SPECIAL ISSUE

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KENYA REVENUE AUTHORITY

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE 2021

KEY INFORMATION AND MANAGEMENT

(a) Background Information

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

(b) Principal Activities

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

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

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

CORE VALUES

- Trustworthy
- Ethical
- Competent
- Helpful

(c) Key Management

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

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

(d) Fiduciary Management

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

• Commissioner General	Githii Mburu.
• Domestic Taxes Department	Rispah Simiyu.
• Customs and Border Control Department	Lillian Nyawanda.
• Corporate Support Services Department	David Kinuu.

• Investigations and Enforcement Department	Edward Karanja.
• Regional Co-ordination Department	David Yego.
• Strategy, Innovation and Risk Management Department	Mohamed Omar.
• Legal Services and Board Co-ordination Department	Paul Matuku.
• Intelligence and Strategic Operations Department	Terra Saidimu.
• Kenya School of Revenue Administration (KESRA)	Fred Mugambi.
• Finance Division	Josephat Omondi.
• Procurement Division	Grace Murichu.

(e) Headquarters

Times Tower Building,

Haile Selassie Avenue,

P.O. Box 48240 – 00100, Nairobi, Kenya.

(f) Contacts

Telephone	(254) 020-310900, 2810000, 315553
Email	callcentre@kra.go.ke, cic@kra.go.ke
Website	www.kra.go.ke

(g) Bankers

National Bank of Kenya Limited,

Harambee Avenue Branch,

P.O. Box 41862-00100 Nairobi, Kenya.

Kenya Commercial Bank Limited,

Haile Selassie Branch,

P.O. Box 58992-00200 Nairobi, Kenya.

Co-operative Bank of Kenya Limited,

Co-op House Branch,

P.O. Box 67881-00200 Nairobi, Kenya.

Housing Finance Group,

Rehani House,

P.O. Box 30088-00100 Nairobi, Kenya.

(h) Independent Auditors

Auditor General,

Office of the Auditor General,

Anniversary Towers, University Way,

P.O. Box 30084–00100,

Nairobi, Kenya.

(i) Principal Legal Advisor

The Attorney General,

State Law Office,

Harambee Avenue,

P.O. Box 40112–00200,

Nairobi, Kenya.

BOARD OF DIRECTORS

1. AMB. DR. FRANCIS MUTHAURA, M.B.S., E.G.H.

Amb. Dr. Muthaura is the Chairperson for the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as the Chairperson of the Board on 22nd May, 2018.

He holds a Bachelor of Arts Degree in Economics and Political Science and a Post Graduate Diploma in Diplomacy and International Relations from the University of Nairobi.

He was awarded Honorary Doctorate Degrees for Diplomacy and Public Service by Kenyatta University and the Kenya Methodist University of Kenya. He has served as a career diplomat, and held ambassadorial appointments to the European Union in Brussels and the Permanent representative to the United Nations in New York.

He is the founder Secretary General for East African Community; Permanent Secretary in the Ministries of: Information, Transport and Communications; Environment, Water and Natural Resources; Provincial Administration and Internal Security.

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

2. HON. MRS. ROSE WARUHIU, E.B.S., O.G.W.

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

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

She worked as a senior Administrator in the University of Nairobi, early in her career, and later as a development Consultant in the private sector. She has worked as a consultant in the public sectors, undertaking assignments in policy formulation and documentation; public management; strategy development; planning and advocacy.

She has served as a Member in the Kenyan National Assembly and the East Africa Legislative Assembly. She served on the boards of Kenya Post Bank, Kenyatta National Hospital, the National Museums of Kenya and as Vice-Chair of the Council of the Jomo Kenyatta University of Science and Technology.

She has held leadership positions in the Women's Organizations and Civil Society serving as Chair/Convener of several initiatives in the pro-democracy movement in Kenya.Within the women movement she was elected Chair of the University Women Association and Vice Chair of National Council of Women.

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

3. MR. PAUL ICHARIA

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

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

He has served in senior positions at the Royal Bank of Canada (RBC) and Citigroup in the United States of America.

