


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
RECEIVER OF REVENUE (RECURRENT)**

**FOR THE YEAR ENDED
30 JUNE 2018**

THE NATIONAL TREASURY





THE NATIONAL TREASURY

RECEIVER OF REVENUE STATEMENT

FOR THE YEAR ENDING 30TH June 2018

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



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I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

An institution of excellence in economic and public financial management.

Mission

To promote economic transformation for shared growth through formulation, implementation and monitoring of prudent economic and financial policies at national and county levels of government.

Core Values

The National Treasury is committed to providing quality services to all and is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency, Teamwork and Staff as key asset, Equity, Fairness and Inclusion.

Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting;



- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the Annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:-

- Strengthen financial and fiscal relations between the National Government and County Governments and encourage support for county governments in performing their functions.
- Assist county governments to develop their capacity for efficient, effective and transparent financial management.
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill.
- Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations.
- Coordinate the development and implementation of financial recovery plans for county governments that are in financial distress.
- Coordinate capacity building of County Governments on public finance management matters.

(b) Key Management

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

Office of the Principal Secretary

This office is responsible for the administration of the National Treasury operations. In addition, the Principal Secretary is charged with the responsibility of providing advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility. The Principal Secretary is the Accounting Officer for Vote 1071 – NT.

Organizational structure of the National Treasury

The National Treasury is organized into four (4) technical Directorates headed by Directors General and one (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising of a cluster of Departments responsible for related policy functions. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs



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

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;

- Inter-Governmental Fiscal Relations Department
- Public Procurement Department.

Directorate of Accounting Services and Quality Assurance

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

- Government Accounting Services;
- Internal Audit Services Department;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Administrative and Support Services (Common Shared Services)

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

- Accounting,
- Finance,
- Human Resource Management and Development,
- Central Planning and Project Monitoring,
- Supply Chain Management,



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- Legal,
- Public Communications,
- General Administration,
- Records Management;
- Internal Audit;
- ICT
- Government Clearing Agency

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

NO.	Designation	Name
1.	Chief Administrative Secretary	Hon. Nelson Gaichuhie
2.	Principal Secretary	Dr. Kamau Thugge, CBS
3.	Secretary Administration	Mr. Musyimi S.K, CBS
4.	Principal Administrative Secretary, CBS, SS	Mutua Kilaka, CBS, SS
5.	Director General, BFEA	Dr. Geoffrey Mwau, EBS
6.	Director General, Accounting Services & Quality Assurance	Mr. Bernard Ndung'u, MBS
7.	Director General, PIPM	Ms. Esther Koimett, CBS
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Christopher Oisebe
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Ag. Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
13.	Internal Auditor General	Mr. Alfayo Mogaka
14.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
16.	Director Government Digital Payments	Mr. Harry Mwangi
17.	Ag Director, Financial Management Information System	Mr. Stanley Kamar
18.	Director, Public Private Partnership Unit	Eng. Stanley Kar
19.	Director, National Assets and Liability Management	Mrs. Beatrice C
20.	Director, Government Investment and Public Enterprises	Mr. Kennedy
21.	Director, Pensions Department	Mr. Shem N
22.	Ag. Director General Resource Mobilization Department	Mr. Jack
23.	Director, Debt Policy, Strategy & Risk Management Department	Mr. D
24.	Ag Director, Debt Recording and Settlement Department	Mrs.
25.	Head, Accounts Division	Mr.
26.	Head, Finance	M
27.	Head, SCM	
28.	Head, Internal Audit Unit	
29.	Director, Human Resource Management & Development	
30.	Ag Director, Information Communication and Technology	
31.	Head, Central Planning and Project Monitoring Unit	
32.	Head, Public Communications	
33.	Programme Coordinator, Public Financial Management Secretariat	
34.	Ag. Director, Government Clearing Agency	

(d) Fiduciary Oversight Arrangements



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

Internal Audit Unit

The National Treasury has a well-resourced internal Audit Unit. The unit is charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officer on a regular basis.

Audit Committee

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

Project Implementation Committee

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

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

Senior Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed a Senior Management Committee comprising of Directors General and Heads of Departments. The Committee receives reports from departments, builds consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions of top management are implemented in a timely manner.

Public Financial Management Sector Working Group

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

Budget Implementation Committee

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



Monitoring and Evaluation

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

(e) The National Treasury Headquarters

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

(f) The National Treasury Contacts

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

(g) The National Treasury Bankers

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

(h) Independent Auditors

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

(i) Principal Legal Adviser

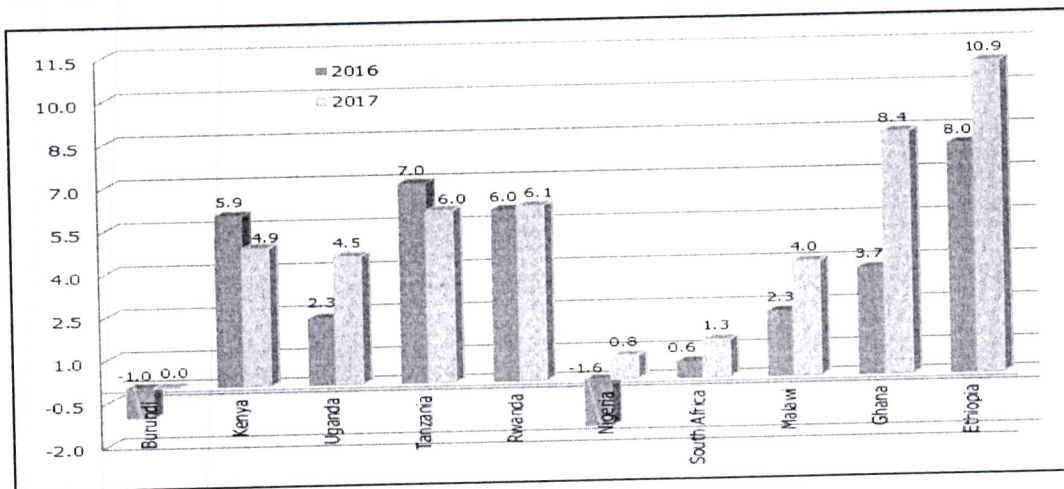
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy remained resilient in 2017 despite uncertainty associated with the prolonged political elections period coupled with the effects of adverse weather conditions. The Economy grew by 4.9 percent compared to a revised growth of 5.9 percent in 2016. In the first quarter of 2018, the economy recovered and grew by 5.7 percent compared to a growth of 4.8 percent in the same quarter last year. This growth was mainly attributed to improved weather conditions and rebound in business and consumer confidence following political stability in the country. The 4.9 percent economic growth in 2017 generated 898,000 new jobs up from 833,000 new jobs in 2016 and is above 2.8 percent average growth for the sub-Saharan Africa.

