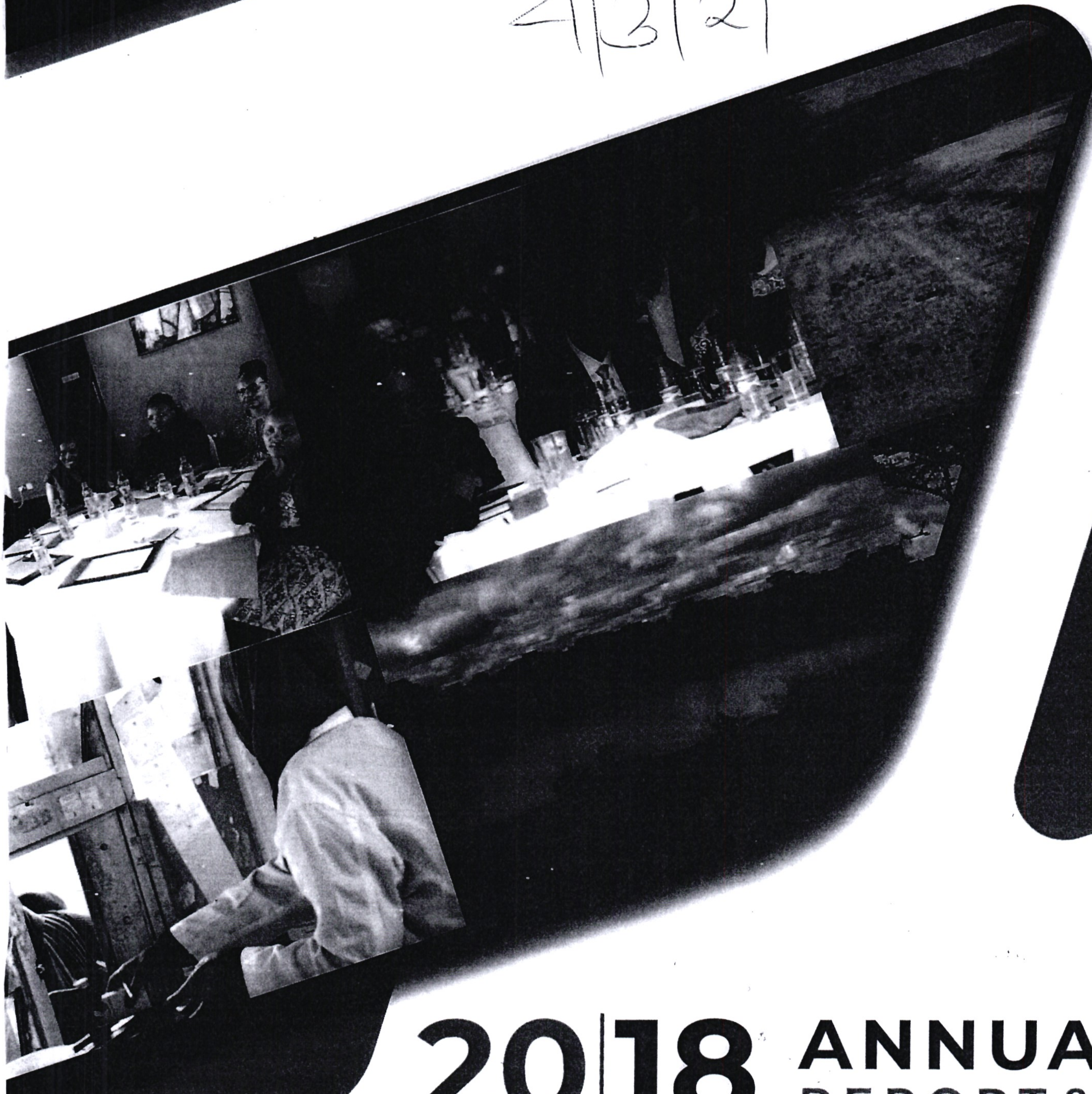
Commission on Revenue Allocation

4/3/21



2018 2019 ANNUAL REPORT & FINANCIAL STATEMENTS

Commission on Revenue Allocation

CRA

7/3/21

2018|2019 ANNUAL REPORT & FINANCIAL STATEMENTS

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ABBREVIATIONS

BROP	Budget Review and Outlook Paper
CBEFs	County Budget and Economic Forums
CCI	County Creditworthiness Initiative
FCDC	Frontier County Development Council
IGRTC	Intergovernmental Relations Technical Committee
PFMA	Public Finance Management Act, 2012
UNDP	United Nations Development Programme

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CHAIRPERSON'S STATEMENT

Dr. Jane Kiringai
CRA CHAIRPERSON

I'm delighted to share the 2018/2019 Annual Report, which tracks progress in the execution of the Commission's mandate. The Commission made substantial progress building on the achievements of 2017/2018. As a Commission, we believe that what gets measured gets done and in this regard the Commission was able to achieve four key milestones.

First, the Commission developed the third basis for equitable sharing of revenue among county governments. The recommendation is anchored in a revenue sharing framework which seeks to closely align funding to functions assigned to county governments. to enhance service delivery. The recommendation is currently before senate pending its approval and will be used to share revenue among county governments for five years.

Secondly, in executing its mandate of making recommendations on matters concerning financial management of county governments, the Commission supported and trained 43 counties to establish and operationalize County Budget and Economic Forums (CBEF) which is a requirement in the Public Finance Management (PFM) Act 2012. The commission also started a shadow credit rating program for county governments, working with development partners and the Capital Markets Authority (CMA), which will prepare counties to access financial products in capital markets for infrastructure development.

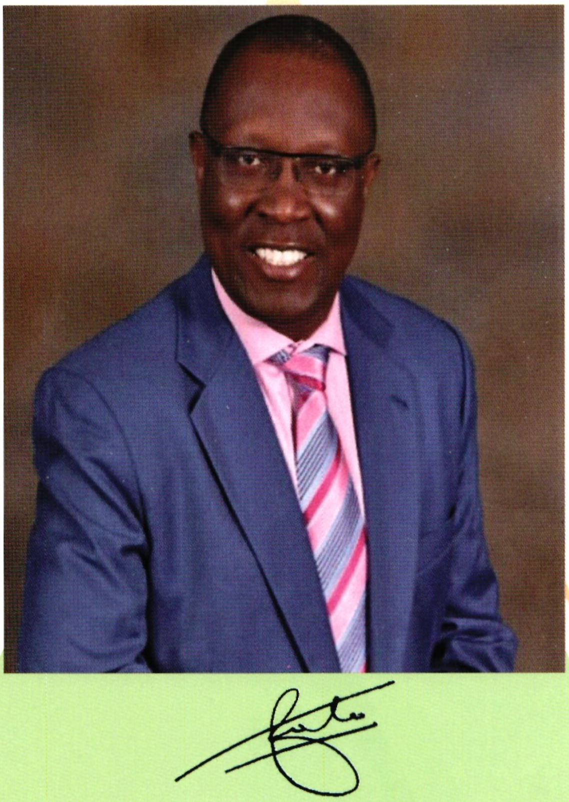
Third, natural resources are a new frontier for revenue streams for governments worldwide. To strengthen capacity for the Commission to make recommendations on sharing of these revenue streams, two study placements to India and Canada were organized in 2018 through the World Bank funded Kenya Petroleum Technical Assistance Project (KEPTAP), in this regard the Commission is well placed to make recommendations on sharing of natural resource revenues and royalties.

And finally, in fulfilling the President's directive for the creation of a single system of revenue collection to eliminate duplications and wastage of resources in counties, the Commission is part of a multi-agency team comprising of the Council of Governors, the National Treasury and the Kenya Revenue Authority whose principal aim is to deliver a single revenue collection system, integrated with National Government Systems and to be used across all 47 Counties. Notably, the directive was informed by the findings from a study commissioned by CRA on the status of automation of revenue collection in the counties.

All these milestones would not have been achieved without a dedicated team of Commissioners and Secretariat, as well as financial and technical support fromdevelopment partners and stakeholders. I wish to express sincere gratitude to the strong teams that made these achievements possible.

Date: 19 / 09 / 2019

REPORT OF THE COMMISSION SECRETARY / CEO



Mr. George Ooko
COMMISSION SECRETARY / CEO

I am delighted to introduce the Commission on Revenue Allocation's Annual Report and financial statements for financial year 2018/2019.

In this financial year, we embarked on implementing forward thinking initiatives with a focus on delivering value for money in our financial performance. We will sharpen our attention to disciplined financial spending, focusing more on strategic allocation and prudent utilization of resources.

To optimize output among the staff, the Commission is keen on rewarding high performance while at the same time building on the values of the Commission. Employee engagement remains a key priority going forward as we aim to improve on the culture of our work environment.

We want to build a dynamic Commission which will support our strategy and growth and to achieve this end, the Commission continues to invest in proper operational systems aimed at optimizing performance and capturing opportunities. The fruits of this investment have seen the Commission maintain unqualified audit opinions since inception.

At the heart of a dynamic organization is its people. In today's rapidly changing world, the required skills and competences are evolving fast. We have enhanced our organization with the right skills and expertise through offering training opportunities and technical transfers to our commissioners and staff through partnership with academic and research institutions. We encourage our employees to embrace a continuous learning and coaching mindset with initiatives and tools enabling everyone to keep up with the new demands of the professional world and acquire new knowledge and skills.

We have equally introduced Staff Mortgage as part of staff benefits. We will also continue with efforts to reinforce a dynamic high-performance culture within the Commission, with an unwavering commitment to integrity at its core.

From this strong foundation, the Commission is well positioned to achieve its vision and objectives and I would like to thank our Staff, Commissioners and Stakeholders for their important contributions throughout the year.

Date: 19 / 09 / 2019

Commission on Revenue Allocation

CHAPTER 1

MANDATE & ROLE OF THE COMMISSION

Commission on Revenue Allocation

MANDATE

The Commission on Revenue Allocation (CRA) is an independent Commission set up under Article 215 of the Constitution of Kenya, 2010. Its core mandate is to recommend the basis for equitable sharing of revenues raised nationally between the national and the county governments, and among county governments.

VISION

No Kenyan Left Behind

MISSION

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial management

CORE VALUES

Excellence

Inclusiveness

Integrity

Equity

Objectivity

MOTTO

Promoting an Equitable Society

Commission
on Revenue
Allocation

CHAPTER 2 : PERFORMANCE REVIEW AND ACHIEVEMENTS

Introduction

During the financial year 2018/2019, the Commission undertook several activities in line with its mandate. This chapter highlights the main activities and achievements of the Commission for the period June 2018 to June 2019.

2.1. Recommendation on Revenue Sharing between National and County governments for FY 2019/2020

Article 216(1) (a) mandates the Commission to recommend the basis for the equitable sharing of revenue between the national and county governments. Section 190 of the Public Finance Management Act (PFMA) requires the Commission to submit its recommendations at least six months before the beginning of the next Financial Year to the Senate, National Assembly, County Assembly, National Executive and the County Executives.

During the FY 2018/19 the Commission prepared and submitted a recommendation on vertical sharing of revenue for FY 2019/20. The recommendation proposed an allocation of Ksh. 1,529.5 billion to the national government and Ksh. 335.7 billion to county governments as equitable shares, and Ksh. 5.2 billion to the Equalization Fund for FY 2019/20.

CRA and Council of Governors Consultation on the Vertical Recommendation - 30.01.2019

The Commission's recommendation to county governments was based on Ksh. 314 billion allocation to counties in the FY 2018/19 and an adjustment of Ksh. 21.7 billion to cater for costs of living using the actual three-year average annual inflation of 6.9% per cent. The Commission also recommended that Ksh. 5.2 billion be put into the Equalization Fund in FY 2019/20 for purposes of redressing marginalization. The allocation to the Equalisation Fund was based on 0.5% of actual audited and approved accounts for FY 2014/15.

Table 1: Commission's recommendation and approved allocation for the two levels of government for FY 2019/2020 (Ksh. Millions)

	ITEM	FY 2019/2020 COMMISSION'S RECOMMENDATION	FY 2019/2020 APPROVED ALLOCATIONS
1.	National Government	1,529,000	1,554,916.5
2.	County governments	335,700	316,500
3.	Equalization Fund	5,200	5,760
Conditional Transfers to the Counties			
1.	Level 5 Hospitals	4,500	4,326
2.	Free maternal Health Care	4,300	-
3.	Compensation for user fees forgone	900	900
4.	Leasing of Medical Equipment	9,400	6,200
5.	Road Maintenance Levy Fund	8,984	8,984
6.	Development of Youth Polytechnics	2,000	2,000
7.	Supplement for construction of county headquarters	605	485
8.	New Conditional Transfer for financing of five (5) cities	5,000	-
Total Conditional transfers		**35,689**	**22,895**
Loans and Grants to the counties			**39,089**

Source: CRA and DoRA 2019

2.2. Recommendation on Revenue Sharing among the County governments

The Commission is mandated to make recommendations concerning the basis for the equitable sharing of revenue raised nationally among the county governments (Article 216 (1) (b) of the CoK, 2010).

During FY 2018/19 the Commission prepared the third basis recommendation for sharing of revenue among the counties. The third basis recommendation is a successor to the second basis recommendation which has been used to share revenue among counties between the FY's 2017/18 and 2019/20. The third basis, once approved by Parliament, will be used to share revenue among county governments for the next five financial years from 2020/21 to 2024/25.

In formulating the third basis recommendation, the Commission carried out a consultative process involving the intergovernmental sector, local and international experts, Council of Governors, Parliament and the public. The recommendation was also informed by a comprehensive review of the second basis and lessons learned from experiences of other countries that have a similar devolved system to Kenya such as: Ethiopia, Philippines, India, South Africa, Ghana, Indonesia, Bolivia, Uganda, Nigeria and Brazil.

The third basis seeks to address four objectives: enhance equitable service delivery; promote balanced development; incentivize counties to optimise capacity to raise revenue; and incentivize prudent use of public resources by counties.

The following four-stage process was followed in developing the recommendation:

i. Mapping of the devolved county functions into four objectives (stated above);
ii. Determination of the expenditure needs for each devolved function;
iii. Determination of the appropriate measures for the expenditure needs;
iv. Setting of the weights for measures of expenditure for each parameter.

To determine the parameter weights, the department was guided by: existing policies on devolved functions, binding conventions on some of the devolved functions, actual expenditures by county governments and transfer shares from nationally raised revenues for key devolved functions.

Participants at launch of the 3rd Formula - 18.12.2018

The third basis recommendation was submitted to the Senate in April 2019 in line with Article 217 (2) (b) which stipulates that in determining the basis of revenue sharing, the Senate shall request and consider recommendations from the Commission. Table 2 below gives a summary of the third basis recommendation.

