee to Kenya Power and Lighting for Times Tower power supply.
- An amount of Kshs 1,297,759 representing a guarantee to Telkom Kenya Limited for supply of telephone facilities in the Times Tower building.
- Pending cases arising from Revenue and staff related matters. 42 undetermined cases have a specified claim amounting to Kshs 6,062 million while 10 cases have no specified quantum and will be determined by the Court after hearing. 7 cases amounting to Kshs 25 million has been concluded against the Authority and the

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National Treasury has been engaged to provide funds for settling the awards as they materialize. The Authority has also appealed the cases.

No.	Nature of case	Cases	
		Number	Amount (Kshs. 000)
1	Concluded	7	25,836
2	Ongoing	42	6,062,417
3	Un-quantified	10	-
	<b>Total</b>	<b>59</b>	<b>6,088,253</b>
	<b>Outstanding Fee Notes</b>	<b>22</b>	<b>190,240</b>
			<b>6,278,493</b>

**28.COMPARATIVES**

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

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APPENDIX I: INTER-ENTITY TRANSFERS

<b>KENYA REVENUE AUTHORITY</b>			
<b>Break down of Transfers from the National Treasury</b>			
<u>Disbursement Month</u>	<u>Bank Statement Date</u>	<u>Amount</u>	<u>Financial Period Funds Relate to</u>
June 2021*	07.07.2021	5,454,997,202.10	FY2020/2021
June 2021*	08.07.2021	400,000,000.00	FY2020/2021
July 2021	13.08.2021	1,695,979,066.75	FY2021/2022
July 2021	16.08.2021	400,000,000.00	FY2021/2022
August 2021	14.09.2021	2,095,979,066.75	FY2021/2022
September 2021	28.09.2021	1,358,654,066.75	FY2021/2022
October 2021	16.11.2021	1,850,204,066.75	FY2021/2022
November 2021	22.12.2021	1,850,204,066.75	FY2021/2022
December 2021	07.02.2022	1,850,204,066.75	FY2021/2022
January 2022	15.03.2022	1,850,204,066.75	FY2021/2022
February 2022	25.03.2022	1,850,204,066.75	FY2021/2022
March 2022	21.04.2022	1,850,204,066.75	FY2021/2022
April 2022	11.05.2022	2,040,670,084.00	FY2021/2022
Additional Funding	09.05.2022	1,219,904,066.65	FY2021/2022
	11.05.2022	208,697,878.35	FY2021/2022
	17.05.2022	709,000,000.00	FY2021/2022
May 2022	17.06.2022	2,040,670,084.00	FY2021/2022
June 2022	30.06.2022	2,040,670,084.00	FY2021/2022
<b>Total</b>		<b>30,766,445,999.85</b>	

\*An amount of Kshs. 5.8 Billion that relates to agency funding for the FY 2020/2021 was received in July 2021.

<u>Disbursement Month</u>	<u>Bank Statement Date</u>	<u>Amount</u>	<u>Financial Period Funds Relate to</u>
May 2022	09.05.2022	1,000,000,000.00	
<b>Total</b>		<b>1,000,000,000.00</b>	

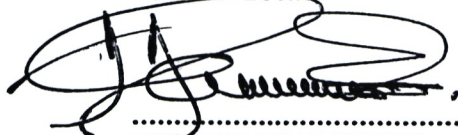
\*The amount is to be accounted for by NIS (See Appendix IV below).

**Development Grants**

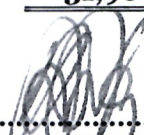
	<u>Bank Statement Date</u>	<u>Amount</u>	<u>Financial Period Funds Relate to</u>
June 2021	07.07.2021	20,000,000.00	FY2020/2021
September 2021	13.09.2021	30,597,500.00	FY2021/2022
November 2021	11.11.2021	30,597,500.00	FY2021/2022
March 2022	16.03.2022	20,000,000.00	FY2021/2022
May 2022	16.05.2022	41,195,000.00	FY2021/2022
<b>Total</b>		<b>142,390,000.00</b>	

**Grand Total**

**31,908,835,999.85**



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**JOSEPHAT OMONDI**  
**HEAD OF FINANCE**



.....  
**FCCA, CS RISPAAH SIMIYU (Mrs.) Advocate, EBS**  
**Ag. COMMISSIONER GENERAL**

APPENDIX II: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

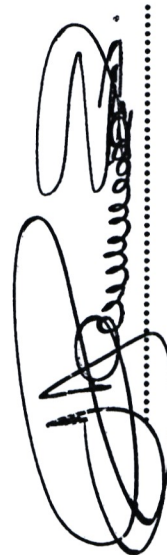
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development	Total Amount – KES('000)	Where Recorded/recognized				Total
				Statement of Financial Performance	Capital Fund	Total Transfers during the Year	Receivables	
The National Treasury	Various Dates as per App. 2	Recurrent	30,766,445	30,766,445	-	30,766,445	4,419,775	35,186,220
The National Treasury	Various Dates as per App. 2	Development	142,390	-	142,390	142,390	-	142,390
<b>Total</b>			<b>30,908,835</b>	<b>30,766,445</b>	<b>142,390</b>	<b>30,908,835</b>	<b>4,419,775</b>	<b>35,328,610</b>