GDP Annual Growth Rates (2016 and 2017)



Despite the difficult circumstances faced last year, the Country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable throughout 2017. This serves as a clear demonstration to domestic as well as foreign investors of our commitment to maintain macro-economic stability, which is key in enhancing investor confidence. The Country made notable progress in 2017 in improving the ease of doing business, thereby providing a conducive business environment for both domestic and foreign investors. These reforms have seen Kenya being ranked favourably in the ease of doing business and as a top investment destination. For two consecutive years (2016 and 2017 World Bank's Doing Business Reports), Kenya emerged as the third most reformed country in the world, and in the 2018 Report, as the third best in sub-Saharan Africa and position 80 overall.

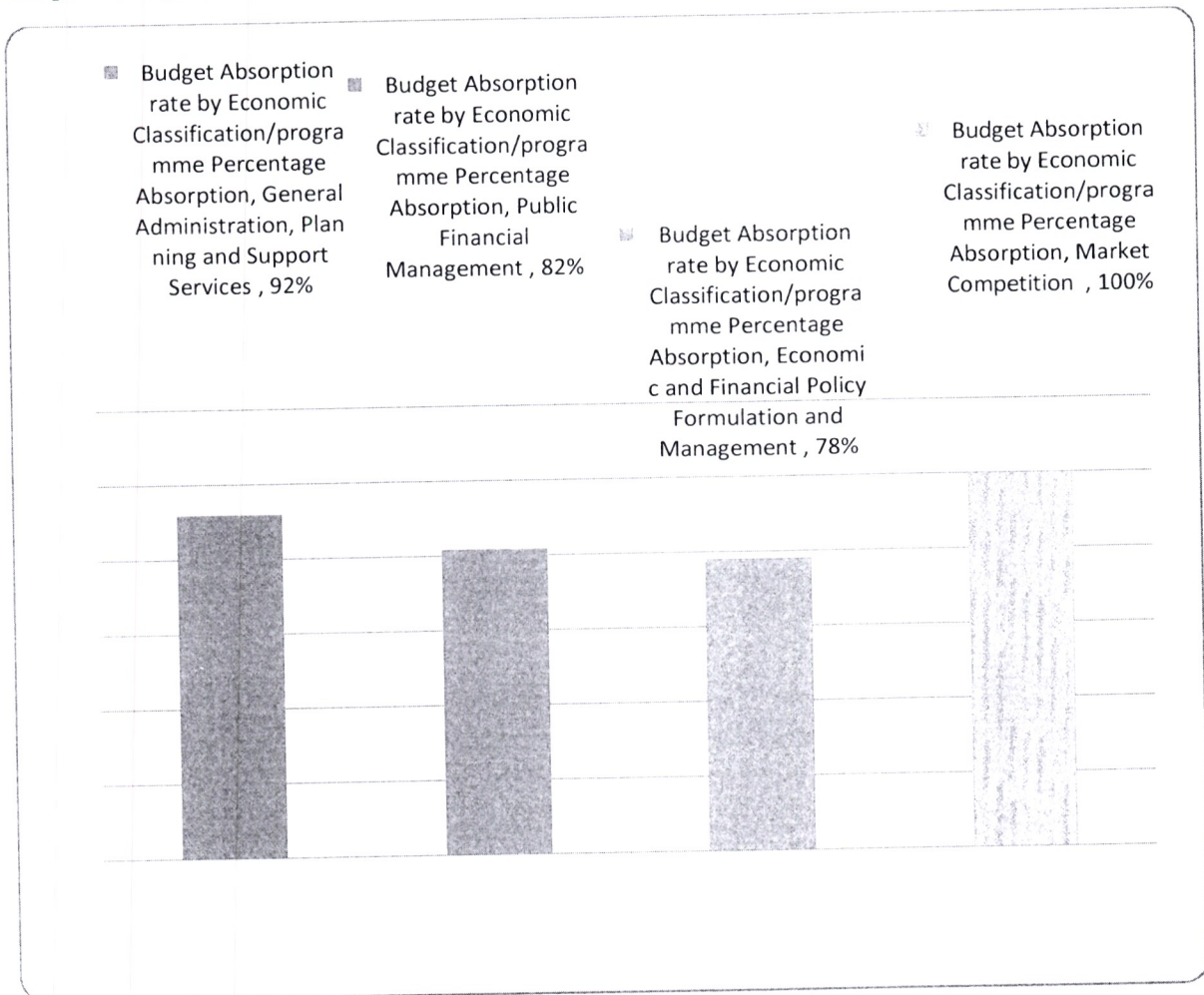
The 2017 Ernst & Young (EY) Africa Attractiveness Index ranked Kenya second top investment hub in Africa, after Morocco. The Report also classifies Kenya as the top most preferred investment destination in East Africa, with the majority of investors being attracted by the good infrastructure, ease of doing business, and strong economic growth and prospects.

In terms of budget performance, the National Treasury expenditure stood at Kshs.39.416m against an approved budget of Kshs.42.540m in Recurrent while Development expenditure stood at Kshs.9.761m against an approved budget of Kshs.11.862m giving an overall absorption rate of 90.5%. The National Treasury implemented the 2017/18 budget within four economic

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classification/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management and Market Competition. As demonstrated in the bar graph below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 92%, Public Financial Management Programme at 81.7% and Economic and Financial Policy Formulation and Management (78%).

Budget Absorption rate by Economic Classification/Programmes



Other key achievements during the period under review are:-

- The National Treasury continued to implement its mandate of supporting the devolved system of Government. In terms of payments, the County Governments received a total of Kshs.327 billion in 2017/2018 up from Kshs.302.2 billion in 2016/2017. Since their establishment in March 2013, County Governments have received more than Kshs.1.3 trillion from the National Government.
- In line with its commitment to enhance the County Governments capacity, the National Treasury developed the County Governments (Revenue Raising Regulation Process) Bill. The Bill is geared towards addressing the challenges County Governments are encountering in revenue collection, mitigating their negative effects and assisting the Counties to optimize own-sources revenue.
- The National Treasury successfully priced a new \$2billion Eurobond Transaction. This issue was 7 times oversubscribed thus making it one of the highest order book for an issue



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from Africa, and providing a dollar yield curve stretching out to 30 years. This made Kenya one of a handful of Governments to achieve this. Specifically with the 30 year yield, international investors demonstrated their long term belief that Kenya is a stable economy in which long-term investments are safe.

Some of the challenges the National Treasury faced while implementing the 2017/18 budget include:-

1. Lack of adequate funds/exchequer to finance all the budget requests by Ministries, Departments and Agencies.
2. Low absorption of Official Development Assistance (ODA).
3. Uncertainty associated with the political elections that slowed down economic activity thus affecting revenue performance.
4. Slow enactment of relevant regulations and related legal instruments to facilitate financial sector deepening.