Table 2: Summary of the third basis recommendation

Public Sector Function	Constitutional Functions & Powers	Indicator of Expenditure	Weight
Objective 1. Enhance services delivery			
1.1 Health	• County health services	Health index	17%
1.2 Agriculture, livestock & fisheries	• Agriculture, livestock and fisheries • Animal control and welfare	Agricultural index	10 %
1.3 Other county services	1.3 Other county services • Pre-primary education, village polytechnics, homecraft centres and childcare facilities. • Cultural activities, public entertainment and public amenities	County population	18 %
1.4 Public Administration	• County planning and development • Implementation of specific national government policies on natural resources and environmental conservation • Ensuring and coordinating the participation of communities in governance at the local level	Basic share index	20%
1.5 Urban Services	**1.5 Urban Services** • Urban services and environment √ Control of air pollution, noise pollution, other public nuisances and outdoor advertising. √ Fire-fighting services and disaster management. √ Control of drugs and pornography. • County public works and services for storm water management, water and sanitation services	Urban households	5 %
Objective 2. Promote balanced development			
2.1 Infrastructure	• County transport • Trade development and regulation	Land area Rural access index Poverty	8 % 4 % 14%
Objective 3. Incentivize capacity to raise revenue			
3.1 Revenue collection	• County revenue collection	Fiscal effort index	2 %
Objective 4. Incentivize prudent use of public resources			
4.1 Prudent use of public resources	• Establishment of Internal audit committee • Establishment of the County Budget and Economic Forum • Expenditure on development • Opinion of the External Auditor	Prudence index	2 %

Source: CRA and DoRA 2019

2.3. Policy Addressing Marginalization

The first policy addressing marginalization was developed by the Commission and published in February 2013 pursuant to Article 216(4). Implementation commenced in financial year 2016/17, when the Equalization Fund Advisory Board (EFAB) was set up to steer the Fund's execution.

Road connecting Kajiado and Mashuru towns in Kajiado East - 24.11.2017

During the FY 2018/19, the Commission reviewed the impact of the first policy identifying marginalized areas by visiting counties that were identified as marginalised in the policy. The Commission organised visits to Marsabit and Turkana counties for fact-finding on how aspects of marginalization are being addressed.

The visits revealed that there is lack of coordination between the national and county government in the implementation of Equalisation Fund projects and as a result some county governments were not aware of the existence of all these projects.

Projects in Marsabit County being implemented under the Equalisation Fund

Tarmacking of the Laisamis-Ngurunit road - 23.05.2019

Rehabilitation of the Moyale water project - 23.05.2019

2.4. Review of Budget Review and Outlook Paper

The Commission reviewed and made comments on the 2019 Budget Review and Outlook Paper (BROP). The comments were shared with the National Treasury for consideration in the finalization of the BROP. The issues raised touched on:

1. Non-disbursements of conditional grants for the construction of county headquarters to five counties.
2. Failure by accounting officers of ministries to submit instructions for release of payments for specific conditional grants which led to non-disbursement of county conditional allocations.
3. The need for further analysis from the National Treasury on why gross domestic product (GDP) growth far outstrips revenue growth.
4. The need for introduction in the BROP a county disbursement schedule and adherence to it by the national government. This is important in informing analysis of county absorption rates.

2.5. Public Financial Management

During the reporting period, the Commission implemented three key activities to promote public financial management in counties:

i. Development of the County Recurrent Expenditure Budget Ceilings recommendations for FY 2019/20 and submission to Senate.
ii. Development of recommendations for financial limits for county non-core infrastructure projects.
iii. Supported the establishment and functioning of County Budget Economic Forums (CBEFs).

County Expenditure Budget Ceilings Presentation to Parliamentary Budget Office - 07.05.2019

2.6. Development of County Recurrent Expenditure Budget Ceilings Recommendations for FY 2019/2020

In executing its mandate on making recommendation of matters concerning financial management by county governments, the Commission developed and made recommendations on the ceilings for the 2019/2020. These were submitted to the Senate on 3rd April 2019 following a series of stakeholder consultations. The cumulative amount of the recommended recurrent expenditure budget ceilings for the County Assemblies was Kshs 33,247,585,463 while the amount for the County Executive was Kshs 26,708,080,067. The Senate approved the recommendations without amendment and included them in the County Allocation of Revenue Act 2019.

2.6.1. County Non-Core Infrastructure Recommendations

The Commission is mandated under Article 216 (2) of the Constitution to make recommendations on the financing of, and financial management by county governments. Pursuant to this, the Commission made recommendations to the Senate on financing county non-core infrastructure projects in collaboration with the State Department of Public Works - Ministry of Transport, Infrastructure, Housing, and Urban Development, and in consultation with the Office of the Controller of Budget (OCOB) and the Salaries and Remuneration Commission (SRC). Such projects include construction of county offices, county assembly chambers and offices, Governor's and Deputy Governor's residential buildings as well as Speakers' houses.

The Senate Standing Committee on Finance and Budget, adopted the Commission's recommendations and made resolutions in November 2018. The full Senate adopted the Committee's report on 14th May 2019, which provided a policy guideline for the construction of such projects so that there is enough fiscal space for development and service provision. The budget limits on the construction on these projects are set as follows:

Table 3: Budget Limits on County Non-core Infrastructure

S. No.	**Project**		**Estimated Cost (Kshs.)**
1.	County Offices/ Headquarters		500,000,000
2.	Governor's Residence		45,000,000
3.	Deputy Governor's Residence		35,000,000
4.	Speaker's Residence		35,000,000
County Assembly			
Category	**Chambers**	**MCA Offices**	**Total (Kshs)**
Type 1			
(below 30 MCAs)	200,000,000	200,000,000	400,000,000
Type 2			
(31-60 MCAs)	250,000,000	250,000,000	500,000,000
Type 3			
(above 60 MCAs)	400,000,000	350,000,000	750,000,000

2.6.2. Support establishment and functioning of County Budget and Economic Forums (CBEFs)

The Commission championed establishment of the Public Finance Management Structures to encourage adherence to the Constitution and the Public Finance Management Act (PFMA, 2012). Specifically, the County Budget and Economic Forum (CBEF) whose establishment is a requirement of Section 137 of PFMA (2012). CBEF's provided a means for public consultation on preparation of county plans and budgets as well as matters relating to the economy and financial management at county level.

County Budget Economic Forum Members Training in Samburu County - 22.03.2018

The Commission, with support from the United Nations Development Programme (UNDP) and in collaboration with other stakeholders developed guidelines for the formation and functioning of the CBEF and undertook training for the CBEFs in various counties. In FY 2018/19, the Commission successfully trained eleven counties namely Kisii, Nyamira, Migori, Kakamega, Tana River, Mombasa, Makueni, Embu, Machakos, Meru and Wajir county.

2.7 Fiscal Responsibility

Article 216 (3c) of the Constitution requires that in formulating recommendations, the Commission should encourage fiscal responsibility. In the period under review, CRA executed this mandate through the following activities: -

i. The County Creditworthiness Initiative (CCI)
ii. Fiscal Responsibility Report (FRR)

i. County Creditworthiness Initiative (CCI)

The Commission has a constitutional mandate to advise county governments on how to finance their operations and investments in ways that meet the fiscal responsibility yardstick. This mandate implicitly confers an obligation on the Commission to help county governments bridge the financing gaps that may exist and support the development of an enabling environment for County government borrowing. The Commission, in collaboration with the World Bank Group (WBG), conceived the County Creditworthiness Initiative (CCI).

The Initiative aims at providing technical assistance to county governments to enable them bridge the creditworthiness gap and access market finance for infrastructure and other development projects.

The CCI was conceived to coordinate and integrate existing efforts, instruments, knowledge, and resources from partners and stakeholders by identifying the most effective financing solutions and implementation arrangements for county governments in Kenya. CCI aims to achieve the following outcomes:

a) A strengthened regulatory framework for county government borrowing;
b) A fiscal decentralisation structure that supports responsible borrowing and regulated by market discipline;
c) An institutional framework for overseeing sustainable county government borrowing;
d) A capital market that is ready for county government borrowing;
e) Strengthened financial management by County governments for market access.

CCI was piloted in nine county governments: Meru, Laikipia, Bungoma, Nandi, Mombasa, Kisumu, Lamu, Makueni and Samburu. The counties were selected by an objective criteria developed by the Commission. Nyandarua County government was a late inclusion to the pilot county governments due to its clean audit report in the financial year 2017/18. The nine county governments attended a one-week Creditworthiness Training Academy on the drivers of creditworthiness. Using the tools from the training, the county governments were expected to undertake self-assessment and develop their action plans. It was a requirement that the nine counties submit to the Commission action plans endorsed by their Governors.

The launch of phase two of County Creditworthiness Initiative (CCI) took place on Thursday, 27th June 2019 at Safari Park Hotel - Nairobi. The second phase involved a shadow credit rating. Under this phase, three (3) county governments were to be selected for shadow credit rating. Phase one and 2 of this initiative were undertaken during the period under review.

ii. Fiscal Responsibility Report (FRR)

The Commission aimed at demonstrating how county governments had adhered to the fiscal responsibility requirement through a fiscal responsibility report. The Public Finance Management Act (2012) lists the principles of fiscal responsibility under Section 15 (2) for the national government and Section 107 for county governments. The report adopted the definition of fiscal responsibility to entail the implementation of sound practices, adherence to legislation in the utilisation of public funds, and citizen's value for money. The objectives of Fiscal Responsibility Report included:

a) Promote Constitutionalism in the utilisation of public resources.
b) Establish a framework for openness and accountability.

The Report covered all 47 county governments focusing on revenue performance; expenditure analysis; management of assets and liabilities; transparency in public finance management; budget process; establishment of public finance management structures; fiscal responsibility index and finally conclusion and recommendations.

2.8 Revenue Enhancement

The Commission is mandated to define and enhance the revenue sources for both national and county governments. In executing this mandate, the Commission undertook the following activities during the period under review:

2.8.1. Revenue Administration Training

The Commission conducted training and made recommendations for revenue enhancement for county governments of Laikipia, Kisumu, Nakuru and Turkana. The training covered various cadres including Directors of Revenue, Revenue Officers, Ward Revenue Officers and Clerks as well as Enforcement Officers.
Following the trainings, the counties have recorded improvement in revenue collection. In addition, the Commission conducted analysis of staff age and level of training and was able to make recommendations to the specific counties on staff issues particularly training and succession management.

Under UNDP support, the Commission also conducted training of Heads of Revenue, Heads of Budget and Sub-County Revenue officers for counties in the Frontier County Development Council (FCDC). Specifically, the Commission conducted training for Isiolo, Turkana, Samburu, Marsabit, Mandera, Garissa, Tana River, Wajir, and Lamu counties. A monitoring plan was also developed to review the post training performance for these counties.


Courtesy: CRA Communication

Participants of the joint capacity building workshop on Public Finance Management for Wajir County Executive and Assembly held in Nairobi - 29.08.2018

i. Recommendation to counties on the establishment of Revenue Boards

The Commission prepared a paper on revenue boards to guide the establishment of revenue boards. County governments have been establishing revenue boards, agencies and sometimes authorities. The boards are set up by county governments to improve the way revenue is collected and remitted. Revenue boards are a reform tool in revenue administration, and the aim has been to create an institution that operates separately from how public service functions. It assumes that an entity that works dissimilar to public service is likely to be more efficient, resulting in improved revenue performance. Boards encourage financial, human resources and administrative autonomy.

The recommendations were made to Nakuru, Embu, Meru and Nairobi Counties. The Commission also reviewed and made recommendations on the county bills to establish the boards.

ii. Revenue Trend Analysis and Projection Model (RTAMP)

The Commission with support from World Bank Group developed a revenue trend analysis and projection model with data from three pilot counties. The model was developed with data from Kisumu, Laikipia and Makueni Counties. It was also piloted in Samburu, Nairobi, Wajir, Nyamira, Nakuru and Turkana counties. The review of the effectiveness of the models by the pilot counties will be done and reported in the 2020/2021 financial year.

2.9 Research & Knowledge Management

The Commission set up a Research and Knowledge Management Directorate in financial year 2018/19 to strengthen its ability to perform its advisory role and mandate on devolution matters in the country.

To strengthen its advisory role, the Commission carries out the below functions:

i. Generate evidence-based knowledge to support its recommendations as part of its revenue oversight mandate;

ii. Assess the potential of natural resources as a revenue source for counties and develop a national strategic framework to govern the utilization by counties of natural resources;

iii. Establish, and manage for posterity, a repository for devolution and fiscal decentralization literature and data to shape the devolution discourse in Kenya;

iv. Monitor the implementation of its overall strategy and evaluate the strategic effectiveness in performing its mandate.

2.9.1. Institutional capacity building

The Commission initiated quarterly discussion forums aimed at providing an avenue where the Commission staff can engage and discuss emerging issues that are relevant to the Commission. These forums involve guest speakers who are experts on the issues being discussed. Three forums were held in the 2018/19 financial year including:

1. The government's fiscal stance - The objective of the seminar was to give an opportunity to discuss the national government's discretionary decisions on tax and expenditures and the implications of these observations for the successful implementation of fiscal decentralisation.
2. Benefit Sharing from Natural Resources, Minerals and Other Resources. The objective of this seminar was to discuss the existing policies and legislation on management of natural resources and benefits sharing to promote equity within the society.
3. Implications of the 2019/20 budget statement aimed at highlighting issues of relevance to the work of the Commission

2.9.2 Marginalization Lab

In the process of developing the second policy, the Commission engaged in extensive stakeholder engagements, data analysis and county visits that revealed gaps in the way marginalization is understood and addressed. In this regard the Commission identified the need to create a broader framework to collaborate with various stakeholders including the public to address marginalization through a detailed examination of root causes, various forms of marginalization, possible policy and legal interventions as well as regular sharing of experiences.

Courtesy: CRA Communication

Women fetching water at a water pan in Buna Town, Wajir County - 01.12.2017

This led to the creation of the Marginalization Lab, that will offer a formal, open platform to engage, examine and interrogate, all facets of inequality and seek possible solutions to end marginalization within a reasonable timeframe. The primary objectives of the Lab are to:

i) Promote research and robust discourse on national and county inequality / marginalization dynamics as the basis for influencing policy interventions for effective de-marginalization of the Kenyan society;

ii) Establish a network of scholars, policy makers and provide them with a platform for continuous discourse on marginalization;

iii) Provide opportunities for peer-learning on ways of addressing different forms of marginalization and;

iv) Make recommendations on how to address marginalization and inequity in Kenya.

To operationalize the program, a steering committee was set up to spearhead and oversee the activities of the Lab. During the year, the committee held an inception meeting in Naivasha in March 2019. A field visit to Taita-Taveta was also undertaken to understand the placing of counties in the Commission's marginalization policies.

2.9.3. Resource Centre

To equip the resource centre, print and electronic resources were acquired (books, journals, magazines and e-journals) in the financial year. The library acquired membership to Kenya Library and Information Services Consortium (KLISC) that enables institutions to access a variety of electronic resources at a subsidized rate.