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**APPENDIX III: IMPLEMENTATION STATUS OF AUDITOR-GENERAL PRIOR YEAR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
Land Without Title Documents	As reported in the previous year, the statement of financial position reflects a balance of Kshs.30,365,026,000 under property, plant and equipment which, as disclosed in Note 8 (ii) to the financial statements, includes eleven (11) pieces of leasehold land with a total acreage of 22.4453 hectares and which the Authority is yet to receive title documents. The properties, with a net book value of Kshs.751,075,267, are said to be at various stages of registration with the National Land Commission and Ministry of Lands and Physical Planning even though the issue of title documents has been outstanding for a long period of time.	The outstanding titles deeds are at various stages of title acquisition with the National Land Commission.	Not Resolved	Ongoing

  
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**JOSEPHAT OMONDI**  
HEAD OF FINANCE

  
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**FCCA, CS RISPAAH SIMIYU (Mrs.) Advocate, EBS**  
Ag. COMMISSIONER GENERAL

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APPENDIX IV: INTER-ENTITY CONFIRMATION

Confirmation of amounts received by [National Intelligence Service] as at 30 <sup>th</sup> June 2022						
Reference Number	Date Disbursed	Amounts Disbursed by Kenya Revenue Authority (KShs.) as at 30 <sup>th</sup> June 2022			Amount Received by NSIS (KShs.) as at 30 <sup>th</sup> June 2022 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter- Ministerial (C)		
NIS/DG 1/Vol. 13(106)	09.05.2022	1,000,000,000	-	-	1,000,000,000	-
<b>Total</b>		<b>1,000,000,000</b>	<b>-</b>	<b>-</b>	<b>1,000,000,000</b>	<b>-</b>

Confirmed on 17<sup>th</sup> June, 2022

**APPENDIX V: OPERATIONS OFFICES & BRANCHES**

The operations of the Authority are carried out at the following branches;

Name of Station	Address	Telephone Number
<b>Nairobi Region</b>		
Sameer Business Park	P.O. Box 46285-00100 Nairobi	0202396006/8
KESRA Centre, Nairobi	P.O. Box 30332-00100, Nairobi	0715877539
Ushuru Pensions Tower (CBC)	P. O. Box 48240 -00100 Nairobi	0709011501/2/3
Ushuru Pension Plaza	P. O. Box 48240 -00100 Nairobi	0709011501/2/3
Nairobi Railway Club	P. O. Box 48240 -00100 Nairobi	0202398470/8534, 0771628105
JKIA, Forodha House	19070 - 00501 Embakasi	0206822854-8
Namanga OSBP	9-00207, Namanga	0722602465, 0722787396
Loitokitok	P.O.Box 44 - 00209, Loitokitok	723450186
Inland Container Depot Embakasi	P.O.Box 19070 - 40100 Embakasi	0712863504, 0203546092
Wilson Airport	P. O. Box 48240 -00100 Nairobi	0206005635-6
<b>Western Region</b>		
Kisumu	P. O. Box 3636 - 40100 Kisumu	057-2020509/10
Forodha, Kisumu	P. O. Box 94 - 40100 Kisumu	0572022832/5
Kisumu Pier	P. O. Box 94 - 40100 Kisumu	0572024009
Kisumu KPC	P. O. Box 94 - 40100 Kisumu	0572024998
Kisumu Airport	P. O. Box 94 - 40100 Kisumu	0776016121
Kisumu PPO	P. O. Box 94 - 40100 Kisumu	057202488
Bungoma	P. O. Box 2576 - 50200 Bungoma	0552030840
Kakamega	P. O. Box 1776 - 50100 Kakamega	0562030358
Kisii	P. O. Box 2 - 058 Kisii	0582030908/925
Kopanga	P. O. Box 67 - 40400 Suna, Migori	0733770010
Nyamtiro	P. O. Box 94 - Kehancha	0733770008
Muhuru Bay	P. O. Box 24 - 40409 Muhuru Bay	0711635560
Usenge	P. O. Box 15532 - 00100 Usenge	0700930622
Sio Port	P.O.Box 6-50401, Sio Port	0733770606
Lwakhakha	P. O. Box 16 Lwakhakha	0725358018
Mbita	P.O BOX 262-40305, Mbita	0737729688
Isebania	P. O. Box 22 - 40414, Isebania	059-7252507, 0733770008
Malaba	P.O.Box 235, Kamuria	055-54026, 055-54174, 0713141513