To surmount the above challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry will:-

1. Maintain macroeconomic stability by ensuring that inflation, interest rates and exchange rates remain largely stable.
2. Continue to improve the environment for businesses to thrive, deal decisively with corruption and address the governance and performance challenges at our parastatals and State-linked companies, as well as improve efficiency in our financial sector in order to boost investments and create jobs.
3. Manage the level and composition of national public debt, national guarantees and other financial obligations of national government effectively;
4. Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.
5. Strengthen capacity in public financial management to MDAs and County Governments to improve oversight of Public resources and Strengthen financial and fiscal relations between the national government and county governments
6. Enhance the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
7. Promote the Public Private Partnership initiatives to finance government capital projects.
8. Engage other development partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
9. Ensure constant collaboration between the National Treasury and all the Stakeholders.
10. Strengthen monitoring and evaluation framework.

HENRY K. ROTICH, EGH
CABINET SECRETARY



THE NATIONAL TREASURY
DEVELOPMENT REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Some of the challenges the National Treasury faced while implementing the 2017/18 budget include:-

1. Lack of adequate funds/exchequer to finance all the budget requests by Ministries, Departments and Agencies.
2. Low absorption of Official Development Assistance (ODA).
3. Uncertainty associated with the political elections that slowed down economic activity thus affecting revenue performance.
4. Slow enactment of relevant regulations and related legal instruments to facilitate financial sector deepening.

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8. Engage other development partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
9. Ensure constant collaboration between the National Treasury and all the Stakeholders.
10. Strengthen monitoring and evaluation framework.



HENRY K. ROTICH, EGH
CABINET SECRETARY



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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATEMENT OF RECEIVER OF REVENUE (RECURRENT) FOR THE YEAR ENDED 30 JUNE 2018 – THE NATIONAL TREASURY

REPORT ON THE STATEMENTS

Qualified Opinion

I have audited the accompanying statement of receiver of revenue (Recurrent) of the National Treasury set out on pages 10 to 27, which comprise the statement of arrears as at 30 June 2018, statement of receipts and payments and statement of comparison of budget and actual amount for the year ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the statement of receiver of revenue (recurrent) present fairly, in all material respects, the financial performance for the year ended 30 June 2018, in accordance with International Public Sector Accounting Standards (Cash basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variances between Revenue Statement balances and the General Ledger balances

The statement of receipts and transfers for the year ended 30 June 2018 reflects balances which were in disagreement with those reflected in the General ledger as tabulated below:

Item(s) Description	Financial Statements		Variance Kshs.
	Receiver of Revenue Kshs.	General Ledger Kshs.	
Taxes on Income and Capital Gains	657,186,136,271.60	657,409,782,534.70	229,646,263.10
Taxes on Goods and Service	524,881,879,090.21	670,039,515,029.45	145,157,635,939.45
Taxes on International Trade & Transactions	117,512,789,772.75	118,327,012,676.85	814,222,904.00
Other Taxes	12,117,526,460.55	12,239,988,748.00	122,462,287.50

Report of the Auditor-General on the Statement of Receiver of Revenue (Recurrent) for the year ended 30 June 2018

Item(s) Description	Financial Statements		Variance Kshs.
	Receiver of Revenue Kshs.	General Ledger Kshs.	
Sale of goods and services (Traffic)	3,070,936,003.85	3,083,626,774.85	12,690,771.00

No reconciliation statement was provided to account for the differences between the two sets of records that are ordinarily supposed to agree.

2. Failure to reconcile Arrears of Revenue.

The statement of arrears of Revenue as at 30 June, 2018 reflects outstanding arrears of revenue of Kshs.305,909,926,390 while the KRA Revenue Accountability Statement reflects arrears of revenue of Kshs.288,123,529,688 resulting in a difference of Kshs.17,786,396,702.

In the absence of reconciliation between the National Treasury revenue statement and KRA Revenue Accountability Statement, it has not been possible to confirm the accuracy of the statement of arrears of revenue as at 30 June 2018.

3. Long Outstanding Items in Bank Reconciliation Statements

The bank reconciliations statement for the statement receiver of revenue for the year ended 30 June 2018 revealed the following unsatisfactory matters:

- i) Payments in cashbook not in bank statement amounted to Kshs.14,267,291,907 out of which Kshs.605,746,618 or 4.25% are stale cheques with some dating as far back as 29 June 1996.
- ii) Receipts in bank statement not recorded in cashbook amounted to Kshs.34,524,942,823 out of which an amount of Kshs.31,525,074,243 or 91.31% related to balances dating as far back as September 1997. No explanation has been given for failure to update the cash book.
- iii) Payments in bank statements not in cashbook amounted Kshs.15,723,735,928 all of which related to 2016/2017 and earlier year
- iv) Receipts in cashbook not in bank statement amounted to Kshs.25,760,6878,513 out of which an amount of Kshs.16,240,834,531 related to 2016/2017 and earlier years with some dating as far back as January 2000.

Failure to analyze and updating the accounting records may lead to misstatement of the cash balance reflected in the cashbooks and bank statements which would in turn compromise the accuracy of the financial statements prepared therefrom.

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

accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

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, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the statement of receiver of revenue (recurrent) 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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, 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 1315 and ISSAI 1330. 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 governance were operating effectively. In all material respects, I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the statement of receiver of revenue (recurrent) 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 governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or to cease operations, or have no realistic alternative but to do so.

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.

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 statement of receiver of revenue (recurrent) are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective process 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 statement of receiver of revenue (recurrent) 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 statement of receiver of revenue (recurrent), 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 statement of receiver of revenue (recurrent) 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 220(7) of the Constitution.

Further, in planning and performing the audit of the statement of receiver of revenue (recurrent) 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 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 statement of receiver of revenue (recurrent) 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 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.

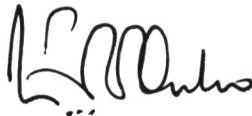
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit, I also:

- Identify and assess the risks of material misstatements 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 not detecting a material misstatements 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 going concern 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 ability to continue as a going concern or 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 statement of receiver of revenue (recurrent) 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 Commission to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the statement of receiver of revenue (recurrent) 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 National Treasury 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi.

12 April 2019

THE NATIONAL TREASURY
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For the year ended June 30, 2018