2.10 Information Technology

2.10.1. Integrated Data Management Systems

In a world filled with increasingly complex and abundant data, the ability to translate information into visual representations is essential in helping audiences understand important subject matter and help in making data driven policy decision in government. It also promotes transparency in the way resources are shared and utilized across the nation.

The Commission commenced on the development of an integrated data management system whose objective is to develop an integrated centrally managed data portal that will capture data from all sources to help stakeholders make data-driven policy, investment and sustainable development decisions in Kenya especially at the county government level. Specifically, the project seeks to create a one-stop source of financial, investment, policy and development data to inform major economic designs.

To operationalize the program, a steering committee consisting of Economic Affairs, ICT, Legal and Fiscal Affairs departments was set up to steer the development of the portal. The development of the database is ongoing.

2.10.2. Framework for vertical sharing of revenues in Kenya

To build sound economic thinking and scientific evidence, to underpin recommendations for additional transfers to counties, the Commission produced a policy paper on conditional grants which mainly focused on issues and policy options for Kenya

21.0.3. Collaboration with other institutions

The Commission signed a Memorandum of Understanding between with the National Institute of Public Finance and Policy for partnership and cooperation.

2.11. Legal Matters

The Commission undertook the following activities during the 2018/2019 financial year.

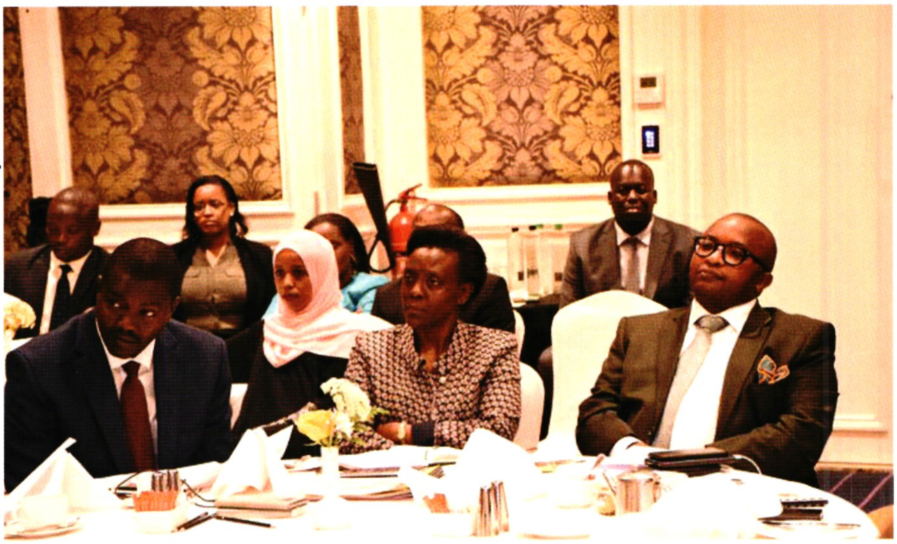
2.11.1. Revenue Bills and Policies

The Commission is required to give recommendations on any Bill containing provisions dealing with the sharing of revenue, or any financial matter concerning county governments (Article 205, Constitution of Kenya). In fulfilment of this, the following Bills and policies were reviewed and recommendations forwarded:

a) The Disaster Risk Management Bill, 2018
b) Finance Bill, 2018
c) The County Wards (Development Equalisation Fund) Bill, 2018 and participation in a meeting with Senators
d) The Natural Resources (Benefit Sharing) Bill, 2018
e) Sovereign Wealth Fund Bill, 2018
f) County governments (Revenue Raising Process) Bill, 2018
g) Determination of the Nature of Bills (Procedure Bill) 2018
h) Nairobi City County Revenue Administration Bill, 2018
i) Nairobi City Trade Licensing Bill, 2018
j) County Statistics Bill, 2018
k) County Oversight & Accountability Bill, 2018
l) Nakuru County Revenue Authority Bill, 2018
m) National Urban Development Policy

The Commission also facilitated the drafting of the following model Bills for Kwale County:

a) Entertainment Bill
b) Valuation for Rating Bill
c) Agricultural Produce Cess Bill
d) Finance Bill
e) Physical Planning Bill
f) County Beach Management Bill
g) Revenue Administration, Waiver and Revenue Board Bill


Courtesy: CRA Communication

Consultative meeting on the funding gaps in Cities - 19.12.2018

2.11.2. Legal Advisories

The Commission developed various advisories on the Commission mandate internally and externally:

a) 47 county government CEC members Finance on need to seek the Commission's views on county revenue raising measures in line with the Public Finance and Management Act, 2012;
b) 47 county governors on development of a tariffs and pricing policy which forms a basis of levying fees and charges for the services that they provide.

2.11.3. Forum representation

The Commission played a pertinent role in various stakeholder engagements by participating in the following forums:

a) Participation in the 4th Legislative Summit by the County Assemblies Forum;
b) Committee membership to evaluate Appropriation of court fees and fines;
c) County peer review mechanism;
d) Transfer of library staff and funds as convened by the Intergovernmental Relations Technical Committee (IGRTC);
e) Providing recommendations on judicial independence.

2.11.4. Management of Court Cases

The Commission in the review period prepared submissions, affidavits and briefed both the Attorney General's office and outsourced counsel on litigation in court making sure that it was well represented in court. This included representation on traffic matters. Some of the cases include Mediation in Constitutional Petition 252 of 2016: Council of Governors Vs Ag & Others on the structure and content of the Division on Revenue Bill.

2.11.5. Memorandums and Contracts

The Commission entered into various memorandums of understandings (MoUs) and contracts such as:

a) MOU between CRA and The Institute of Certified Public Accountants of Kenya (ICPAK)
b) MoU between CRA and the Safaricom Foundation
c) MoU between CRA and National Institute of Public Finance and Policy.

Commission on Revenue Allocation

CHAPTER 3: COMMUNICATION, AWARDS AND OUTREACH ACTIVITIES

In the period under review, the Commission carried out several activities to inform the public of activities undertaken to fulfil its mandate.

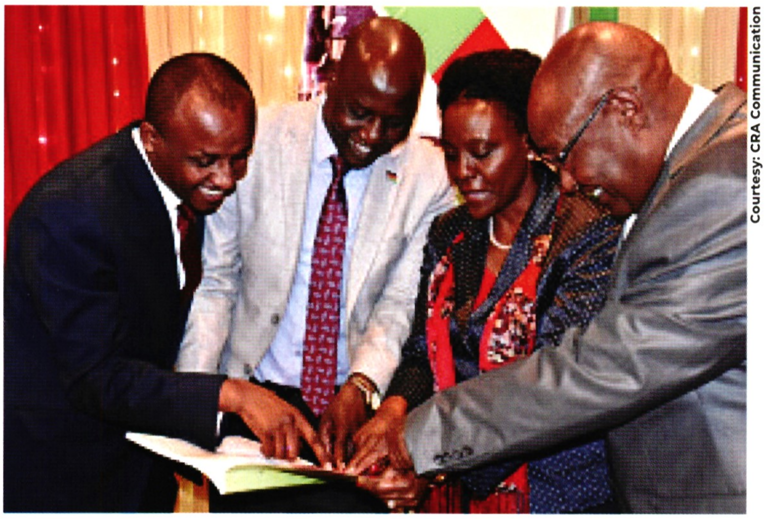
3.1 Communicating CRA Activities

In FY 2018/2019 CRA communicated its mandate and functions with its stakeholders and the following are some of the key activities undertaken:

3.1.1 Launch of Formula, Policy and Strategic Plan

i. Launch of Second Policy and Criteria for Sharing Revenue Among Marginalized Areas

The Commission launched The Second Policy and Criteria for Sharing Revenue Among Marginalized Areas. The policy identifies 1,424 sub-locations as being most marginalized.



Launch of the Second Policy and Criteria for Sharing Revenue Among Marginalized Areas - 18.07.2018

ii. Launch of Strategic Plan for 2017-2022

During the same event, the Commission launched its Strategic Plan for 2017-2022. The Strategic Plan details out what the Commission plans to do over the next 6 years. The proposed strategies are as a result of collaborative effort and intense consultations between the Commission and various stakeholders and are intended to provide clarity and guidance towards an efficient and effective fulfilment of our constitutional mandate.

iii. Launch of 3rd Revenue Allocation Formula

In December, 2018 the Commission announced the 3rd Revenue Allocation Formula for public participation and consultation. The proposed formula had the following objectives: 1. Enhance Service Delivery; 2. Promote Balanced Development; 3. Incentivize capacity to raise revenue; and 4. Incentivize prudent use of public resources.


Courtesy: CRA Communication

CRA Commissioners and CEO at Launch of 3rd Revenue Allocation Formula - 18.12.2018

3.1.2 Social Responsibility

The Commission donated foodstuffs and clothes to the Kenya Red Cross Society targeting Kenyans affected by floods and other disasters around the country. This is in line with the Commission's mission of leaving No Kenyan Behind.


Courtesy: CRA Communication

Donation of foodstuff and clothes to the Kenya Red Cross - 27.07.2018

3.1.3 Public Forums and Exhibitions

The Commission participated in several public forums and exhibitions to inform the public of its mandate:

i. Kenya Equity Week 2018

The Commission participated in the Kenya Equity Week in collaboration with the International Budget Partnership (IBP Kenya), the Center for Innovations (CIOG), the Institute of Public Finance Kenya (IPFK) and Hennet Kenya.


Courtesy: CRA Communication

Equity Week Group Discussion addressing issues of health, urban poverty and inequities in counties - 01.11.2018

The 2nd Conference on Devolution for Sustainable Development was held on the 26th to 28th September 2018 at the United States International University (U.S.I.U)-Africa. CRA vice chairperson Mr Humphrey Wattanga presented the marginalization policy as an instrument to meet Kenya's commitment to SDGS under the sub-theme ***"Major policy themes and designing implementation models for sustainable development goals in the counties".***

ii. Annual Conference of Constitutional Commissions and Independent Offices

The Commission participated in the 7th Annual Conference of Constitutional Commissions and Independent Offices held in Meru County. The theme of the Conference was 'Public Participation: Pathway to Sustainable Development'.

H.E. President Uhuru Kenyatta with Chairpersons of Constitutional Commissions and Independent Offices (CCIOs) at the 7th Annual Congress of CCIOs - 12.10.2018

iii. Consultations on the Proposed 3rd Basis for Allocating Revenue Among County Governments

The Commission engaged several stakeholders and the public in the process of developing the 3rd Basis for Allocating Revenue Among County Governments:

Consultative Forum between the Senate and CRA on the 3rd Basis - 25.07.2018

Consultative Forum between the Governors and CRA on the 3rd Basis - 31.01.2019

The Public Participation Forum offered the Commission a unique platform for robust & constructive dialogue on the proposed formula. We are committed to effective consultations and public engagement:

Public Participation Forum on 3rd formula - 07.02.201

iv. 6th Annual Devolution Conference, 2019

The Commission participated in the 6th Annual Devolution Conference held in Kirinyaga County. The theme of this conference was: **"Deliver. Transform. Measure - "Remaining Accountable."**

v. 4th Annual Legislative Summit

Dr. Jane Kiringai presents to Senators, Members of County Assemblies and other stakeholders the Commission's 3rd recommendation on the basis of revenue sharing among county governments - 15.04.2019

vi. Making Presentations to the BBI Taskforce

The Commission made submissions to the Building Bridges to Unity Advisory Taskforce. The submissions aimed at promoting inclusivity, devolution, shared prosperity and combating corruption in the country:

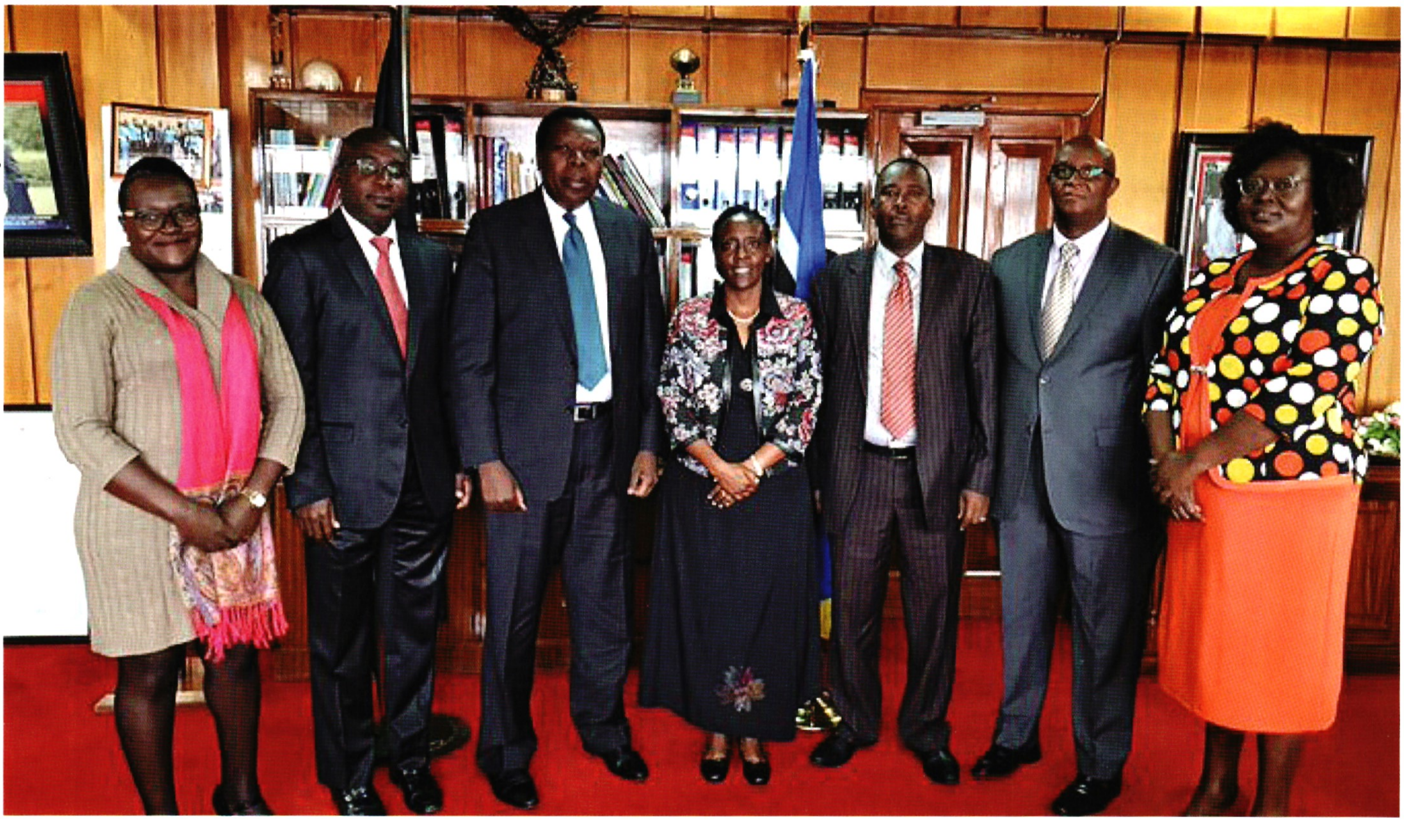
Making submissions to the Building Bridges to Unity Advisory Taskforce - 09.05.2019

vii. Meeting with Partners and various Delegations

Courtesy: CRA Communication

Held discussions with officials from the University of Calgary, Canada - 29.03.2019

Courtesy: CRA Communication



Briefing CS Wamalwa on the Commission's work to improve county creditworthiness and interventions to address gaps in funding for urban centers and cities in Kenya - 10.06.2019

viii. Awards:

The Commission was declared 1st Runners Up in the Diversity and Inclusion Award for Inclusive Commissions at the DIAR AWARDS 2019 Gala Awards Dinner held at Safari Park Hotel.