Until 30th June, 2020 he was a Member of the Revenue, Strategy and Technology Committee and Human Resources Committee of KRA's Board of Directors. Since 1st July, 2020 he is a member of the Finance, Administration and Procurement Committee of KRA's Board of Directors.

4. ENG. LEONARD ITHAU

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

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

He has served in the public service at the Kenya Ports Authority (KPA) and in professional service a Project Management Consultant to various private bodies in the Health, Port and Harbours/Rail, Roads, Telecommunications, Oil and Gas, Hospitality, Industrial/Commercial and Housing Sectors. He is currently the Executive Director of Quemec Limited, a project management and advisory consultancy.

He has over thirty five (35) years' experience in senior project advisory, design and construction management roles on major civil engineering, infrastructure and building works in Kenya and the broader South East Africa region.

He is a Registered Professional Engineer with the Engineers Board of Kenya, a member of the Association for Project Management (UK) and the Institute of Directors (K).

In social service, he is the current District Governor Nominee for Rotary International, District 9212 and a member of the Board of Governors of Karen Technical Training Institute for the Deaf, Nairobi.

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

5. MR. CHARLES MAKORI OMANGA

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

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

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

He is currently co-Managing Principal, Horizon Africa Capital Limited which is a financial advisory firm dealing in mergers and acquisitions in East Africa. In this role he has developed significant commercial and transactional expertise in various industries.

From a governance perspective, he has also served in various boards in the financial services sector including banking and stock brokerage.

He is a member of the Institute of Certified Investment, Financial Analysts (ICIFA).

He is a Member of the Revenue Strategy and Technology and Human Resources Committees of KRA's Board of Directors.

6. MR. MUKESH K R SHAH

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

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

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

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

He is a Fellow of the Chartered Association of Certified Accountants (UK), Member of the Institute of Certified Public Accountants of Kenya and Institute of Certified Public Secretaries of Kenya.

He is the Chairperson of the Revenue, Strategy and Technology Committee of KRA's Board of Directors.

7. MRS. SUSAN MUDHUNE, M.B.S.

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

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

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

She has served as a non-Executive Director in various Boards including Safaricom (K) Limited, a position she held for nine (9) years until 2019. She is a past Chairperson of the Board of Kenya Commercial Bank Group and the Kenya Girl Guides Association. She is currently a non Executive Director of Carbacid Group Limited and chairs the board of Kenya Innovative Finance Facility For Water (KIFFWA) Foundation.

She is a Certified Corporate Governance trainer and a Member of Women Corporate Directors (Kenya Chapter) and Institute of Directors (Kenya).

She was the Chairperson of the Human Resources Committee and a Member of the Revenue, Strategy and Technology Committee of the KRA's Board of Directors until 30th June, 2020. Since 1st July, 2020 she is the Chairperson of the Finance, Administration and Procurement Committee.

8. FCPA - GITHII MBURU, M.G.H., C.B.S.

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

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

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

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

EX OFFICIO MEMBERS

1. MR. MUSA KATHANJE (ALTERNATE DIRECTOR TO THE CABINET SECRETARY, NATIONAL TREASURY)

Mr. Musa Kathanje was appointed to the Kenya Revenue Authority Board as the Alternate to the Cabinet Secretary, National Treasury and Planning on 17th March, 2021. He is the Director of Macro and Fiscal Affairs Department at the National Treasury having been appointed to the post in November, 2016. He joined the National Treasury in June 2013 as the Head of Macro Division in the then Economic Affairs Department, on secondment from the Central Bank of Kenya where he was the Head of Monetary Policy Analysis Division. He has over 25 years of experience in macroeconomic policy formulation and analysis, fiscal and monetary policies formulation as well as regional economic integration policy gained from both the Central Bank of Kenya (June 1996 to June 2013) and at the National Treasury (June 2013 to date).

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

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

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

She is an advocate of the High Court of Kenya with over thirty (30) years post admission experience in private and public law practice.

She holds a Bachelor of Laws (LLB) degree and a Master of Business Administration degree from the University of Nairobi.

She is Senior Deputy Solicitor General and Secretary - Justice and Constitutional Affairs, the current Head of the State Department of Justice at the Office of the Attorney General and Department of Justice.