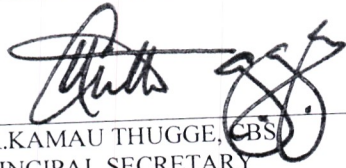
III. STATEMENT OF RECEIPTS AND TRANSFERS

	Note	2017/18	2016/17
		Kshs	Kshs
TAX RECEIPTS			
Taxes on Income and Capital Gains	1	657,186,136,271.60	627,469,093,794.15
Taxes on Goods and Services	2	524,881,879,090.21	504,507,993,929.80
Taxes on International Trade & Transactions	3	117,512,789,772.75	112,890,047,204.80
Other Taxes	4	12,117,526,460.55	8,595,580,578.90
Total Tax Receipts		1,311,698,331,667.11	1,253,462,715,507.65
NON TAX RECEIPTS			
Fees on use of Goods/Services	5	2,263,583,942.73	4,974,802,302.30
Social Security Contributions	6	202,945,590.20	390,144,130.50
Property Income	7	24,673,526,693.75	29,798,232,404.05
Other Receipts(miscellaneous)	8	360,026,525.95	964,130,520.35
Sale of Goods and Services(traffic)	9	3,070,936,003.85	76,000.00
Receipts From Sale of Non-Financial Assets	10	841,615.00	13,540,439.00
Loan repayment and interest on loans	11	4,966,599,577.80	4,965,742,063.85
Proceeds from foreign grants(Amison)	12	4,637,374,730.45	7,335,658,437.05
Total Non-Tax Receipts		40,175,834,679.73	48,442,326,297.10
Total Receipts Collected		1,351,874,166,346.84	1,301,905,041,804.75
ADD BALANCE C/F		1,745,118,711.00	3,570,991,331.65
AVAILABLE FUNDS		1,353,619,285,057.84	1,305,476,033,136.40
TRANSFERS			
Transfers To The Exchequer Account	13	1,349,610,582,404.11	1,299,685,404,832.65
Transfers To MDAs	14	4,008,702,653.73	2,137,500,000.00
TOTAL TRANSFERS		1,353,619,285,057.84	1,301,822,904,832.65
PRIOR YEAR ADJUSTMENT	15	NIL	(1,908,009,592.75)
BALANCE CARRIED FORWARD		NIL	1,745,118,711.00

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on _____ 2018 and signed by:



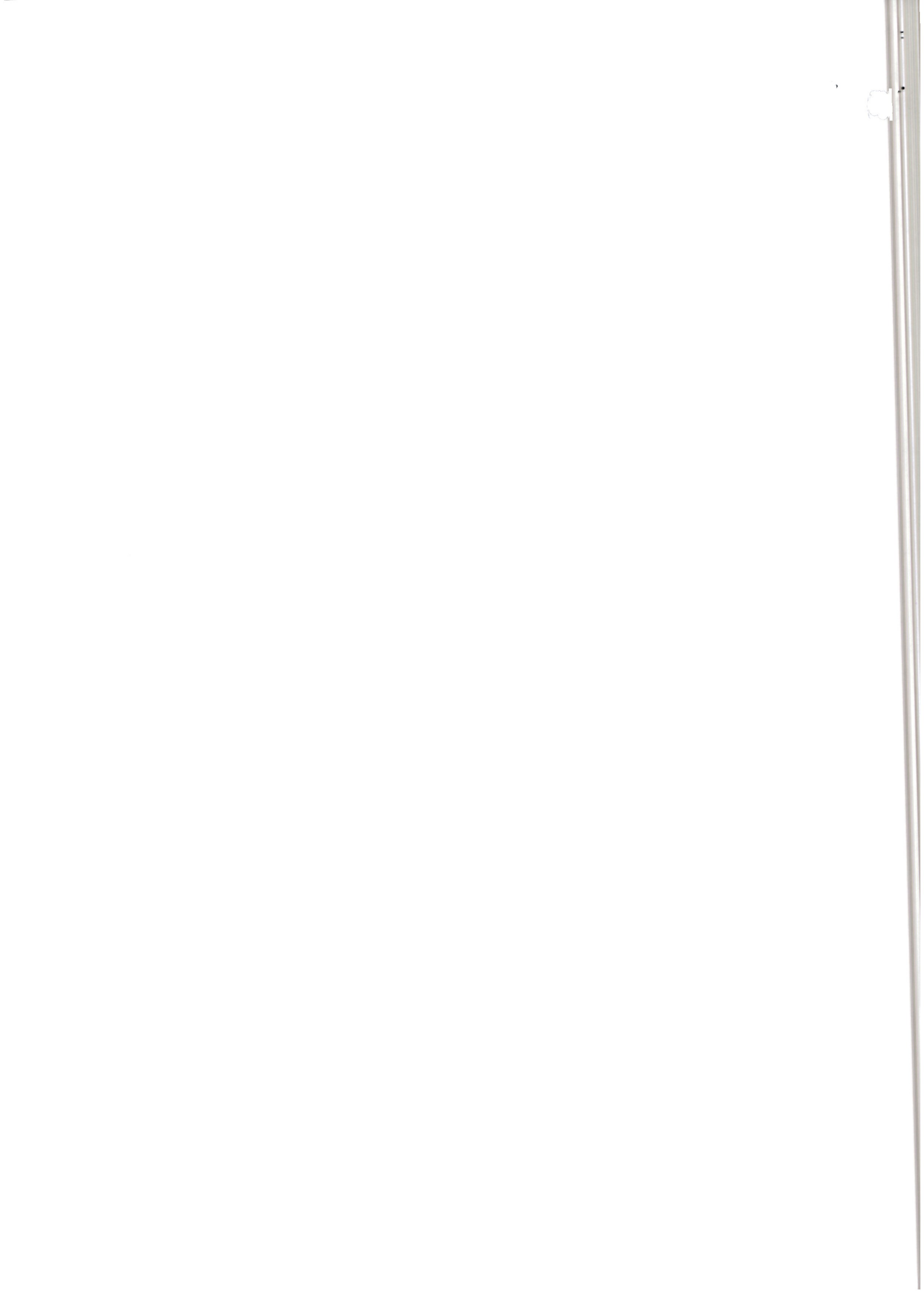
THE NATIONAL TREASURY
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DR. KAMAU THUGGE, CBS
PRINCIPAL SECRETARY



LILIAN. W. DISHON
ICPAK Member Number: 10442
HEAD ACCOUNTING UNIT



THE NATIONAL TREASURY
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IV: STATEMENT OF ARREARS OF REVENUE AS AT 30 JUNE 2018

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2015	Amount in arrears for the immediate previous year to 30 June 2016 (b)	Amount in arrears for the current year to June 30 2017	Amount in arrears for the current year to June 30 2018	Assessment to the recoverability of arrears
<u>Tax Revenues</u>					
Taxes on income profits and capital gains	133,765,089,650.00	161,331,089,072.00	168,882,445,114.00		
Taxes on property					
Taxes on goods and services	24,243,119,585.00	23,474,046,944.00	23,407,850,495.00		
Taxes on International Trade and Transactions					
Other Taxes					
<u>Non Tax Revenues</u>					
Loan Redemption		13,003,682,477.59	265,720,854.00		Demand letters issued and follow up
Interest Receipt		24,783,150,645.47	1,441,635,239.49		Demand letters issued and follow up
Property Income					
Fines, penalties and Forfeitures					
Receipts from sale of non-financial assets					
Total arrears	<u>158,008,209,235.00</u>	<u>222,591,969,139.06</u>	<u>193,997,651,702.49</u>		

Tax Arrears Arise

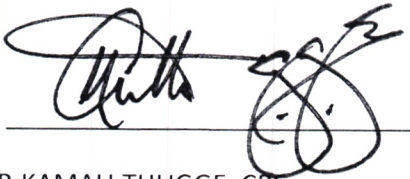
Collection of arrears is a continuous process, while at the same time additional debts arise through the following:

- a). Self-assessment/ Vat Penalties



THE NATIONAL TREASURY
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- When returns of income are submitted, debt is created and debited in the period year of income for income tax. Applicable interest and penalties are appropriately charged.
 - Default penalties are charged on monthly basis where returns have not been submitted for VAT
- b). Additional Assessments
- Additional assessments are issued when tax audits, compliance checks and investigations are concluded in various tax heads.
- c). Estimated Assessments
- Estimated Assessment are issued when taxpayers have not submitted self-assessment return or have not made declarations of income and tax due
- 4). Accrual of Interest
- For any outstanding tax balances, Interest continue to accrue at 1% per month compounded up to 100% of the outstanding principal tax
- 5). Legal measures in place to facilitate Arrears Recovery. Appendix
- 6) Legal measures in place to facilitate Arrears Recovery. Appendix
- 7) Reasons why Tax Arrears have Remained Uncollected. Appendix
- 8). Measures being taken by KRA to address the persistent increase in arrears. Appendix



DR. KAMAU THUGGE, CBS

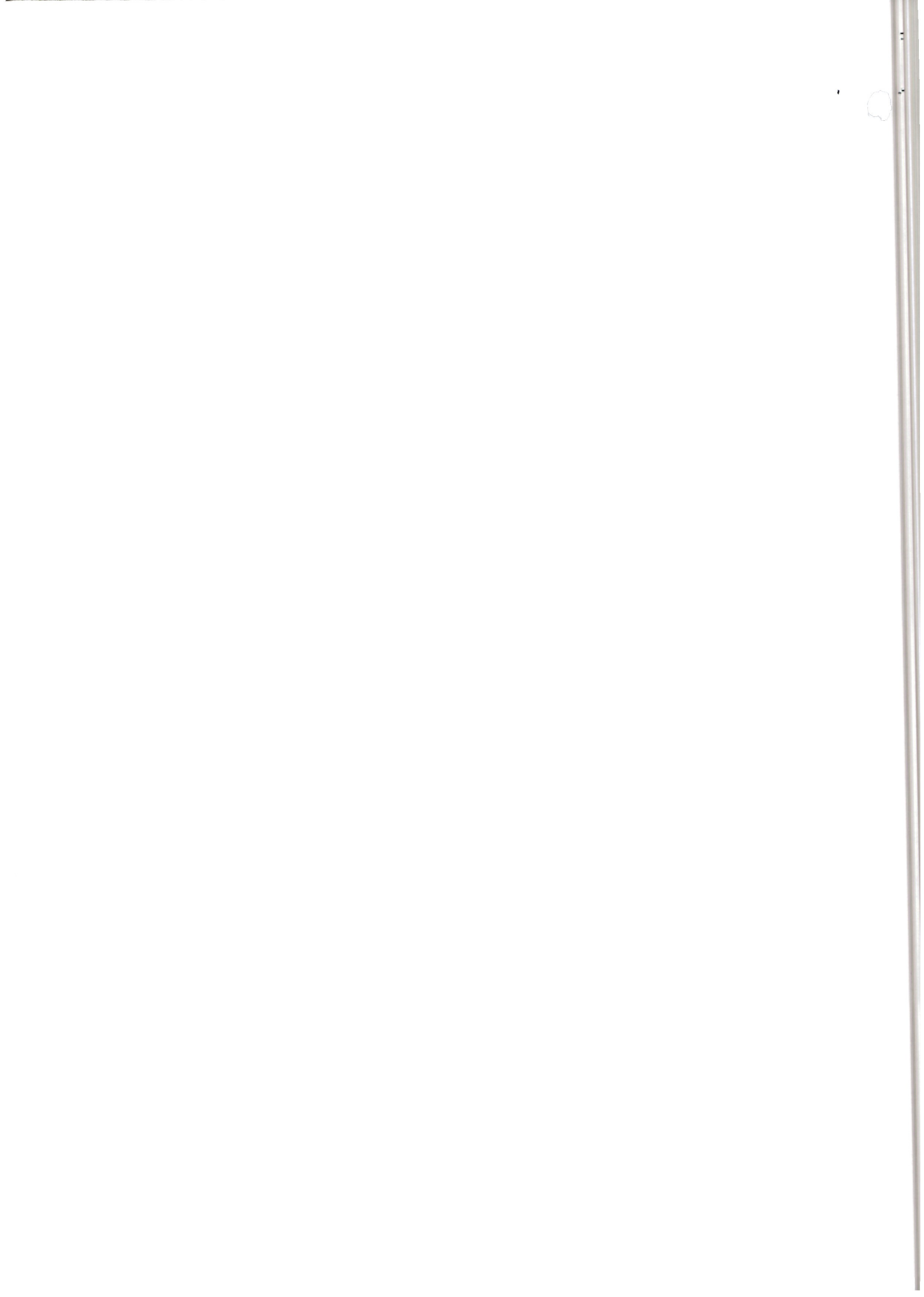
PRINCIPAL SECRETARY
10442



LILIAN. W. DISHON

ICPAK Member Number:

HEAD ACCOUNTING UNIT



Reports and Financial Statements
For the year ended June 30, 2018

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018

	Originalbudget 2017-2018 Kshs	Adjustments 2017-2018 Kshs	Finalbudget 2017-2018 Kshs	Actualon comparable basis 2017-2018 Kshs	Performance % 2017-2018 Kshs
Revenue					
Taxes on income, profits and capital gains	769,125,767,618.00	(41,365,819,551.00)	727,759,948,067.00	657,186,136,271.60	90.30
Taxes on Goods and Services	588,708,154,469.00	(23,257,337,299.00)	565,450,817,170.00	524,881,879,090.21	92.83
Taxes on International Trade & Transactions	135,439,346,973.00	(5,849,971,041.00)	129,589,375,932.00	117,512,789,772.75	90.68
Other Taxes	13,545,816,184.00	(1,474,353,272.00)	12,071,462,912.00	12,117,526,460.55	100.38
Totalex receipts	1,506,819,085,244.00	-71,947,481,163.00	1,434,871,604,081.00	1,311,198,331,667.11	91.38
Non tax receipts					
Fees on use of Goods/Services	5,033,165,477.00	(2,060,324,298.00)	2,972,841,179.00	3,070,936,003.85	103.30
Proceeds from foreign grants (Amisom)	6,100,000,000.00	-	6,100,000,000.00	4,637,374,730.45	76.22
Total Non-tax receipts	91,772,135,578.00	14,401,434,848.00	103,224,863,882.00	49,669,750,671.60	48.12

(a) Provide below a commentary on significant underutilization (below 10% of utilization) and any overutilization]

(b) The low in receipt from sale of non-financial assets is attributable to few proceed from sale of boarded vehicles and assorted stores amounting to kshs 841,615 resulting to .002% against a budget of kshs 3.6 billion