Courtesy: CRA Communication

CRA declared 1st Runners Up in the Diversity and Inclusion Award for Inclusive Commissions - 12.04.2019

ix. Surviving Dusit Attack and Showing Gratitude to Security Forces

On 15th Janury, 2019 the Commission and other residents / offices residing in 14 Riverside Office Park went through a horrific terror attack. We thank God that no member of the Commission was affected physically.

As part of showing our gratitude to the men and women of the security forces who rescued us on that day, Commission visited the GSU Recce Company as well as the home of one of the Recce Squad members who lost their lives in the line of duty.

Courtesy: CRA Communication

The Commission Visited Recce Company to say Thank You for their Service - 06.04.2019

Courtesy: CRA Communication

CRA Chairperson Dr. Jane Kiringai gives her condolences to the family of the young Recce squad member who lost his life in the Dusit terror attack.

Commission on Revenue Allocation

CHAPTER 4

FINANCIAL STATEMENTS

VI. REPORT OF THE AUDITOR GENERAL

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
Anniversary Towe
Monrovia Stre
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Commission on Revenue Allocation set out on page 1 to 18, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Commission on Revenue Allocation as at 30 June, 2019, 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.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Commission on Revenue Allocation Management in accordance with ISSAI 130 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 financial statements in Kenya. I believe that the audit evidence, I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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 except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall Governance nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Risk Management

In spite of the Commission having an Enterprise Risk Management Framework, the risk assessment had not been performed, neither had the corporate risk register been developed. In the circumstances, it could not be confirmed that the Commission had developed a system of risk management and internal control that builds robust business operations as required under Section 165 of Public Finance Management Regulations, 2015.

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

Responsibilities of Management and those Charged with Governance

Commissioners are 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 i necessary to enable the preparation of financial statements that are free from materi 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, Commissioners are responsible for assessing the Commission'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 liquidate the Commission or to cease operations.

Commissioners are 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, Commissioners are 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 Commissioners are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Commission 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under 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 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 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 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 Commission's ability to continue to sustain it 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 Commission to cease to continue to sustain 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 Commission to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

22 September, 2020

I. KEY COMMISSION INFORMATION AND MANAGEMENT

a) Background information

The Commission was formed by the Constitution under section 215 in December, 2010 and is represented by 8 Commissioners and a Commission Secretary who are responsible for the general policy and strategic direction of the Commission.

b) Principal Activities

The principal activity of the Commission is to recommend the basis for equitable sharing of revenues raised nationally between the national and the county governments and sharing of revenue among the county governments.

Mission

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial Management.

Vision

No Kenyan Left Behind.

c) Key Management

The Commission's day-to-day management for the said financial year was under the following team:

1.	George Ooko	Commission Secretary
2.	Angela Kariuki	Director Corporate Services
3.	James Katule	Director Fiscal Affairs
4.	Sheila Yieke	Director Legal
5.	Joseph Kuria	Director ICT
6.	Lineth Oyugi	Director Research
7.	Dr. Amenya Nyakundi	Advisor Natural Resources
8.	Dr. Naomi Mathenge	Ag. Director Research & Knowledge Management
9.	Maureen Junge	Finance Manager

d) Commission Headquarters

Commission on Revenue Allocation
14 Riverside Drive
Grosvenor suite 2nd and 3rd Floor
P.O Box 1310-00200 Nairobi
Tel: (020) 4298000

e) Commission Contacts

Telephone: (254) (020) 4298000
E-mail: info@crakenya.org
Website: www.crakenya.org

f)

g) Commission Bankers

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

Harambee Avenue
P. O. Box 46950-00100 Nairobi
Tel: (020) 29248501,
Fax: (020) 29248501,

h)

i) Independent Auditors

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

j)

k) Principal Legal Adviser

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

Commission on Revenue Allocation

COMMISSIONERS

Dr. Jane Kiringai
Chairperson

Dr. Kiringai is a seasoned economist with experience spanning over twenty years. She started her career as an economist in the Ministry of Finance determining the aggregate budget framework and ministerial and sectoral budget ceilings.

Before joining CRA she worked as a senior Economist with the World Bank covering a broad range of economic development issues, including macroeconomic analysis and forecasting, public expenditure management and fiscal decentralization. She has also worked with other development institutions including Department for International Development (DFID), the European Commission Delegation, and as a Policy Analyst with Kenya's Policy think tank, Kenya Institute for Public Policy Research and Analysis (KIPPRA).

Dr. Kiringai holds a PhD in Economics from University of Nottingham, UK, a Masters in Development Economics from Williams College, US, a Bachelor of Philosophy in Economics and a Bachelor of Science in Mathematics and Computer Science both from University of Nairobi.

Mr. Humphrey Wattanga
Vice Chairperson

Mr. Humphrey Wattanga holds a Masters in Business Administration from the Wharton School of Finance, USA, and a Bachelor's degree in Biochemistry (cum laude) from Harvard University, USA.

He has over 15 years' global experience serving as a business development, corporate finance and transaction advisor to private equity entities, private sector companies, development finance institutions, governments and public organisations.

He is a Peer Review member of Grand Challenges Canada; a member of the Brookings Institution's review panel on the potential and limitations of Social Impact Bonds; and an integral party in the conceptualization, structuring and rollout of the M-Akiba platform, the world's first mobile-only government bond.

Prof. Edward Oyugi
Commissioner

Professor Edward Akong'o Oyugi holds a PhD in Psychology and Paedagogy from the University of Cologne, Germany and post-doctoral training from University of Cologne, Germany and University of Bayreuth, Germany.

He has held senior academic and research positions in several universities such as Kenyatta University, Bayreuth University (Germany), University of Heidelberg, (Germany), United States International University, Kenya and Tangaza College, Kenya.

He has been a member of the National Economic and Social Council and the Task Force on Devolution. He was also the executive Director of Social Development Network (SODNET) for several years.

Professor Oyugi has published extensively and written several books, articles, book chapters, and papers on diverse subjects.

He has received several awards including Otto Benecke Foundation Award (1980) and Hellmann/Hammett Award of the Fund for Free Expression, New York (1992).

Dr. Irene Asienga
Commissioner

Dr. Irene Koech Asienga has over 15 years' experience in research, teaching and administration.

Prior to joining the Commission on Revenue Allocation, Dr. Asienga worked as a Senior Lecturer and Director of Kabarak University, Nairobi Campus. Under this capacity, she was responsible for mentoring, teaching, grading and supervising students. She was also involved in preparation and implementation of the campus strategic plan, coordination of academic programs, supervision of teaching and non-teaching staff, academic advising, marketing the campus programs, drawing up annual reports for the campus and preparation of annual estimates of income and expenditure. She is a former Dean, Business School and Head of Commerce Department at the same university.

She holds a doctorate degree in Economics from the University of Strathclyde, Scotland, UK; a Master of Arts in Economics from the University of Malawi and a Bachelor of Arts in Economics from the University of Nairobi.

She has interests in public finance, environmental, agricultural and development economics and has published widely in peer reviewed journals.

Mr. Kishanto Suuji
Commissioner

Mr. Kishanto ole Suuji has over twenty seven years' experience in public service and the financial sector.

Prior to joining the Commission on Revenue Allocation, Mr. Suuji worked as a Director at Kenya School of Monetary Studies, Central Bank of Kenya, where he rose through the ranks in various departments of the bank. Under this capacity, he was in charge of the Finance and Administration Department.

He holds an MBA from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a B.A. in Economics and Government from University of Nairobi.

Mr. Peter Gachuba
Commissioner

Mr. Peter Gachuba is an Investment Banker with over 20 years of Investment Banking and Private Equity experience. Prior to joining CRA, Mr. Gachuba worked as the Managing Partner of Strategic Africa Fund, Strategic Africa Advisors from 2012 to 2016 and as the Managing Partner of AfriCap Fund, a specialized Private Equity Fund based in Johannesburg, South Africa from 2004 to 2010.

Mr. Gachuba has also worked for Kestrel Capital, Cooperative Bank of Kenya, Acacia Fund Limited, CDC Capital Partners, KPMG and Loita Capital Partners. He has also served as a Non- Executive Director in many boards including Faulu Microfinance Bank, Equity Bank Limited, and has worked in USA, South Africa, Mozambique, Malawi, Uganda and Tanzania.

He holds an Accounting and a Master's Degree in International Business from Southern New Hampshire University in New Hampshire, USA.

Prof. Peter Kimuyu
Commissioner

Professor Peter Kiko Kimuyu holds a PhD in Energy Economics from University of Nairobi, a M.Sc. in Energy Economics from University of Surrey, UK, an M.A. in Economics from University of Nairobi, and a B. Ed. in Economics and Mathematics from University of Nairobi.

He is the founder director of the School of Economics in the University of Nairobi and former Executive Director of the Institute of Policy Analysis and Research.

He has held board-level appointments with the Export Promotion Council, Privatization Commission and KCB Group. He is a trustee with Africa International University, Technical Advisor to Scott Christian University and a lapsed member of the New York Academy of Sciences.

Professor Kimuyu has published extensively and written several books, articles, book chapters, and papers on diverse development issues.

Ms. Fouzia Abdikadir
Commissioner

Ms. Fouzia has over 10 years' experience in financial management. Prior to joining the Commission on Revenue Allocation, she worked as a finance manager.

She holds a Postgraduate Diploma in Portfolio Management and Investment Analysis from the London School of Commerce, U.K. and a Bachelor of Commerce-Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT). She is currently undertaking an MBA from the University of Wales Institute, Cardiff. She also has certification in civic leadership from Tulane University (USA).

Commissioner Fouzia is a Mandela fellow (Young African Leadership Initiative, 2014) and she has also published on the challenges of the girl child in Africa education in the Hunger Report by Bread for the World.

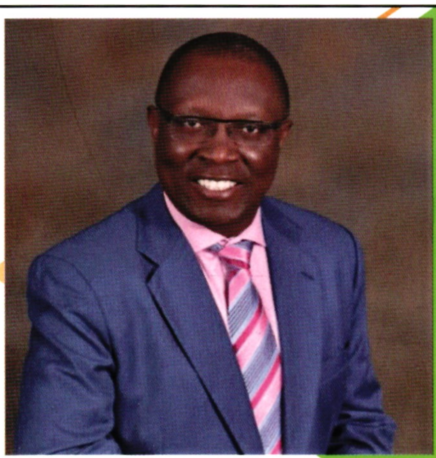
Dr. Kamau Thugge
PS, Treasury / Commissioner

Dr. Thugge holds a Bachelors of Arts (Economics) from Colorado College, USA, Master in Economics from Johns Hopkins University, USA and a Doctor of Philosophy (PhD) in Economics from Johns Hopkins University, USA.

Dr. Kamau Thugge is currently the Principal Secretary at the National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) both in the policy making Departments and non-policy making Departments as Economist/Senior Economist and Deputy Division Chief.

Commission
on Revenue
Allocation

MANAGEMENT



George Ooko
Commission Secretary / CEO

He holds a Masters of Business Administration degrees and Bachelor of Commerce from the University of Nairobi. He has vast experience from both the public and private sectors. He was formerly a Senior Executive at Barclays and NIC Banks.

He is the founding CEO of Coffee Development Fund where he served from 2007 to 2011 and has practical experience in establishing and managing public sector special fund. He is also the first CEO at Commission on Revenue Allocation since August 2011.

Angela Kariuki
Director, Corporate Services

She holds a Masters in International Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

Mrs. Kariuki has been with the Commission from inception for a period of six years. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.

She previously worked with the Capital Markets Authority for nine years and Kilonzo & Company Advocates for two years.

James Katule
Director, Fiscal Affairs

He holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Arts in Economics & Business Education from Kenyatta University.

He is a Certified Public Accountant and a member of ICPAK. He has a wealth of experience in financial management, administration, people management and procurement gained in working for the Kenya National Trading Corporation, the International Centre for Insect Physiology and Ecology (ICIPE), International Livestock Research Institute (ILRI), the Africa Medical Research Foundation (AMREF) and most recently, Capital Markets Authority (CMA).

Sheila Yieke
Director, Legal Affairs

She is an Advocate of the High Court of Kenya and holds an MBA, Finance from the United States International University and a Certified Public Secretary (K).

In addition she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK).

She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.

Joseph Kuria
Director, ICT

He holds a Master's Degree in Business Administration, Strategic Management from the University of Nairobi and a BSc. Degree in Computer Science from Egerton University. He is currently pursuing a PhD in Information Systems.

He holds the following professional certifications: MCP, MCSE, MCDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector.

Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data center technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems and deployment of Integrated Shared Services across government.

Lineth Oyugi
Director, Economic Affairs

Lineth Oyugi holds a Masters of Arts in Economics from the University of Nairobi and a 4th year Phd student of Economics at University of Nairobi.

She has vast knowledge and experience in Research having worked for the Federation of Kenya Employers as the Head of Research and Policy Advocacy.

Additionally, Lineth has worked with the Institute of Policy Analysis and as a Research Fellow, Macroeconomics programme and also with the Ministry of Finance and Ministry of Planning and National Development as an Economist.

Dr. Amenya. P. Nyakundi
Advisor, Natural Resource

Dr. Amenya Nyakundi has a distinctive knowledge in the field of natural resources development, energy, and environment. He holds PhD in Environment Technology from JKUAT; an MA in (planning) from the University of Nairobi, a B.Sc in geology from Poona University, advanced certificate in Geothermal Energy - University of Pisa (Italy), Certificate of Corporate Governance (KIM), Certificate in Strategic leadership Development (Kenya School of Governance) and senior management course (Government Training Institute Mombasa).

Dr. Nyakundi previously worked in the office of the former Prime Minister (Coordinating Inter-Ministerial Energy and Environment projects). He also worked in the Ministry of Energy for over Twenty Five (25) years and has extensive experience in energy project planning, development and management.