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

MANAGEMENT TEAM

1. FCPA - GITHII MBURU, M.G.H., C.B.S.

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

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

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

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

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

2. Dr. Mohamed Mohamud

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

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

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

3. MR. PAUL MUEMA MATUKU, E.B.S.

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

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

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

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

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

4. MR. DAVID YEGO

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

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

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

5. DR. DAVID KINUU, E.B.S.

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

Before joining KRA, he had worked at Safaricom Ltd for more than seven (7) years in various capacities, including Head, Human Resources Shared Services and Senior Manager for Facilities, Health and Safety. Dr Kinuu also worked at different managerial roles in Shell Kenya Ltd and Oil Libya Kenya and Mozambique, among other companies.

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

6. DR. FRED MUGAMBI MWIRIGI

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

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

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

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

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

7. DR. TERRA SAIDIMU, E.B.S.

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

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

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

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

8. MRS. RISPAH MWANGI SIMIYU, E.B.S.

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

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

9. LILLIAN ANYANGO NYAWANDA

Mrs. Lilian Anyango Nyawanda was appointed Commissioner, Customs and Border Control effective 15th April 2021.

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

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

10. DR EDWARD KARANJA

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

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

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

CHAIRMAN'S STATEMENT

Foreword

It is a great honour to present the Kenya Revenue Authority (KRA) Annual Report and Financial Statements for the Financial Year 2020/21. This is the third and final report within KRA's Seventh Corporate Plan implementation period (2018/2019 to 2020/2021).

The Seventh Corporate Plan theme was '*Revenue Mobilisation through Transformation, Data-driven Decision Making and Tax Base Expansion*'. During the three-year plan period, KRA attained an overall revenue performance rate of 99% after collecting KSh. 4,849.3 billion against the Plan's target of KSh. 4,899.3 billion, with an average revenue growth of 5.4%. This represented revenue to GDP ratio of 15.8%. Four key lessons were drawn from this Plan: adequate funding should be provided for the prioritised initiatives; business continuity and disaster recovery plans should be developed; realistic targets should be set and interdepartmental collaborations should be enhanced.

The Financial Year 2021/22 marks the inaugural year of executing KRA's 8th Corporate Plan (2021/22 to 2023/24) themed *'Revenue Mobilization through Tax Simplification, Technology-driven Compliance and Tax Base Expansion'*. During the new plan period, the Kenya Revenue Authority aims to: reduce the tax gap and achieve revenue growth above the nominal GDP growth; achieve a high level of customer service and improve the country's competitiveness; reduce the cost of collection, adopt modern technologies and improve the quality of operations and services in order to support the revenue mobilization strategies; and achieve a competent, performance driven, customer focused, ethical, and motivated staff compliment. Our revenue mobilization focus will be achieved through strengthened compliance and enforcement, tax base expansion, risk-based audit, smart intelligence and investigation as well as integrated border management.

The year 2020 was marked by slowed growth in the global economy, Africa and in Kenya as well. The unforeseen outbreak and spread of the Covid-19 pandemic, and the subsequent containment measures have had a devastating effect on global economies. The crisis has had the greatest impact on growth in tourism dependent economies and commodity exporting countries. Growth in more diverse economies slowed significantly in 2020, but was still positive in many cases.

Kenya's Economy

Similarly, the Kenyan economy was adversely affected by the Covid-19 pandemic. The containment measures deployed not only disrupted normal lives and livelihoods, but equally destabilized businesses and economic activities. As a result, the National Treasury estimated Kenya's economy to have decelerated to 0.6 percent growth in 2020, down from 5.4 percent growth recorded in 2019. The pandemic led to Kenya's worst economic growth performance since 1992. However, following the easing of containment measures, there has been an improvement in economic activities in the third and fourth quarters of 2020, albeit at a slow pace. The Budget Policy Statement 2021 shows that the economy grew by 5.2 percent in the first quarter of 2020 same as the growth recorded in the first quarter of 2019 mainly supported by the Agricultural Sector. However, the service sector was hampered by the decline in economic activities in most of the country's major trading partners due to the uncertainties associated with Covid-19 pandemic.