- (i) **1110101- Income tax from individuals (PAYE)** – Revised estimate of Kshs. 379.9 Billion, against actual of Kshs. 350.6 billion indicating a shortfall of Kshs.29.2 billion (8% below target). The underperformance is attributed to administrative lapses, macroeconomic performance and layoffs in some sectors of the economy.
- (ii) **1110201- Income tax from Corp (OIT)-** Revised Estimate of Kshs. 348.9 billion against actual of Kshs. 306.1 indicating a shortfall of Kshs. 42.9 billion. The target of 87.7% was realized, the underperformance of 12.3% is attributed to administrative lapses arising from tax payer behaviors, and profit drops in the banking sector as well as depressed performance in some sectors of the economy.
1. **1140101- VAT on domestic goods and services-** Revised estimate of Kshs. 218.6 billion against actual of Kshs. 206.2 billion. This implies that 94.3% of the target was realized hence an underperformance of 5.6% which is within the accepted limit of $\pm 5\%$ error margin.
2. **1140201- VAT on Imported goods and services-** Revised estimate of Kshs.159.4 billion against actual of Kshs.150.9 billion indicating a shortfall of Kshs. 8.5 billion. This implies that 95% of the target was realized hence an underperformance of 5% which is within the accepted limit of $\pm 5\%$ error margin.
3. **1140301- Excise taxes-** Revised estimate of Kshs. 179.4 billion against the actual of Kshs. 167.7 billion indicating an under performance of Kshs. 11.7 billion (7.2% of the target). This revenue item shortfall can be attributed to reduction in excisable volumes for cigarettes, beer and spirits..
- i. **1150101-Custom Duties-** Revised estimate of Kshs. 103.4 billion against the actual of Kshs. 93.7 billion indicating a shortfall of Kshs.5.5 billion. This implies 90.6% realisation against the target and an underperformance of 9.4% attributed to depressed cargo import volumes.
- ii. **1150401-Other Taxes on International Trade Transactions (IDF)** – Revised estimate of Kshs. 26.2 billion against the actual of Kshs. 23.8 billion indicating a shortfall of Kshs. 2.4 billion. This implies 90.8% realisation against the target and an underperformance of 9.2 % which is attributable to the depressed imports especially in the first half of the year on account of long electioneering period.
- (i) **1160101- Stamp duty** – Revised estimate of Kshs.12.07 billion against the actual of Kshs. 12.12 billion an over performance of 0.5 billion (0.4%) hence **1420201-Fees under Traffic Act, 1140506** – License under Traffic Act, Motor Drivers Licences Revised estimate of Kshs. 3.15 billion against the actual of Kshs. 3.07 billion Implying 97.5% of the target was realised and the shortfall of 2.4% is within the accepted limit of $\pm 5\%$ error margin. The revenue item was therefore within the target.

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(ii) 1140703- Petroleum Development Levy (PDL) – Revised estimate of Kshs. 3.0 billion against the actual of Kshs. 2.3 billion. This implies an underperformance of 24.8 %

Contribution from Government Employees to Social and Welfare Schemes within Government -Revised estimate of Kshs. 403.8 million against the actual of Kshs. 203.0 million. This implies an under performance of Kshs. 200.8 million equivalent to 49.7% of the estimate, attributed to poor targeting due to instability in historical collections the revenue item was on target.



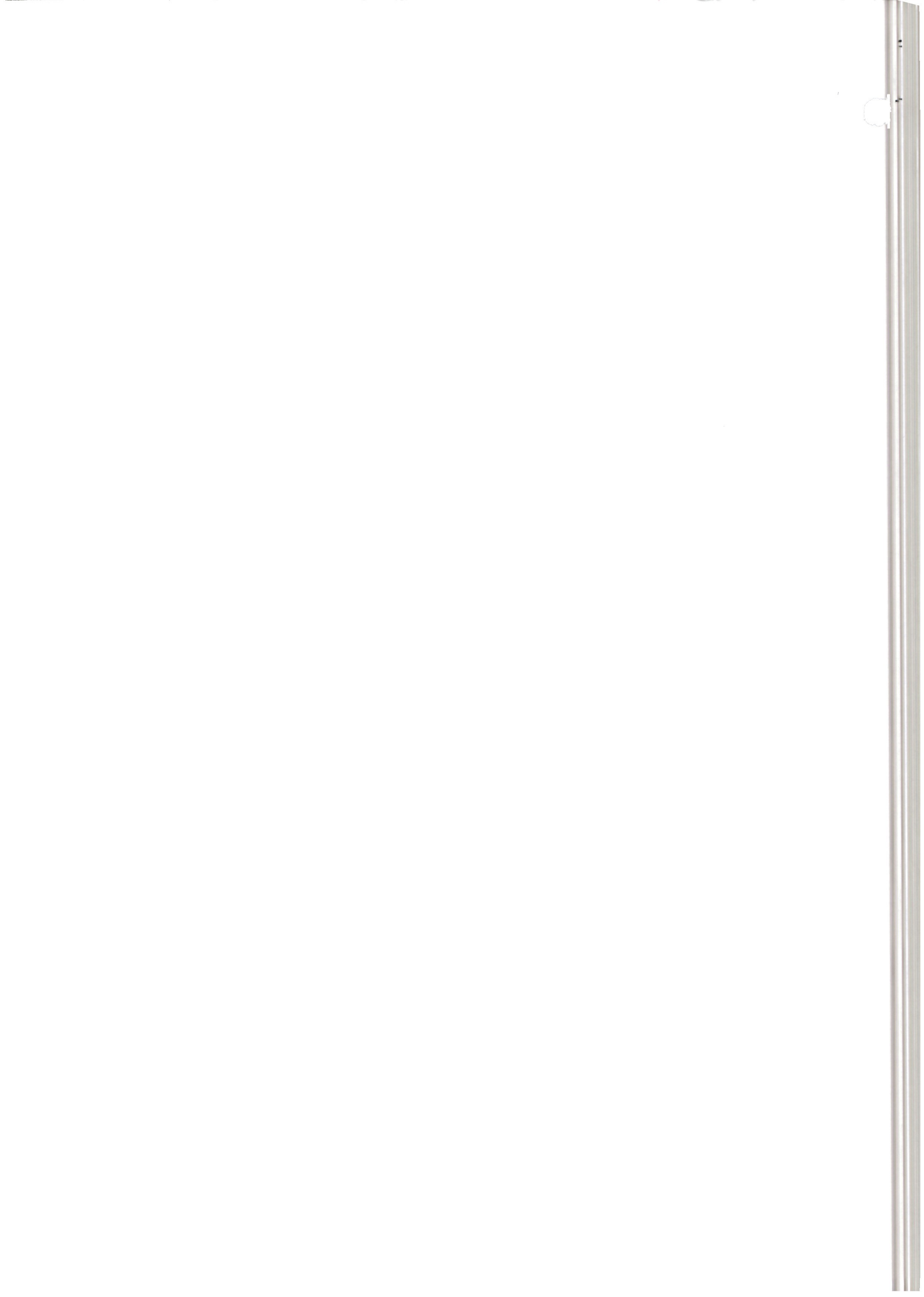
THE NATIONAL TREASURY
Statements Receiver of Revenue (Recurrent)
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- (i) **1410202-Other Profits and Dividends** – Revised estimate of Kshs. 26.3 billion against the actual of Kshs. 16.0 billion. This implies a shortfall of Kshs.10.3 billion (39.1% against the target) which is attributed to under declaration from some institutions.
- (ii) **1410203-Surplus Funds** – Revised estimate of Kshs. 5.8 billion against the actual receipts of Kshs.7.9 billion shows an over collection of Kshs. 2.7 billion (50.4% of the target).
- (iii) **1410401-Rent of Land** – Revised estimate of Kshs. 1.7 billion against the actual of Kshs. 0.7 billion shows revenue underperformance of Kshs. 0.9 billion. This implies a shortfall of about 56.3% against the target which is attributed to administrative challenges.