Dr. Naomi Mathenge
Ag. Director Research & Knowledge Management

Dr. Mathenge is an experienced Policy Analyst with over ten (10) years of working in the research and policy industry. She holds a PhD in Economics from the University of Cape Town in South Africa, a Master of Arts in Economics from the University of Malawi and a Bachelor of Arts in Economics from Moi University. She is a member of the African Growth and Development Policy Modelling Consortium (AGRODEP)

Before joining the Commission, Dr, Mathenge worked as a Policy Analyst at the Kenya Institute for Public Policy Research and Analysis (KIPPRA) and consulted for the then Ministry of Health on monitoring and evaluation. She has interests in CGE modelling, Macroeconomics, Economic Development, and Policy Analysis.

Maureen Junge
Finance Manager

Ms. Junge has extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis and reporting. She is a Certified Secretary, Certified Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She holds a Masters of Science degree and a B.Com (Finance) from the University of Nairobi.

As the inaugural manager in-charge of Finance, Ms. Junge was instrumental in setting up the finance department at the Commission including aligning all financial management and reporting systems and policies.

She previously worked with Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.

IV. REPORT OF THE COMMISSIONERS

The Public Finance Management Act 2012 requires the Commission to prepare financial statements for each financial year, which includes a Statement of Financial Position showing in details assets and liabilities of the Commission, a Statement of Comprehensive Income, and such other Statements that the Commissioners may deem necessary. CRA Act (22) requires the Commission to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Commission. The Commissioners are also responsible for safeguarding assets of the Commission.

The Commissioners accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the CRA Act. The Commissioners are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Commission and of its operating results. The Commissioners further accept responsibility for maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain as a going concern for at least the next 12 months from the date of this statement.

Principal activities

The principal activity of the Commission is to recommend the basis for equitable sharing of revenues raised nationally between the national and the county governments and sharing of revenue among the county governments.

Mission

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial Management.

Vision: No Kenyan Left behind

Results

The results of the Commission for the year ended June 30, 2019 are set out on page 1 to 17.

Commissioner

The members of the Commission who served during the year are shown from page v-xiii In accordance with CRA's act.

Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with Section 81(4a) of the Public Finance Management (PFM) Act, 2012, and Section 35 of the Public Audit Act, 2015.

By Order of the Commission

Dr. Jane Kiringai
CHAIRPERSON

Date: 19 / 09 / 2019

STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2019. 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 Commission; (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 Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission'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 and the Commission's Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2019, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next 12 months from the date of this statement.

Approval of the Financial Statements

The Commission's financial statements were approved by the Commission on 19th September 2019 and signed on its behalf by:

Dr. Jane Kiringai
CHAIRPERSON

Date: 19 / 09 / 2019

VII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019 Kshs	Restated 2017-2018 Kshs
REVENUE			
Revenue from Non-Exchange transactions			
i Transfer from other Governments			
Exchequer Transfers	**4.i**	409,530,065	355,044,310
Donor Funding	**4.ii**	12,999,457	-
ii Transfer from Ministries			
Ministry of ICT (MICT)-in kind	**4.a**	2,367,127	-
		424,896,649	**355,044,310**
Revenue from Exchange Transactions			
iii Sale of Goods			
Other incomes	**4.b**	1,950	7,212
		1,950	**7,212**
Total revenue		**424,898,599**	**355,051,522**
EXPENDITURE			
Employee Benefits	**5**	189,471,542	168,195,598
Commissioner's Expenses (Board)	**6**	18,691,080	19,654,609
Depreciation & amortization	**7**	26,791,813	16,644,377
Repairs & maintenance	**8**	7,289,386	6,520,550
General expenses	**9**	141,158,631	145,090,396
Finance costs	**10**	60,720	63,934
Total expenses		**383,463,172**	**356,169,465**
OTHER GAINS / (LOSSES)			
Gain on sale/Write off of assets	**13.a.**	(120,924)	
Surplus before tax		**41,314,502**	**(1,117,943)**
Taxation		-	-
Surplus / (Deficit) for the Period		**41,314,502**	**(1,117,943)**
Remission to National Treasury	**9.a.**	10,739,359	8,979,421
Net Surplus for the Year		**30,575,143**	**(10,097,364)**

The notes set out on page 6 to 17 form an integral part of the Financial Statements

VIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018-2019 Kshs	Restated 2017-2018 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	**11**	6,496,525	904,368
Receivables from non-exchange transactions	**12.(a & c)**	36,578,047	36,965,033
		43,074,573	**37,869,401**
Non-current assets			
Property, plant and equipment	**13**	47,372,753	36,047,168
Intangible assets	**14**	1,931,532	3,326,372
Mortgage Fund	**15**	115,527,126	104,305,126
Car Loan Fund	**15(a)**	1,000	-
		164,832,410	**143,678,665**
TOTAL ASSETS		**207,906,982**	**181,548,065**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	**16**	17,077,688	21,293,915
		17,077,688	21,293,915
TOTAL LIABILITIES		**17,077,688**	**21,293,915**
NET ASSETS		190,829,294	160,254,150
Represented by:			
Reserves		30,575,144	(10,097,364)
Accumulated surplus		160,254,150	170,351,514
TOTAL NET ASSETS & LIABILITIES		**190,829,294**	**160,254,150**

The Financial Statements set out on pages 1 to 17 were signed on behalf of the Commission by:

George Ooko
COMMISSION SECRETARY/CEO

Date 19 / 09 / 2019

Maureen Junge
FINANCE MANAGER / ICPAK No. 9883

Date 19 / 09 / 2019

Dr. Jane Kiringai
CHAIRPERSON

Date 19 / 09 / 2019

IX. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated surplus Kshs
Surplus / (Deficit) for the year	170,351,514
Balance as at 30 June 2018	(10,097,364)
	160,254,150
Surplus / (Deficit) for the year	30,575,144
Balance as at 30 June 2019	**190,829,294**

X. STATEMENT OF CASH FLOWS

	Note	2018-2019 Kshs	Restated 2017-2018 Kshs
Cash flows from operating activities			
Surplus / (Deficit) from operating Activities		30,575,144	(10,097,364)
Adjusted for:			
Depreciation and Amortization	**7**	26,791,813	16,644,377
(Gains) and losses on disposal of assets	**12.a**	120,924	
Working capital adjustments:			
(Increase)/Decrease in receivables	**12 (a & c)**	386,985	(1,721,929)
Increase/(Decrease) in payables	**16**	(4,216,230)	14,497,639
Increase in payments received in advance	**15**	-	-
Net cash flows from operating activities		**(48,066,480)**	**(24,675,215)**
Cash flows from financing activities			
Purchase of property, plant, equipment and Refurbishment	**13**	(36,843,480)	(9,583,392)
Purchase of intangible assets	**14**	-	(1,591,823)
Mortgage Fund	**15**	(11,222,000)	(13,500,000)
Car Loan Fund	**15(a)**	(1000)	-
Net cash flows used in financing activities		**(48,066,480)**	**(24,675,215)**
Cash flows from financing activities			
(Increase)/Decrease in deposits	**12(b)**	-	(3,339,210)
Net cash flows used in financing activities		-	**(3,339,210)**
Net increase/(decrease) in cash and cash equivalents		**5,592,157**	**(8,691,701)**
Cash and cash equivalents at 1 July 2018	**11**	904,368	9,596,070
Cash and cash equivalents at 30 June 2019		**6,496,525**	**904,368**

XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization %
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	434,556,341	(21,639,391)	412,916,950	409,530,065	3,386,885	99%
Other Income (A.I.A)		18,202,892	18,202,892	15,368,534	2,834,358	84%
Total income	**434,556,341**	**(3,436,499)**	**431,119,842**	**424,898,599**	**6,221,243**	**99%**
Expenditure						
Compensation of Commissioners & employees	213,955,183	(5,692,201)	208,262,982	198,552,574	9,710,408	95%
Operation and Maintenance	184,199,942	(21,883,494)	167,152,213	155,314,458	11,837,755	93%
Repairs and Maintenance - Motor Vehicle	3,602,016	2,684,105	6,286,121	6,262,613	23,508	100%
Repairs and Maintenance - Other Assets	1,401,600	(376,306)	1,025,294	891,053	134,241	87%
Finance cost	92,880	(20,288)	72,592	65,270	7,322	90%
Capital Expenditure	31,304,720	17,015,920	48,320,640	48,230,639	90,001	100%
Total expenditure (O&M)	**434,556,341**	**(8,272,264)**	**431,119,842**	**409,316,607**	**21,803,235**	**95%**
Surplus/(Deficit) for the period				**15,581,992**		

Note:

1. Approved reallocations of **Kshs. 2,958,930, Kshs 24,000,000** and **Kshs. 34,205,403** were effected in the budget and incorporated under the adjustments besides the budget reduction of **Kshs.13,639,391** and **Kshs.8,000,000.** A.I.A of **Kshs. 18,202,892** was also consider as an adjustment which was not in the initial allocation.
2. The Budget Reallocations were meant to cater for Advertisement costs, Foreign Travel, Acquisition of motor vehicles and other general expenses mainly due to pending bills and insufficient budget provision.
3. The low A.I.A revenue collection **(84%)** realates partially to UNDP's support in kind of **Kshs. 11 million** which the Commission utilized **Kshs. 8,165,642** that translated to 74% absorption rate.
4. Under utilization of budget provision **(absorption of 87%)** for repairs and maintenance of other assets was mainly due to more care executed by the staff while handling the Commission assets. This led to saving on the said budget line.
5. **Annex V** provides a reconciliation of the Commission's Annual approved budget, Actual Expenditure and Financial statements.

XII. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General Information

The Commission on Revenue Allocation (CRA) was established under Article 215 of the Constitution of Kenya. The Commission's principle responsibility is to provide an objective and independent framework for equitable sharing of nationally raised revenues. The Commission also plays a key role in ensuring that the county governments adhere to prudent financial management principles, enhance revenues for both national and county government. Further, the Commission plays a critical role in addressing regional disparities by proposing recommendations aimed at accelerating balanced development in the country, especially marginalised areas.

2. Statement of Compliance and basis of preparation – IPSAS 1

The Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on accrual basis under the accrual basis of accounting and relevant legal framework of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB)

The Financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Commission and all values are rounded to the nearest cent. The Accounting policies have been consistently applied to all the years presented

The financial statements have been prepared on the basis of historical cost, except where otherwise stated in the statement of accounting policies below. The cashflow statement is prepared using the indirect method, while the financial statements are prepared on accrual basis which recognises transactions and events whenever they are incurred.

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. ***The standard is not relevant to the Commission.***

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Impact
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: · Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; · Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and · Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. ***The standard is not relevant to the Commission.***

IPSAS 42: Social Benefits	*Applicable: 1st January 2022* The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. ***The standard is relevant to the Commission and was earlier adopted as per not 3 (viii) below***

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019, however IPSAS 42 on social benefit had earlier been adopted by the Commission.

3. Summary of Significant Accounting Policies

(i) Revenue from non-exchange transactions – IPSAS 23

Exchequer Allocations

The Commission recognizes revenue from exchequer allocation when the monies are received, and asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, differed income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will be received by the Commission and fair value of the asset can be measured reliably.

Donor Funding

The Commission received funding (A.I.A) of **Kshs. 15,833,815** from UNDP and OSIEA in partial support of various activities of the Commission.

UNDP

In the reporting year, the Commission continued with implementation of activities earlier supported by UNDP up to **Kshs. 11 million.** An absorption of **74%** of the funding was realized i.e. **Kshs. 8,165,642.** The funding was in support of the Commission's mandate inline with county capacity building in financial management. The main objectives are highlighted below:

a) Strengthening public participation through County Economic forums (PFMA Section 137)

b) Drafting of Policy to identify marginalized areas.

c) Strengthening Revenue collection at county level.

OSIEA

The Commission also received Kshs. 4,833,815 from Open Society Initiative for Eastern Africa in support of setting a Marginalization Lab.

(ii) Revenue from exchange transactions – IPSAS 9

Sale of Newspapers

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

(iii) Non-Current Assets

Property, Plant and Equipment – IPSAS 17

All property Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of the property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed its, its cost is recognised in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. Depreciation is calculated on the cost of the fixed assets on a straight-line basis at annual rates estimated to write off these assets over their expected useful life. Additionally, depreciation on assets disposed during the financial year is calculated up to the month of disposal.

It is the Commission's policy to charge full depreciation on all its non-current assets in the year of purchase if the acquisition was done in the first half year.

Mortgage and Car Loan Fund Accounts

The approved mortgage and Car Loan schemes set up by the Commission are classified as restricted cash since their utilisation goes beyond one year after the balance sheet date. The schemes are mainly set up to facilitate members of staff to benefit from Government funded loans by accessing affordable mortgage facilities and Acquisition of motor vehicles. The schemes draw strength from the SRC's circular Ref No. SRC/ADM/CIR/1/13. III (128) dated 17th December 2014 and CRA's internal rules.

(iv) Intangible Assets – IPSAS 31

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

(v) Annual Depreciation & Amortization rates

A straight-line method of depreciation was applicable to all Commission's assets.

Motor Vehicle	25%
Furniture & Fittings	12.5%
Office Equipment and Accessories	30%
Computers & Printers	30%
Software (Intangible assets)	33%

(vi) Provisions – IPSAS 19

Provisions are recognised when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

(vii) Employee Benefits – IPSAS 2

Retirement Benefit Plans

The Commission operates a private retirement benefit scheme with Jubilee Insurance and administered by ICEA for all its permanent and pensionable employees. Further An amount equivalent to 20% and 31 % of basic is set aside as pension and gratuity for all permanent and contractual employees respectively.

Additionally, all the employees are members of the statutory National Social Security Fund (NSSF)

The Commission's contribution towards employee pension and staff gratuity for those on contract are charged to the statement of financial performance in the year to which the employees rendered the services to the Commission.

(viii) Related parties – IPSAS 20

The Commission regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Commission or vice versa. Members of key management are regarded as related parties and comprise the Commissioners, Commission Secretary and directors.

(ix) Cash and Cash equivalents

For the purposes of the cash flow statements, cash and cash equivalent comprise cash in hand, cash book balance and bank balances at the end of the period. Bank account balances include amounts held as Central bank of Kenya at the end of financial year.

(x) Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contractual obligations during the year or in the past. Such bills are accrued in the year in which they are incurred.