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<b>SOUTHERN REGION</b>		
Mombasa	P. O. Box 90601- 80100	0412314044/5
Ngomeni	P. O. Box 90601-80100 Mombasa	0746133685
Lamu	P. O. Box 30 - 80500 Lamu	0792973791
Voi	P. O. Box 644 - 80300 Voi	043203119
Malindi	P. O. Box 10- 80200	0422130955/0422130256
Diani	P. O. Box 90601 - 80100 Mombasa	0740131070/0742986134
KESRA Mombasa	P. O. 95705 - 80106 Mombasa	0736424200
Kilifi	P. O. Box 95707 - 30315 Kilifi	0709747429
Shimoni	P. O. Box 50 Shimoni	0791480247
Vanga	P. O. Box 7 - 80402 Lungalunga	0732255571/0724479067
Taveta OSBP	P. O. Box 197-80302, Taveta	0741443164/0741443176
Mazeras	P. O. Box 90601- 80100	0746133673
Kiunga	P. O. Box 30, Kiunga	0712250558
Port Operations	P. O. Box 95300- 80107, Kilindini	041225811/0412225812
Mombasa Airport	P. O. Box 90603- 80100	0791480247/0775232705
<b>NORTH RIFT REGION</b>		
Eldoret	P. O. Box 402 - 30100 Eldoret	053-2062300/2062607
Eldoret KPC	P. O. Box 402 - 30100 Eldoret	0202003797/0202003799
Eldoret EIA (Eldoret Airport Warehouse)	P. O. Box 402 - 30100 Eldoret	053-2061299
Eldoret EIA (Eldoret Airport Bargage Hall)	P. O. Box 402 - 30100 Eldoret	053-2062839
Eldoret EIA (Scanner)	P. O. Box 402 - 30100 Eldoret	053-2061299
Eldoret Postal Corporation	P. O. Box 402 - 30100 Eldoret	0774914443
Kitale	P. O. Box 2673 - 30200 Kitale	0202398707/0207859501
Lodwar	P. O. Box 438 - 30500 Lodwar	0202398852/0778016179
Suam River	P. O. Box 524 - 30200 Suam	0202001070
Lokichoggio	P. O. Box 121 - 30503 Lokichoggio	0774914485
Lokichoggio Airport	P. O. Box 121 - 30503 Lokichoggio	0774914485
Nadapal	P. O. Box 121 - 30503 Lokichoggio	0774914490

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<b>SOUTH RIFT REGION</b>		
Nakuru	P. O. Box 270 Nakuru	0512213926, 0512213927, 512213883, 0512213891
Maralal	P. O. Box 114 Maralal	0202397073, 0776746515
Kericho	P. O. Box 796 Kericho	052220104, 0711590909 0798482065, 0798482065
Kericho-DC'S Office	P. O. Box 796 Kericho	0522021122
Nyahururu	P. O. Box 446 Nyahururu	0798482066
Narok	P. O. Box 1161 Narok	0770972346, 0770591459, 0709678601
Naivasha	P. O. Box 1645 Naivasha	0502030085, 0502030086
Nakuru-PPO	P. O. Box 270 Nakuru	0774502982
Nakuru-KPC	P. O. Box 270 Nakuru	0778010929
<b>NORTHERN REGION</b>		
Embu	P. O. Box 495 - 60100 Embu	0730716071
Elwak	P. O. Box 218-70200 Elwak	0774356219
Mandera	P. O. Box 96 – 70301 Mandera	0774356219
Garissa	P. O. Box 1145 - 70100 Garissa	0709016403
Wajir	P. O. Box 218-70200 Wajir	0776018838
Machakos	P. O. Box 756-90100 Machakos	0773394344
Kitui	P. O. Box 195 - 90200 Kitui	0771095882
Meru	P. O. Box 256-60200, Meru	202000237, 0773394344
Isiolo	P. O. Box 722-60300, Isiolo	0773394344
Moyale	P. O. Box 6-60700 Moyale	020200249
Diffu	P. O. Box 218 - 70200 Wajir	C/o Wajir office
Kajiado	P. O. Box 720 - 01100 Kajiado	770495367
Liboi	P. O. Box 218-70200	
<b>CENTRAL REGION</b>		
Nyeri	P. O. Box 677 - 10100 Nyeri	061-2030726-9, 0732697130, 0702697805
Nanyuki	P. O. Box 1787-10400, Nanyuki	062 - 2030000, 062 - 2031874
Kerugoya	P. O. Box 142 - 10300, Kerugoya	060 - 2021003, 709 - 752 722
Murang'a	P. O. Box 426-10200, Murang'a	060-2030700-4
Thika	P. O. Box 893-01000, Thika	067 - 2221701-5, 741 - 852
Kiambu	P. O. Box 2007-00900, Kiambu	0709752723, 0770804037, 0774779403, 0770806787