1450101- Miscellaneous Revenue- Revised estimate of Kshs. 2.6 billion against the actual receipts of Kshs. 360 million. This shows a deficit of Kshs. 2.3 billion (86.4% below the target). This revenue item is forecasted as a holding for any receipts not envisaged at budget time. It is usually assigned a conservative figure based on historical trends

The under collection was a result of sale of boarded vehicles which realised kshs 841,651 against a budget amount of kshs 3.6 billion equivalent to .023% against the target

- (a) **4510201- Loan Repayment**- Revised estimate of Kshs. 4.0 billion against the actual of Kshs. 2.9 billion shows an under collection of Kshs. 1.2 billion (29.4% of the target) due to decreased number of entities servicing their loans.
- (b) **1410101- Loan Interest**-Revised estimate of Kshs. 2.5 billion against the actual of ofkshs. 2.9 billion Implies an under collection of Kshs.0.4 billion (16.5% below the target) due to decreased number of entities servicing their loans.
- (j) **Amisom Grants**- Revised Estimate of Kshs. 6.1 billion against the actual receipts of Kshs. 4.6 billion which is 1.5 billion (24%) below target, due to delayed reimbursements for the UN.



VI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

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

2. Recognition of Revenue

The *National Treasury* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *National Treasury*.

3. Budget

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

4. Cash and cash equivalents

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



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5. Revenue in Arrears

This relates to revenue due and is yet to be received or collected by the receiver of revenue. The revenue in arrears is as disclosed in the Statement of Revenue in Arrears under section IV of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Comparative Figures

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

7. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2017.

8. Statement of Arrears of Revenue

The statement of arrears of revenue is not a requirement as per the IPSAS Cash Standard. The IPSAS Cash Standard encourages disclosure of accrual based balances since it's a transitional standard to accrual basis of accounting. The PFM Act, 2012 section 82,2b and section 69(c) of the PFM Regulations 2015 requires a Receiver of Revenue to prepare a statement on revenue of arrears due but not yet collected at the end of the period. This statement has been disclosed under section IV of these financial statements.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. TAXES ON INCOME, PROFITS AND CAPITAL GAINS

Description	2017-2018	2016-2017
	Kshs	Kshs
Income Tax from Individual (PAYE)	363,305,107,271.65	337,661,386,699.50
Income from Corporative Tax	293,881,028,999.95	289,807,707,094.65
Total Revenue	657,186,136,271.60	627,469,093,794.15



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Statements Receiver of Revenue (Recurrent)
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2. TAXES ON GOODS AND SERVICES

Description	2017-2018	2016-2017
	Kshs	Kshs
VAT on Domestic Goods and Services	206,242,937,949.95	194,220,322,325.30
VAT on Imported Goods and Services	150,885,806,769.56	144,813,593,483.20
VAT Refund		
VAT Remissions		
Total VAT	357,128,744,719.51	339,033,915,808.50
Excise Receipts	167,753,134,370.70	165,474,078,121.30
Total Revenue on Goods and Services	524,881,879,090.21	504,507,993,929.80

3. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS (CUSTOMS)

Description	2017-2018	2016/2017
	Kshs	Kshs
Customs Duties	93,682,944,374.75	89,943,338,258.75
Other Taxes on International Trade and Transactions (IDF Fee)	23,827,404,940.90	22,946,708,946.05
Total Revenue	117,510,349,315.65	112,890,047,204.80

THE NATIONAL TREASURY
Statements Receiver of Revenue (Recurrent)
For the year ended June 30, 2018

4. OTHER TAXES (NOT ELSEWHERE CLASSIFIED)

Description	2017-2018	2016-2017
	Kshs	Kshs
Stamp Duty	12,117,526,460.55	8,595,580,578.90
Total Revenue	12,117,526,460.55	8,595,580,578.90

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

Description	2017-2018	2016-2017
	Kshs	Kshs
Interest Received		
Licences under Traffic Act	3,070,936,003.85	2,755,165,330.20
Licenses under the Communication Act		
Petroleum Development Levy (PDL)	2,263,583,942.73	2,219,636,972.10
Roads Maintenance Levy (RML)		
Total Fees	5,334,519,946.58	4,974,802,302.30

6. SOCIAL SECURITY CONTRIBUTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Contributions from Government Employees to Social and Welfare Schemes within Government	202,945,590.20	390,144,130.50
Total Contributions	202,945,590.20	390,144,130.50



THE NATIONAL TREASURY
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7. PROPERTY INCOME

Description	2017-2018	2016-2017
	Kshs	Kshs
Interest		
Other Profits and Dividends	16,011,474,345.35	23,485,454,215.35
Surplus funds from Regulatory Authorities	7,926,970,900.10	5,393,432,651.50
Rent of Land	735,081,448.30	919,345,537.20
Total Property Income	24,673,526,693.75	29,798,232,404.05

8. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

Description	2017-2018	2016-2017
	Kshs	Kshs
Miscellaneous Revenue	360,026,525.95	964,130,520.35
Total Revenue	360,026,525.95	964,130,520.35

9. SALE OF GOODS AND SERVICES

Description	2017-2018	2017-2018
	Kshs	Kshs
Sale of Tender Documents	NIL	76,000.00
Total Revenue	NIL	76,000.00



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10. RECEIPTS FROM SALE OF NON FINANCIAL ASSETS

Description	2017-2018	2016-2017
	Kshs	Kshs
Receipts from the Sale of Vehicles and Transport Equipment	841,615.00	NIL
Total Revenue	841,615.00	NIL

11. LOAN REPAYMENT AND INTEREST ON LOANS

Description	2017-2018	2016-2017
	Kshs	Kshs
Loan Redemption	2,852,780,790.10	369,247,093.05
Interest Receipts	2,113,818,787.70	2,596,494,970.80
Total Revenue	4,966,599,577.80	4,989,579,073.85

12. PROCEEDS FROM FOREIGN GRANTS

Description	2017-2018	2016-2017
	Kshs	Kshs
AMISOM Grants	4,637,374,730.45	7,435,996,043.90
Transfers to the Exchequer account	4,637,374,730.45	7,435,996,043.90



THE NATIONAL TREASURY
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For the year ended June 30, 2018