		2018-2019 Kshs	2017-2018 Kshs
4	**Transfers from other Governments**		
(i)	**Operational Grant (Exchequer Transfers)**		
	1st Quarter Exchequer	69,724,920	60,851,290
	2nd Quarter Exchequer	91,508,700	92,181,320
	3rd Quarter Exchequer	86,246,800	129,867,000
	4th Quarter Exchequer	162,049,645	72,144,700
		409,530,065	**355,044,310**
(ii)	**Other Grants (Donor funding)**		
	Open Society Initiative for Eastern Africa (OSIEA)	4,833,815	-
	United Nation Development Partners (UNDP)	8,165,642	
		12,999,457	**-**
4(a)	**Transfer from Ministries**		
	Ministry of ICT (MICT)-in kind	2,367,127	-
		2,367,127	**-**
4(b)	**Sale of Goods**		
	Sale of Newspapers/Assets	1,950	7,212
		1,950	**7,212**
5	**Employee costs**	**106,762,293**	**91,443,177**
	Basic salaries	2,118,259	3,036,613
	Casual Labour	280,487	250,141
	Acting Allowance	22,380,414	19,661,866
	House Allowance	2,448,000	2,288,000
	Special Duty	376,656	230,179
	Top up for seconded staff	4,380,463	4,057,333

	Responsibility Allowance	10,021,556	8,893,781
	Transport Allowance	720,000	720,000
	Security Allowance	1,425,949	1,650,908
	Leave Allowance	3,394,183	3,012,865
	Telephone Allowance	17,743,625	17,411,615
	Pension contribution	1,657,468	1,657,468
	Gratuity	14,120,719	11,765,350
	Medical Insurance	807,885	1,906,932
	Group Life Insurance	833,585	209,371
	WIBA	**189,471,542**	**168,195,598**

The significant increase in staff salaries was mainly due to (i) Annual increment which also had a positive effect on pension contribution.

6	**Commissioner's Expenses**		
	Telephone Allowance	1,440,000	1,552,000
	Leave Allowance	400,000	400,000
	Security Allowance	7,680,000	6,880,000
	Domestic Travel costs	2,903,800	1,896,300
	Foreign Travel Costs	5,728,939	4,573,778
	Pre-Feasibility Studies	182,500	2,441,850
	Hospitality and Conference	302,091	725,806
	Office and General Supplies	-	-
	Training Expenses	-	202,375
	Medical Insurance (Ex Gratia)	53,750	51,000
	Club Membership	-	931,500
		18,691,080	**19,654,609**

		2018-2019 Kshs	**2017-2018 Kshs**
7	**Depreciation & Amortization**		
	Refurbishment	9,732,502	**9,371,683**
	Furniture & Fittings	3,060,031	**2,654,922**
	Motor Vehicle	9,387,819	**1,148,319**
	Computer & Printers	2,472,113	**993,955**
	Office Equipment	744,508	**658,285**
	Intangible Assets	1,394,840	**1,817,214**
		26,791,813	**16,644,377**
8	**Repairs and maintenance**		
	Routine maintenance of Motor vehicles	6,364,693	5,589,060
	Routine maintenance of Assets	924,693	931,490
		7,289,386	**6,520,550**
9	**General expenses**		
	Utilities Supplies -Electricity	2,309,558	2,501,095
	Utilities Supplies -Water	361,180	464,681

Communication Supplies & Services	4,171,416	4,425,292
Domestic Travel costs	15,860,327	7,702,586
Foreign Travel Costs	1,367,142	3,943,590
Printing Advertising & Information	5,751,466	5,984,113
Rent Expenses	46,632,307	48,140,699
Hire of Transport	2,248,391	2,043,129
Training Expenses	8,260,057	7,633,393
Catering Services	3,316,337	5,392,957
Boards, Seminars & Conferences	14,798,493	7,210,445
Boards, Seminars & Conferences (UNDP)	8,165,642	
Boards, Seminars & Conferences - Audit Committee	124,400	132,000
Insurance Costs (Motor Vehicle & Plant & Machinery)	4,071,021	2,674,864
Specialised Materials & Supplies – Library resources & Staff Uniforms	174,900	2,011,977
Office & General Expenses	4,170,640	6,283,866
Fuel oils and Lubricants	6,378,766	5,476,473
Security Guards	1,366,717	1,414,247
Cleaning Services	2,229,054	2,113,051
Membership fee, Dues and Subscriptions	1,292,870	327,330
Contracted Professional Services	1,930,082	1,791,387
Feasibility Study	5,713,866	26,959,222
	140,694,631	**144,626,396**
Audit fee	464,000	464,000
	464,000	**464,000**
Total General Expenses	**141,158,631**	**145,090,396**

Kshs. 2,958,930 under printing and advertising refers to Pending bills for FY 2014/15 which had been forwarded to GAA for payment. The pending bills remained outstanding until FY 18/19 when the Commission requested for no objection to settle the bills and avoid legal charges against the Commission. Further, the said amount had not been previously captured as an expense.

		2018-2019 Kshs	2017-2018 Kshs
9(a)	**Surplus Remission**		
	Refund to other Govt entities (NT)	10,739,359	8,979,421
		10,739,359	**8,979,421**
10	**Finance Costs**		
	Bank Charges	60,720	63,934
	Borrowings (amortized cost)	-	-
	Finance leases (amortized cost)	-	-
		60,720	**63,934**

11	**Cash and cash equivalents**		
	CBK - 1000181281 (Recurrent A/c)	4,855,002	59,984
	CBK - 1000181998 (Deposit A/c)	265,902	265,902
	CBK - 1000182512 (CBK 165 A/c)	-	500,000
	Cash-on-hand (Petty Cash & office float)	1,375,621	78,482
		6,496,525	**904,368**

12	**Receivables (Current Receivables)**		
	Medical Insurance	9,139,914	8,408,383
	Group Life	653,680	481,045
	WIBA	829,687	418,741
	Motor Vehicle	-	1,151,234
	Plant & Machinery	227,606	207,077
	Dstv and Others	-	235,204
	Electricity Bill - June 19	218,766	-
	Newspapers - June1 9	3,060	-
	Hire of Transport - June 19	89,371	-
	Bank Charges - March 19	4,550	-
	Water	43,840	-
		11,210,474	**10,901,684**
(b)	**Deposit**		
	Rent	21,992,532	21,992,532
	Fuel	1,060,000	1,060,000
	Provision of E1line (Internet)	50,000	50,000
	Naivas Supermarket	100,000	100,000
		23,202,532	**23,202,532**

The rent deposit refers to 6 months rent deposit and it's inclusive of parking fees and service charge for the same period. Service charge deposit was enhanced from the original lease by **Kshs.3,239,210**

(c)	**Debtors**		
	Outstanding Salary advances	2,055,000	1,170,000
	Overpaid Telephone Allowance	-	1,386,000
	Outstanding Imprest from staff	39,200	233,975
	Others (Jubilee and First Assurance)	70,842	70,842
		2,165,042	2,860,817
		36,578,047	**36,965,033**

13 Property, Plant and Equipment

	Computers & Printers	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation:	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
As at 30th June 2017	**24,079,323**	**8,610,699**	**96,212,840**	**95,386,970**	**224,289,833**
Additions during the year	3,341,318	1,514,246	4,727,829	-	9,583,392
Disposal					0
Write off					-
Transfer/Adjustments					
As at 30th June 2018	27,420,641	10,124,945	100,940,669	95,386,970	233,873,225
Additions during the year	2,367,127	118,753	1,399,600	32,958,000	36,843,480
Disposal	(2,158,990)	(42,085)	(1,213,111)	-	(3,414,186)
Write off					
Transfer/Adjustments					
As at 30th June 2019	**27,628,778**	**10,201,613**	**101,127,158**	**128,344,970**	**267,302,519**
Depreciation and Impairment					
As at 30 June 2017	**21,457,667**	**7,609,996**	**60,840,897**	**93,090,333**	**182,998,892**
Depreciation	993,955	658,285	12,026,605	1,148,319	14,827,164
Disposals/Write off					-
Impairment					0
Transfer/adjustment					0
As at 30 June 2018	**22,451,622**	**8,268,280**	**72,867,502**	**94,238,652**	**197,826,055**
Depreciation	2,472,113	744,508	12,792,533	9,387,819	25,396,973
Disposals /Write off	(2,158,990)	(42,085)	(1,092,187)		(3,293,262)
Transfer/adjustment					
At 30 June 2019	**22,764,745**	**8,970,703**	**84,567,848**	**103,626,471**	**219,929,766**
Net Book Values					
At 30 June 2019	**4,864,033**	**1,230,910**	**16,559,310**	**24,718,500**	**47,372,753**
At 30 June 2018	**4,969,019**	**1,856,665**	**28,073,167**	**1,148,319**	**36,047,170**

13.a	Write off of Fixed Assets	2018-2019	2017-2018
	Cost or Valuation:	**Kshs**	**Kshs**
	As at 1st July 201 & 1.7.2018	3,414,186	-
	Accumulated depreciation	3,293,262	-
	Net Book Value At 30 June 2019 & 30.6.2018	120,924	-
	Salvage Value	-	-
	Gain / (Loss on write off)	(120,924)	-
		36,578,047	**36,965,033**

14	Intangible assets - software		
	Cost or Valuation:		
	At 30 June 2018	**12,045,981**	**10,454,158**
	Additions		1,591,823
	At 30 June 2019	**12,045,981**	**12,045,981**
	Amortization and impairment		
	At 30 June 2018	**8,719,609**	**6,902,395**
	Amortization	1,394,840	1,817,214
	At 30 June 2019	**10,114,449**	**8,719,609**
	Net Book Values		
	At 30 June 2019	**1,931,532**	**3,326,372**

15	Mortgage Account (Restricted cash)		
	At 30 June 2018	104,305,126	90,805,126
	Additions	11,223,000	13,500,000
	Withdrawals to Staff Car Loan Account	(1,000)	-
	At 30 June 2019	**115,527,126**	**104,305,126**
	15.(i) Car Loan Account (Restricted Cash)		
	Deposit	1,000	**-**
	At 30 June 2019	**1,000**	**-**

The Mortgage scheme is administered by Kenya Commercial Bank (KICC branch). The loans to staff are issued at 4% interest rate being; 3% Administration cost and 1% earnings to the revolving fund. Further, the Car Loan scheme is managed internally once there availability of funds. The loans will be issued at an interest rate of 3%. The total interest accruing from fund will be recouped back to the account.

16	Trade and other payables from exchange transactions	2018-2019	2017-2018
		Kshs	**Kshs**
	At 30 June 2018	104,305,126	90,805,126
	Additions	11,223,000	13,500,000
	Withdrawals to Staff Car Loan Account	(1,000)	-
	At 30 June 2019	**115,527,126**	**104,305,126**

17. Financial Risk Management

The Commission regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the Commission (Board).

The board provides policies for overall risk management as well as policies covering specific areas such as credit risk and liquidity risk.

(i) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Commission.
Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows; (a) Cash and short-term deposits are placed with well established financial institutions of high credit standing, (b) The Commission does not raise debtors in its ordinary course of business apart from those arising from related parties.

Credit risk with respect to accounts receivable is limited due to the nature of the Commission's business and its reliance on government grant as the main source funding.

The amount that best describes the Commission's exposure to credit at the end of the financial year is made up of;

o) Cash and bank balances
p) Prepayments
q) Deposits
r) Outstanding salary advances
s) Outstanding Staff travel imprests.

(ii) Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations when they fall due. The Commission manages this risk by always ensuring that it has sufficient liquidity to meet its liabilities when due, under both normal and constrained conditions, without incurring unexpected losses.

The Commission ensures availability of sufficient cash on demand to meet expected operational expenses including servicing of financial obligations.

The amount that best describe the Commission's exposure to liquidity risk at the end of the financial year comprises of;

a) Trade payables
b) Accrued audit fees and
c) Accrued gratuity.

18. Contingent liabilities /Assets

Gratuity payment for employees on contract

The Commission has made provision for accrued gratuity in its books, however the money has not been set aside but it is to be availed in the year of payment through the Commission's budget.

19. Comparatives

Prior year comparative information has been presented in the current financial year. The figures have however been restated to cater for prior years adjustments. Annex IV is a detailed analysis of the restated figures.

20. Subsequent Events

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30, 2019.

21. Significant Judgements and Sources of information uncertainity

The preparation of the Commission's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.
The Commission estimates accrued gratuity payable to contractual staff at end of their contract. Gratuity is based on 31% of their basic pay.

Estimates and assumptions

The Commission does not have any key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

The Commission provides for depreciable and obsolete assets. Additional disclosure of these estimates of provisions is included in Note 3 (v).

t) Annex I. Progress on follow up of Audit recommendations

The Commission received Unqualified Audit opinion in financial year 2017/18 with one specific issue raised that needed the management attention. Details of the query are highlighted below.

Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
Audited Report FY 2017/18	Irregular payment of Airtime Allowances to Commissioners and CEO in FY 2017/18	Overpaid amount was recovered in the reporting period FY 2018/19	Maureen Junge, Finance Manager	Issue resolved	N/A

George Ooko	**Maureen K. Junge**	**Dr. Jane Kiringai**
COMMISSION SECRETARY / CEO	FINANCE MANAGER / ICPAK No.9883	CHAIRPERSON
Date 19 / 09 / 2019	Date 19 / 09 / 2019	Date 19 / 09 / 2019

S/No.	Item	Supplier	Description	Balance B/D	PV No.	Prior Year's Adjustment for Over & Understatements	Payments in FY 18/19	Outstanding from FY 17/18	Actual Invoice (18/19)	Paid Proforma (18/19)	Pending Bills (18/19)	Total Outstanding
1	2210101	14 Riverside Management	Electricity May 17 - (232791)	-				-				
2	2210101	Knight Frank Electricity		107,677	3792	(261)	101,860	-				
3	2210101	Knight Frank Electricity	Jun-18		3799		5,556					
4	2210101	14 Riverside mgt	Electricity bill-May						210,165	182,130	28,035	28,035
			2210101						210,165	182,130	28,035	28,035
5	2210201	Safaricom calls	May-18	51,699	3776		49,024	-				
					3784		2,675					
6	2210201	Safaricom calls	Jun-18	73,206	.3779/1		69,420	-				
7				-	3786		3,787					
8	2210201	Airtel calls	May-18	8,361	3811		7,930	-				
					3820		432					
9	2210201	Airtel calls	Jun-18	8,219	.3807/1		7,794	-				
					3816		425					
10	2210201	Safaricom	Mobile Services June								54,908	54,908
11	2210201	Safaricom	Telephone bill-May						59,165	58,392	773	773
12	2210201	Airtel	Telephone-May & June						17,267	17,232	35	35
			2210201						76,432	75,624	55,716	55,716
13	2210202	Safaricom	Internet for June									
14	2210202	Telkom	Internet for May									
15	2210202	Telkom	Internet for June									
			2210202									
16	2210301	Longrock tours and travel	Air tickets for staff members to attend CRAC	433,470	3860		433,470	-				
17	2210301	Attic Tours	Air ticket for Edward Oyugi	11,735	3702		11,735	-				
			2210301					-				
18	2210401	Raydoll Tours and Travel	Change of reservation for Lineth Oyugi SA flight	9,375	4226		9,375	-				
19	2210401	National Treasury	Ticket to Canada Placement study visit								9,000	9,000
20	2210402	Madison Insurance	Travel Insurance for 3 Commissioners								18,598	18,598
			2210400					**-**	**-**	**-**	**27,598**	**27,598**

S/No.	Item	Supplier	Description	Balance B/D	PV No.	Prior Year's Adjustment for Over & Understatements	Payments in FY 18/19	Outstanding from FY 17/18	Actual Invoice (18/19)	Paid Proforma (18/19)	Pending Bills (18/19)	Total Outstanding
21	2210502	Admark Enterprises	Supply of Branded bags and Pens	107,500	3861		101,940	-				
					3863	(261)	5,560					
22	2210502	Teams that win	Video coverage for CRAC	170,000	.3607/2		161,207	-				
					3608		8,793		210,165	182,130	28,035	28,035
23	2210502	Ashdown Limited	Supply of Maasai shukas	87,696	.3686/1	(4,536)	83,160	-	210,165	182,130	28,035	28,035
24	2210502	KRA	WH VAT-IKUALITY GRAPHICS	144	2374/		-	144				144
			2210502					-	-	0	-	144
25	2210503	Rex Kiosk	May-18	1,239	3908		1,175	-				-
					3909		64					-
26	2210502	Cadre Kenya Ltd	Newspaper supply for May						78,900	78,660	240	240
			2210503						78,900	78,660	240	240
27	2210603	KRA	10% Rental Income - (Service Charge Oct - Dec 17) - PV 2418	137,254	2706		-	137,254				137,254
28	2210603	KRA	10% Rental Income - (Service Charge Jul - Aug 17) - PV 2418	91,502	2707		-	91,502			54,908	91,502
29	2210603	14 Riverside managament	Service Charge - Sep 2017	482,467	3984		457,512	-		58,392	773	-
					3985		24,955			17,232	35	-
30	2210603		Partial Rent - Sep 2018	1,541,418	.4710/2	40	1,307,548	-		75,624	55,716	-
					4710		154,182					-
					4710		79,729					-
31	2210603		Service Charge - 2016	743,017	3809		704,585	-				-
					3818		38,432					-
32	2210603	14 Riverside managament	Service Charge - March 2017	2,160,045	4560		2,048,319	-				-
					4610		111,726					-
			2210603	-				-				228,756
33	2210604	Pewin Cabs	May-18	316,594	4073		300,218	-				-
					4074		16,376				9,000	-
34	2210604	Pewin Cabs	Jun-18	188,102	4487		178,373	-				-
					4488		9,729					-

S/No.	Item	Supplier	Description	Balance B/D	PV No.	Prior Year's Adjustment for Over & Understatements	Payments in FY 18/19	Outstanding from FY 17/18	Actual Invoice (18/19)	Paid Proforma (18/19)	Pending Bills (18/19)	Total Outstanding
35	2210604	Pewin cabs	Car hire services for May					-	252,729	230,000	22,729	22,729
			2210604						**252,729**	**230,000**	**22,729**	**22,729**
												28,035
36	2210801	Naivas Supermarket	May-18	9,133	3910		8,661	-	210,165			28,035
37	2210801	Naivas Supermarket	Jun-18		3911		472					144
				-				-	-			144
38	2210801	Secret Garden	May-18	155,850	3815		147,789	-				-
					3824		8,061					-
39	2210801	Secret Garden	Jun-18	217,950	3892		206,677	-				-
				-	3894		11,273		78,900			240
40	2210801	System Inn	May-18	5,200				5,200	78,900			5,200
41	2210801	System Inn	Jun-18	(2,800)				(2,800)				(2,800)
42	2210801	Dusit	Catering services for June	28,800	3813		27,310	-				-
					3823		1,490					-
43	2210801	Dusit	Catering services for April	27,336	3808		25,922					-
					3817	40	1,414					-
44	2210801	Joyroys services	Catering services for the month of May								139,560	139,560
45	2210801	Joyroys services	Catering services for the month of June								95,195	95,195
46	2210801	Naivas Ltd	Catering services for June								54,000	54,000
			2210801								**288,755**	**291,155**
47	2210802	Longrock tours and travel	Air tickets for staff members	157,505	.3685/1		157,505	-				-
48	2210802	Villa Rosa Kempiski	Senate meeting-Half day conference								140,650	140,650
49	2210802	Border Place hotel	Conference Venue - UNDP								44,000	44,000
50	2210802	Lantern Resort	Conference Venue - UNDP								39,200	39,200
51	2210802	Tumaini Gardens	Conference Venue - UNDP								69,000	69,000
52	2210802	Mountain Breeze Hotel	Conference Venue - UNDP								33,000	33,000
53	2210802	Sarova Stanley	Marginalization Lab Meeting								77,200	77,200
			2210802					-	**301,000**	**160,350**	**403,050**	**403,050**

S/No.	Item	Supplier	Description	Balance B/D	PV No.	Prior Year's Adjustment for Over & Understatements	Payments in FY 18/19	Outstanding from FY 17/18	Actual Invoice (18/19)	Paid Proforma (18/19)	Pending Bills (18/19)	Total Outstanding
54	2210904	APA Insurance	MV Ins-Prorated Premium to cover to April 2019								121,010	121,010
55	2210904	APA Insurance	Motor Vehicle Insurance FY 2018/18								2,546,179	2,546,179
			2210904						**-**	**-**	**2,667,189**	**2,667,189**
												28,035
56	2210910	Madison Insurance	Medical Insurance								154,837	154,837
			2210904						**-**	**-**	**154,837**	**154,837**
				-				-	-			144
57	2211009	Njigua Books	Supply of library books	446,608	4079		423,508	-				-
					4080		23,100					-
58	2211009	KRA	WH VAT-EDUCATE YOURSELF LIMITED	7,262				7,262				7,262
			2211009					-	-	0	-	7,262
59	2211101	Susma Suppliers	Supply of store items	232,650	3862		220,616	-				-
					3867		12,034					
60	2211101	B.N Chege Florist	Flowers for the month of May 2019							49,500	16,500	16,500
61	2211101	B.N Chege Florist	Flowers for the month of June 2019								66,000	66,000
62	2211101	GreenShamrock	Stationeries								253,000	253,000
63	2211101	Lastborn Enterprises	Stationeries								234,000	234,000
			2211101						**-**	**49,500.0**	**569,500**	**569,500**
64	2211201	National Oil	May-18	431,472	3963		431,472	-				-
65	2211201	National Oil	Jun-18	462,860	3772		462,860	-				-
66	2211201	National oil	Fuel for the Month of May 2019								714,838	714,838
67	2211201	National oil	Fuel for the Month of June 2019								563,930	563,930
68	2211201	Fuel(Karisa, Elkana & John)									15,000	15,000
			2211201					**-**	**-**	**-**	**1,293,768**	**1,293,768**
69	2211305	Nine One One	Bill for May 17 - (PSIN020033)	-				-				-
70	2211305	Nine One One	Bill for June 17 - (PSIN020330)	-				-				-
71	2211305	Liga Holdings	Extra toiletries for June	11,400	3829		10,810	-				-
					3856		590					-
			2211305	**-**				**-**	**-**	**0**	**-**	**-**

S/No.	Item	Supplier	Description	Balance B/D	PV No.	Prior Year's Adjustment for Over & Understatements	Payments in FY 18/19	Outstanding from FY 17/18	Actual Invoice (18/19)	Paid Proforma (18/19)	Pending Bills (18/19)	Total Outstanding
95	2220101	Toyota Kenya Ltd	GKA 841X - Repairs for May								31,976	31,976
96	2220101	Toyota Kenya Ltd	GKB 157A - Repairs for May								154,466	154,466
97	2220101	Toyota Kenya Ltd	GKB 040A - Repairs for May								22,827	22,827
98	2220101	Toyota Kenya Ltd	GKB 157A - Repairs for May								123,481	123,481
99	2220101	Toyota Kenya Ltd	GKA 843X - Repairs for May								35,295	35,295
100	2220101	Toyota Kenya Ltd	GKB 200A - Repairs for April								33,238	33,238
101	2220101	Toyota Kenya Ltd	GKB 084V - Repairs for May								14,800	14,800
102	2220101	Toyota Kenya Ltd	GKB 084V - Repairs for June								14,800	14,800
103	2220101	Toyota Kenya Ltd	GKA 839X - Repairs for June								39,857	39,857
104	2220101	Toyota Kenya Ltd	GKB 923C - Repairs for June								58,779	58,779
105	2220101	MFI	Maintenance of Kyocera Printers								33,640	33,640
			2220101					-	-	-	**1,021,941**	**1,021,941**
106	2710100	Accrued Gratuity - 2014/15	Accrued Gratuity - 2014/15	1,657,468				1,657,468				1,657,468
107	2710100	Accrued Gratuity - 2015/16	Accrued Gratuity - 2015/16	1,657,468				1,657,468				1,657,468
108	2710100	Accrued Gratuity - 2016/17	Accrued Gratuity - 2016/17	1,657,468				1,657,468				1,657,468
109	2710100	Accrued Gratuity - 2017/18	Accrued Gratuity - 2017/18	1,657,468				1,657,468				1,657,468
110	2710100	Accrued Gratuity - 2017/18	Accrued Gratuity - 2018/19								1,657,468	1,657,468
			2710101					-	-	-	**1,657,468**	**8,287,340**
111	3111009	Boynce Solutions	Supply of binding machine	118,552	3858		112,420	-				-
					3866		6,132	-				-
			3111009	-				-	-	0	-	-
112	3111112	CREDITORS	KRA-VAT WITHHOLDING - PV3571	1,077	FT18274SRFVO-10003100		1,077	-				-
113	3111112	CREDITORS	KRA-WH VAT-MEGABIT TECHNOLOGIES LTD - PV3569	44,531	FT182749QLLW-10003101		44,531	-				-
			3111112					-	-	0	-	-
114	3111401	Ashdown	Printing of 2nd marginalisation policy	279,250	3859	270	265,062	-				-
					3865		14,458					-
			3111401						-	0	-	-
			GRAND TOTAL	**18,309,460**		**(40,499)**	**10,472,527**	**7,796,434**	**919,227**	**826,449**	**9,014,295**	**16,810,729**

v) Annex III. Analysis of pending staff payables

S/No.	Item	Supplier	Description	Balance B/D	PV No.	Prior Year's Adjustment for Over & Understatements	Payments in FY 18/19	Outstanding from FY 17/18	Actual Imprest advanced (18/19	Amount Paid (18/19)	Owing (18/19)
1	2110320	Lineth Oyugi	Leave Allowance FY 17/18	40,000	3966		40,000	-			
2	2110320	Martha Maneno	Leave Allowance FY 17/18	12,575	3967		12,575	-			154,466
			2110320					**-**	**-**	**0**	**0**
3	CRA070	PETER AMENYA NYAKUNDI	OVERPAID IMPREST		3273				16,800	18,000	1,200
			2210301					**-**	**16,800**	**18,000**	**1,200**
4	2210401	Job Otiwa	Training - Duke USA	478,905	CRA/IW00115/2		478,905	-			
5	2210401	Albert Mwenda	Delegation to South Africa	227,452	STD290818		226,641	-			
					STD290818/1		811				
6	2210401	Comm. Ole Suuji	Training - Duke USA	677,804	CRA/IW01231/2		677,804				
7	2210401	Jane Kiringai	Delegation to South Africa	177,800	STD220818/3		177,289	-			
					STD220818/3/1		511				
8	2210401	Humphrey Wattanga	Delegation to South Africa	226,233	STD220818/1		225,583	-			
					STD220818/1/2		650				
9	2210401	Edward Oyugi	Delegation to South Africa	186,111	STD220818/7		185,576				
					STD220818/7/3		534				
10	2210401	Peter Kimuyu	Delegation to South Africa	177,965	STD220818/6		177,454	-			
					STD220818/6/4		511				
11	2210401	Irene Asienga	Delegation to South Africa	177,965	STD220818/5		177,454				
					STD220818/5/5		511				
12	2210401	Kishanto Suuji	Delegation to South Africa	129,045	STD220818/4		128,674				
					STD220818/4/6		371				
13	2210401	Peter Gachuba	Delegation to South Africa	242,400	STD220818/8		241,704	-			
					STD220818/8/7		696				
14	2210401	Fouzia Dahir	Delegation to South Africa	242,400	STD220818/9		241,704				
					STD220818/9/8		696				
15	2210402	Prof E Oyugi	Contingency								147,472

v) Annex III. Analysis of pending staff payables (contd.)

16	2210402	Peter Gachuba	Contingency								70,187
							-			**Sub-Total**	**217,659**
			2210400					**-**	**-**	**-**	**217,659**
				-				-			
17	2210700	MARTHA MANENO	UNPAID REFUND TO LSK (ADVOCATES CONFERENCE)	28,300	3981		28,300	-			
			2210700					**-**	**-**	**0**	**0**
18	2210910	William Birech	Medical Claim (Partial)								1,000
19	2210910	Humphrey Wattanga	Medical Claim								6,200
20	2210910	Humphrey Wattanga	Medical Claim								1,000
21	2210910	Humphrey Wattanga	Medical Claim								4,500
22	2210910	Elsie Kemei	Medical Claim								15,850
23	2210910	Zinzi Khalwale	Medical Claim								9,550
24	2210910	Justus Emeri	Medical Claim								10,000
			GRAND TOTAL	**3,024,954**		**-**	**3,024,954**	**-**	**16,800**	**18,000**	**266,959**

w) Annex IV. Prior Year's adjustment for FY 2017/18

Note		Audited FY 17/18	Revised FY 18/19	Difference	Reason	Action	Affected Statement	
5	**Employees Costs**							
(a)	Telephone Allowance	3,166,865	3,012,865	(154,000)	Overpaid Telephone allowance	Reduced Telephone Allowance Expense by Kshs. 1,386,000	Financial Performance Financial Position	
6	**Commissioner's Expenses**						Changes in Equity Cashflow Statement	
(a)	Telephone Allowance	2,784,000	1,552,000	(1,232,000)				
8	**Repair & Maintenance**							
(a)	Routine maintenance of motor vehicle	5,625,072	5,589,060	(36,012)			Financial Performance	
9	**General expenses for staff**				Overstated Payables FY 17/18	Reduced accrued expense		
(a)	Electricity	2,501,356	2,501,095	(261)			Financial Position	
(b)	Printing, Advertising & Information	5,988,649	5,984,113	(4,536)			Changes in Equity	
(c)	Office & General Expenses	6,283,851	6,283,866	15	Understated Expense	Increased Expense	Financial Performance Financial Position Changes in Equity Cashflow Statement	Increased deficit Reduced Net Assets Reduced Accumulated surplus Reduced closing cash & cash equivalent
(d)	Domestic Travel	7,707,836	7,702,586	(5,250)	46,800 posted as outstanding Imp but were Nil surrenders. 52,050 Posted as expenses but outstanding Surrenders	Reduced expenses by Kshs. 5,250	Financial Performance Financial Position Changes in Equity	Decreased deficit Increased Net Assets Increased accumulated surplus
(e)	Rent	48,140,659	48,140,699	40	Understated Payables FY 17/18	Increased accrued expenses	Financial Performance	Increased deficit
(f)	Feasibility Studies	26,958,952	26,959,222	270			Financial Position Cashflow Statement	Reduced Net Assets Increased Net CF from operating activities
(g)	Catering Services	5,492,957	5,392,957	(100,000)	Overstated Expense	Reduced Expense	Financial Performance Financial Position Changes in Equity	Reduced deficit Increased Net Assets Increased Accumulated surplus
10	**Cash and Cash equivalent**							
(a)	CBK-1000181281(Recurrent A/c)	59,999	59,984	(15)	Overstated Cashbook balance	Reduced closing cash & cash equivalent	Financial Position	Reduced Net Assets
11	**Receivables**							
(a)	Overpaid Telephone Allowance	-	1,386,000	1,386,000	Understated Debts	Increased Debt by Kshs 1,386,000 and 5,250	Financial Position	Increased Net Assets
(b)	Debtors (Outstanding Imprest)	228,725	233,975	5,250				
(c)	Deposits	23,102,532	23,202,532	100,000	Understated Deposits	Increased deposit by Kshs.100,000	Financial Position	Increased Net Assets