13. SUMMARY OF TRANSFER TO EXCHEQUER

Tax Receipts	2017/18 kshs	2016/17 kshs
Taxes on incomes, profits and capital gains	657,186,136,271.60	627,469,093,794.15
Taxes on Goods and services	524,881,879,090.21	504,507,993,929.80
Taxes on international trade and transaction	117,512,789,772.75	112,890,047,204.80
Other Taxis	12,117,526,460.55	8,595,580,578.90
Fees on use of goods and services	2,263,583,942.73	4,974,802,302.30
Social Security contribution	202,945,590.20	390,144,130.50
Property Income	24,673,526,693.75	29,798,232,404.05
Other Receipt (miscellaneous)	360,026,525.95	964,130,520.35
Sale of goods and Services(traffic)	3,070,936,003.85	76,000
Receipts from sale of Non-financial assets	841,615.00	13,540,439.00
Loans repayment and interest on loans	4,966,599,577.80	4,965,742,063.85
Proceeds from foreign Grants (Amison)	4,637,374,739.45	7,435,996,043.90
Total Transfer to Exchequer	1,351,874,166,346.84	1,302,005,379,411.60

14 TRANSFER TO PDL

	2017/18 kshs	2016/17 kshs
PDL Fund account	2,263,583,942.73	2,137,500,000
Brought B/F	1,745,118,711.00	3,570,991,331.65
Total Transfer to PDL	4,008,702,653.73	2,137,500,000



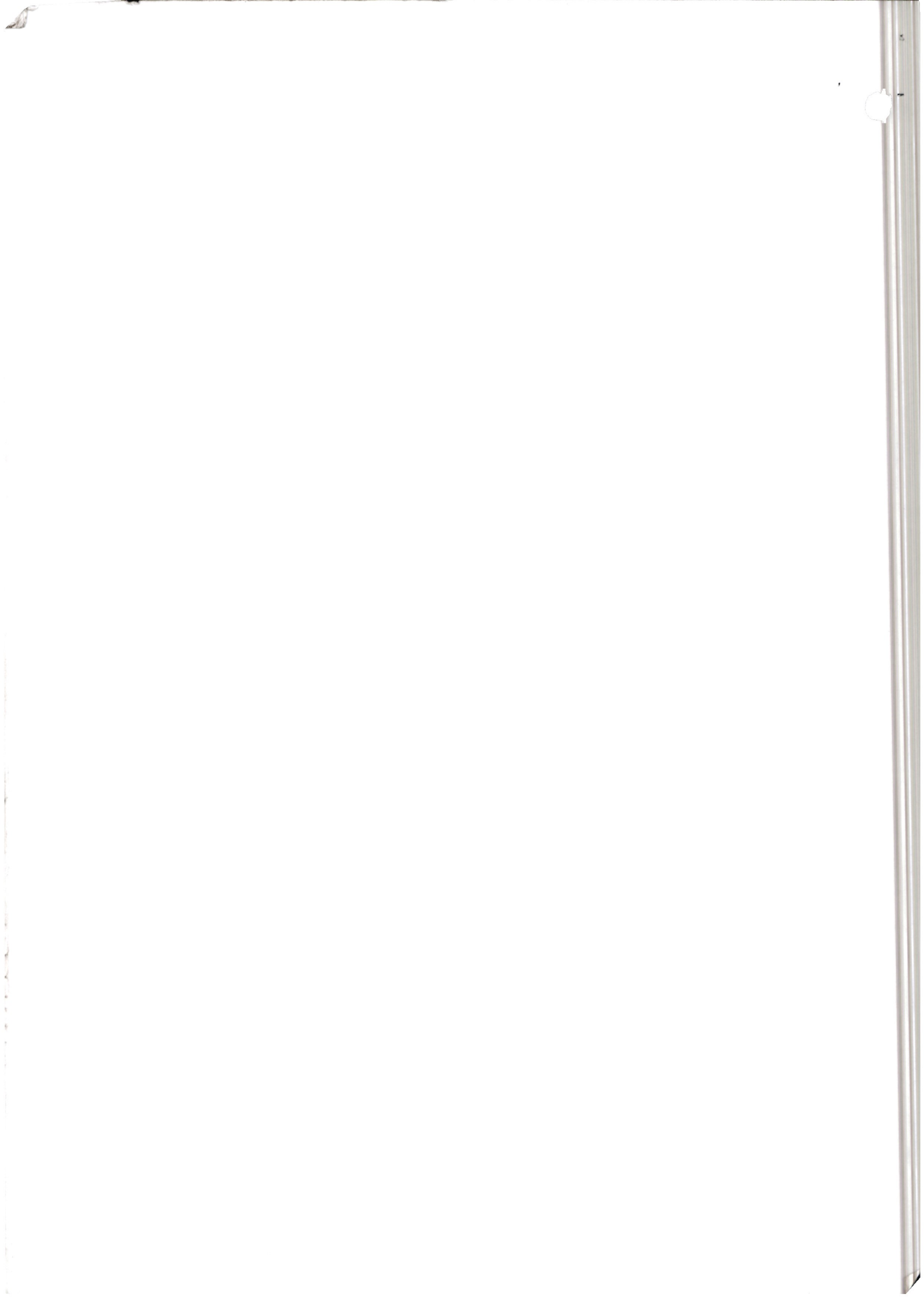
THE NATIONAL TREASURY
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For the year ended June 30, 2018

APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.

Name of person / organization benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver	Reasons for waiver/ variation	The law in terms of which the variation was granted
Customs & Border control Department- Various	2017/18	84,157,869.687.00	Various- appendix 1(a)	customs
Domestic Taxes- Various	2017/18	8,164,411,452.00	Various- appendix 11(a)	Domestic taxes department
Donor AID Funded Project- Various	2017/18	870,685,002.00	Various- appendix 11(b)	Domestic revenue department
Various-ITAX	2017/18	325,908,072.87	Various- appendix 111(a)	Various KRA laws
Various- Manual write offs	2017/18	1,506,151,316.27	Various- appendix 111(b)	Various KRA Laws
TOTALS DTD		<u>10,867,155,843.14</u>		

(This relates to a receiver of revenue that has granted a giver/ remitter of revenue waiver or discount on the revenue to be submitted. Where no waiver has been given, state so under this statement)

(PFM ACT section 82 sub section 4, 5)

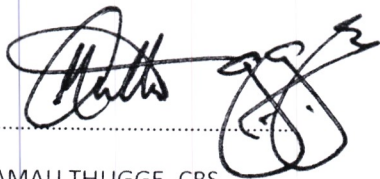


THE NATIONAL TREASURY
Statements Receiver of Revenue (Recurrent)
For the year ended June 30, 2018

VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

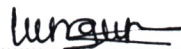
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Balances brought forward from previous years	Taskforce was formed to look into old balances with the aim of resolving the matter		The task force was satisfied with the adjustment made and has since forwarded the matter to the office of auditor general for approval	
	Arrears of revenue.	KRA to respond			



DR. KAMAU THUGGE, CBS
 PRINCIPAL SECRETARY

Date: 18/4/19



LILIAN .W. DISHON
 ICPACK MEMBER NUMBER 10442
 HEAD OF ACCOUNTING UNIT