x) Annex V. Reconciliation on Budget, Actual amounts and Financial Statements

ITEM		DETAILS	REVISED BUDGET	STAFF	COMMISSIONERS	AMOUNT CAPTURED IN FY18/19	PENDING BILLS (17/18) PAID IN FY 18/19	PREPAYMENTS FY 2017/18	PREPAYMENTS FY 18/19	ACCRUALS FY 18/19	ACTUAL EXPENDITURE
			(a)	(b)	(c)	(d) = (b+c)	(e)	(f)	(g)	(h)	(i)=(d+e-f+g-h)
		REVENUE									
1	9910201	GoK Exchequer	412,916,950								409,530,065
2	1420102	Other Revenues	18,202,892								15,368,534
		Total Inflow	**431,119,842**	-	-	-		-	-	-	424,898,599
		EXPENDITURE									
3	2110101	Basic Salaries - Civil Service	116,198,138	106,762,293		106,762,293					106,762,293
4	2110202	Casual Labour - Others	1,900,000	2,118,259		2,118,259					2,118,259
5	2110101	Acting Allowance	-	280,487		280,487					280,487
6	2110301	House Allowance	22,382,000	22,380,414		22,380,414					22,380,414
7	2110309	Special Duty Allowance	2,449,000	2,448,000		2,448,000					2,448,000
8	2110310	Top-up Allowance	376,565	376,656		376,656					376,656
9	2110312	Responsibility Allowance	4,713,000	4,380,463		4,380,463					4,380,463
10	2110314	Transport Allowance	10,110,000	10,021,556		10,021,556					10,021,556
11	2110316	Security Allowance	8,400,000	720,000	7,680,000	8,400,000					8,400,000
	A	**SALARY AND ALLOWANCES**	**210,814,655**	**189,471,542**	**9,573,750**	**199,045,292**	**52,575**	**9,308,169**	**10,623,281**	**1,860,405**	**198,552,574**
17	2210101	Electricity	2,692,052	2,309,558		2,309,558	107,416		218,766	28,035	2,607,705
18	2210102	Water and Sewarage Charges	363,780	361,180		361,180					361,180
19	2210201	Telephone, Telex, Facsimile and Mobile Phone Services	1,421,057	1,287,198		1,287,198	141,485			55,716	1,372,967
20	2210202	Internet Connections	2,323,800	2,867,682		2,867,682		179,392		359,468	2,328,822
21	2210203	Courier & Postal Services	16,580	16,535		16,535					16,535
		Communication	**3,761,437**	**4,171,416**	-	**4,171,416**	**141,485**	**179,392**	-	**415,184**	**3,718,325**
22	2210301	Travel Costs (airlines, bus, railway, mileage allowances, etc.)	4,530,202	4,282,724		4,282,724	445,205				4,727,929
23	2210302	Accommodation - Domestic Travel	17,013,828	11,577,603	2,903,800	14,481,403				1,200	14,480,203
		Domestic Travel	**21,544,030**	**15,860,327**	**2,903,800**	**18,764,127**	**445,205**	-	-	**1,200**	**19,208,132**
24	2210401	Travel Costs (airlines, bus, railway, etc.)	6,166,392	1,132,630		1,132,630	9,375			9,000	1,133,005
25	2210403	Daily Subsistence Allowance	3,738,540	234,512	5,728,939	5,963,451	2,944,079			236,257	8,671,273
		Foreign Travel	**9,904,932**	**1,367,142**	**5,728,939**	**7,096,081**	**2,953,454**	-	-	**245,257**	**9,804,278**
26	2210502	Publishing & Printing Services	1,528,842	1,361,935		1,361,935	360,660				1,722,595
27	2210503	Subscriptions to Newspapers, Magazines and Periodicals	1,145,212	1,150,903		1,150,903	1,239		3,060	240	1,154,962

x) Annex V. Reconciliation on Budget, Actual amounts and Financial Statements (contd.)

	ITEM	DETAILS	REVISED BUDGET	STAFF	COMMISSIONERS	AMOUNT CAPTURED IN FY18/19	PENDING BILLS (17/18) PAID IN FY 18/19	PREPAYMENTS FY 2017/18	PREPAYMENTS FY 18/19	ACCRUALS FY 18/19	ACTUAL EXPENDITURE
28	2210504	Advertising and Public Awareness	3,252,632	3,238,628		3,238,628					3,238,628
		Printing and Advertising	**5,926,686**	**5,751,466**	**-**	**5,751,466**	**361,899**	**-**	**3,060**	**240**	**6,116,185**
29	2210603	Rents and Rates - Non-Residential	51,861,644	46,632,307		46,632,307	4,926,987				51,559,294
30	2210604	Hire of Transport, Equipment	2,940,608	2,248,391		2,248,391	504,696		89,371	22,729	2,819,729
31	2210700	Travel Allowance	7,865,432	8,260,057		8,260,057	28,300				8,288,357
32	2210801	Catering Services (receptions), Accommodation, Gifts, Food and Drinks	4,151,379	3,316,337		3,316,337	439,069	44,028	43,840	288,755	3,466,463
33	2210802	Boards - Audit Committee	124,400	124,400		124,400					124,400
34		Conferences and Seminars	14,146,673	14,798,493	302,091	15,100,584	157,505			403,050	14,855,039
		Committees, Conferences and Seminars **(A.I.A)**	11,000,000	8,165,642		8,165,642					8,165,642
35	2210903	Plant, Equipment and Machinery Insurance	273,500	252,598		252,598		207,077	227,606		273,127
36	2210904	Motor Vehicle Insurance	-	3,818,423		3,818,423		1,151,234		2,667,189	-
		Insurance costs	**273,500**	**4,071,021**	**-**	**4,071,021**	**-**	**1,358,311**	**227,606**	**2,667,189**	**273,127**
37	2211009	Supply of Library Books	446,608			-	446,608				446,608
38	2211016	Purchase of Uniforms and Clothing - Staff	175,832	174,900		174,900					174,900
39	2211101	General Office Supplies (papers, pencils, forms, small office equipment etc)	2,656,938	3,020,504	53,750	3,074,254	232,650			569,500	2,737,404
40	2211102	Supplies and Accessories for Computers and Printers	1,150,313	1,150,135		1,150,135					1,150,135
		General supplies	**3,807,251**	**4,170,640**	**53,750**	**4,224,390**	**232,650**	**-**	**-**	**569,500**	**3,887,540**
41	2211201	Refined Fuels and Lubricants for Transport	5,979,600	6,378,766		6,378,766	894,332			1,293,768	5,979,330
42	2211305	Contracted Guards	1,360,000	1,366,717		1,366,717		11,784			1,354,933
43		Contracted Cleaning Services	2,237,274	2,229,054		2,229,054	11,400				2,240,454
44	2211306	Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	1,304,892	1,292,870		1,292,870					1,292,870
45	2211310	Contracted Professional Services	2,114,242	1,930,082		1,930,082					1,930,082
46	3111404	Pre-feasibility, Feasibility and Appraisal Studies	5,318,432	5,713,866	182,500	5,896,366	279,520				6,175,886
		Sub Total General Expenses	**159,300,684**	**140,694,631**	**9,171,080**	**149,865,711**	**11,930,526**	**1,593,515**	**582,643**	**5,934,907**	**154,850,458**

x) Annex V. Reconciliation on Budget, Actual amounts and Financial Statements (contd.)

ITEM	DETAILS	REVISED BUDGET	STAFF	COMMISSIONERS	AMOUNT CAPTURED IN FY18/19	PENDING BILLS (17/18) PAID IN FY 18/19	PREPAYMENTS FY 2017/18	PREPAYMENTS FY 18/19	ACCRUALS FY 18/19	ACTUAL EXPENDITURE
45 2211310	Contracted Professional Services - Audit fees (OAG)	464,000	464,000		464,000	464,000			464,000	464,000
B	**GENERAL EXPENSES**	**159,764,684**	**141,158,631**	**9,171,080**	**150,329,711**	**12,394,526**	**1,593,515**	**582,643**	**6,398,907**	**155,314,458**
46 2211301	Bank Charges	72,592	60,720		60,720			4,550		65,270
47 2220101	Maintenance Expenses - Motor Vehicles	6,241,815	6,364,693		6,364,693	886,221			988,301	6,262,613
48 2220201	Maintenance of Plant, Machinery and Equipment (including lifts)	1,069,600	924,693		924,693				33,640	891,053
	Maintenance	**7,311,415**	**7,289,386**	**-**	**7,289,386**	**886,221**	**-**	**-**	**1,021,941**	**7,153,666**
C	**TOTAL GEN EXP (A+B+ Row 46,47 & 48)**	**377,963,346**	**337,980,279**	**18,744,830**	**356,725,109**	**13,333,322**	**10,901,684**	**11,210,474**	**9,281,253**	**361,085,968**
49 3110302	Refurbishment of Non-Residential Buildings	2	-		-					-
50 3110701	Purchase of Motor Vehicles	32,957,999	32,958,000		32,958,000					32,958,000
51 3111001	Purchase of Office Furniture and Fittings	1,477,056	1,399,600		1,399,600					1,399,600
52 3111002	Purchase of Computers, Printers and other IT Equipment	2,367,127	2,367,127		2,367,127					2,367,127
53 3111009	Purchase of other Office Equipment	295,456	118,753		118,753	118,552				237,305
54 3111112	Purchase of Software				-	45,607				45,607
55 4110403	Housing loans to public servants	11,223,000	11,223,000		11,223,000					11,223,000
	CAPITAL EXPENDITURE	**48,320,640**	**48,066,480**	**-**	**48,066,480**	**164,159**	**-**	**-**	**-**	**48,230,639**
	TOTAL EXPENDITURE	**426,283,986**	**386,046,759**	**18,744,830**	**404,791,589**	**13,497,481**	**10,901,684**	**11,210,474**	**9,281,253**	**409,316,607**
	Surplus for the Period (Actual)									**15,581,992**

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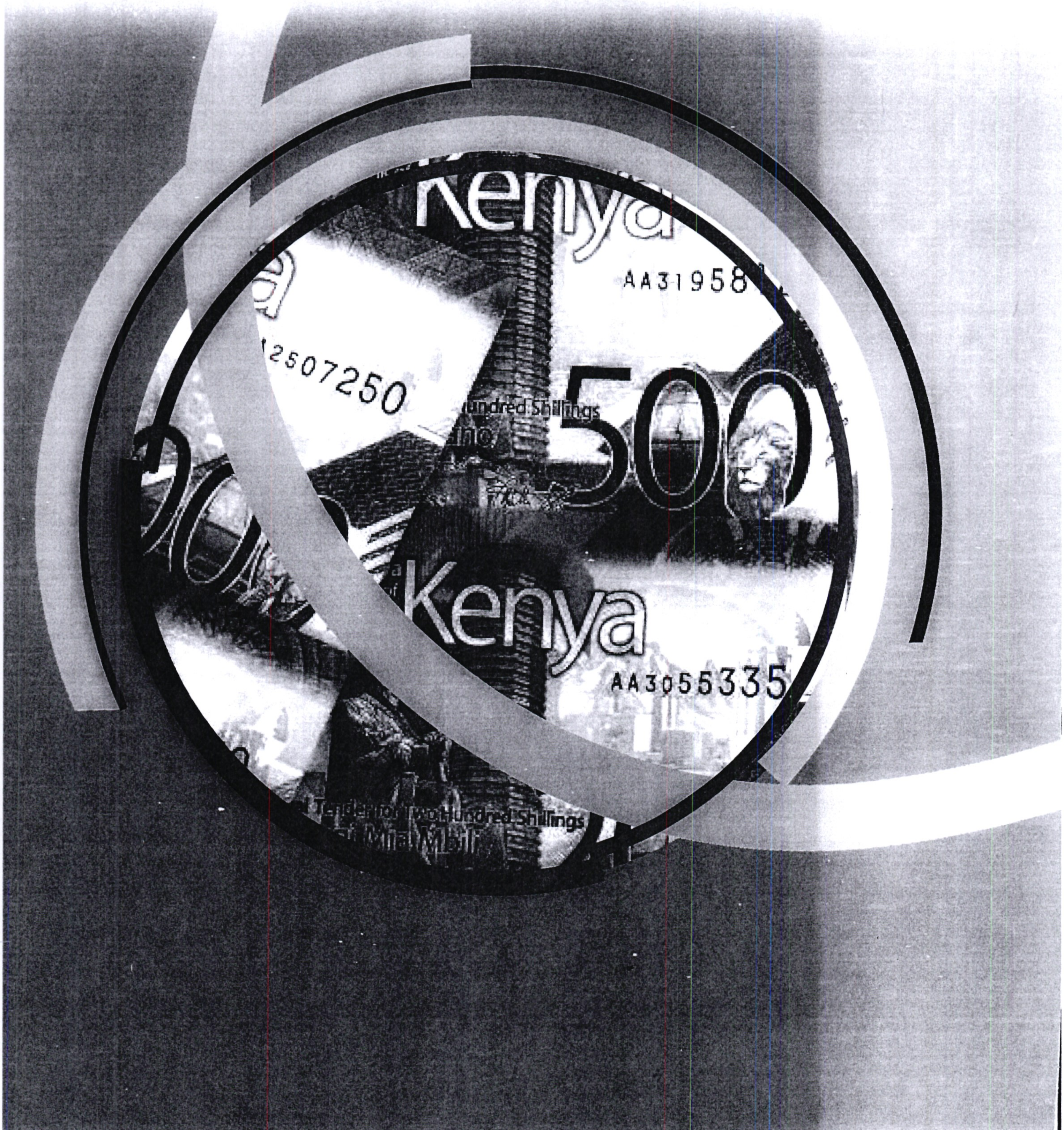

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