In the second quarter of 2020, the economy contracted by 5.5 percent from a growth of 5.1 percent in the same quarter in 2019. The poor performance in the second quarter of 2020 was to a large extent negatively affected by measures aimed at containing the spread of Covid-19 pandemic. However, the economy was supported by improved performance of agriculture, forestry and fishing activities, health services and mining and quarrying activities.

The economy went on a progressive rebound in the third quarter of 2020 following the easing of the restriction measures put in place to contain the COVID-19 pandemic. The economy contracted by 1.1 percent in the third quarter of 2020, compared to a 5.8 percent growth in a similar quarter in 2019. However, this was an improvement compared to the second quarter of 2020. Activities in the financial and insurance, information and communication technology (ICT) and real estate sectors picked up in the second half of 2020. Growth in the financial and insurance, ICT, and real estate, renting and business services sectors strengthened in Q3 2020.

Some of the sectors that were previously adversely affected by Covid-19 but recorded a positive performance in the third quarter of the year 2020 compared to the third quarter of 2019 were Construction, Agriculture and Mining and Quarrying, that had growth rates of 16.2%, 6.3% and 18.2% respectively in 2020 compared to 6.6%, 5% and 3.4% in the same period of 2019.

The contraction was driven by several sectors especially accommodation and restaurant and education which shrank by 57.9% and 41.9% respectively during the quarter. This is attributed to the containment measures that saw closure of hotels and entertainment joints as well as schools.

Overall, GDP contracted by 0.4 percent in the first three quarters of the year 2020, driven by the pandemic’s severe impact on services. In 2021 Kenya Economic Update, the World Bank pointed out that Agriculture performed well, aided by adequate rainfall and improved access to inputs, helping Kenya's overall economic performance recover from the impact of Covid-19. Following broad-based growth in important food and cash crops, agricultural growth improved to 6.3 percent in Q3 2020, from roughly 0.9 percent in the same period in 2019.

Agriculture's development was aided by good rainfall, allowing the industry to recover from a drought-affected output level in 2019. Most aggregate demand drivers were stifled by the pandemic and as a result, private consumption, which accounted for nearly three-quarters of Kenya’s production growth in 2019 slowed significantly in 2020 as households cut down on spending due to job loss and wage cuts. The labour market took a hard hit, but has since taken an upturn. The Covid-19 problem had an immediate and severe impact on the job market. Kenya's unemployment rate rose dramatically, nearly doubling to around 16 percent in Q3 2020.

Global Economy

The Covid-19 pandemic and the ensuing containment measures devastated global economies disrupting businesses and economic activities. As a result, the 2021 Budget Policy Statement indicates that the global economy was estimated to have contracted by 3.5% in 2020, down from 2.8 percent growth recorded in 2019. The pandemic has had severe effects on the Sub-Saharan African economies as well, which are estimated to have contracted by 2.6 percent in 2020 from a growth rate of 3.2 percent in 2019. With growing production and availability of vaccine, improved therapies, testing and tracing, local transmissions of the virus are likely to reduce by the end of 2022. Some regions and countries will have low local transmission sooner than others depending on country-specific circumstances.

Revenue Performance

During the Financial Year 2020/21, the Authority collected KSh. 1,669.2 Billion against a target of KSh. 1,652.4 Billion. This represents a performance rate of 101.0% and revenue growth of 3.9% over KSh. 1,606.9 Billion collected in the Financial Year 2019/20. The improved revenue growth is largely due to the turnaround of the economic outcomes (such as Gross Domestic Product and international trade) that were adversely impacted by the Covid-19 pandemic in the previous year.

If the National Treasury undertakings amounting to KSh. 18.5 Billion in Financial Year 2020/21 were realized, KRA overall revenue collection would have amounted to KSh. 1,687.7 billion. This translates to a performance rate against target of 102.1% and a growth of 5.0% over collections in the previous year. It is important to note that this is the first time KRA is meeting its overall target since 2013/14 and its exchequer target since 2007/08.

Exchequer Revenue

During the Financial Year 2020/21, the Exchequer Revenue amounted to KSh. 1,544.2 Billion against a target of KSh. 1,530.2 Billion. This represents a performance rate of 100.9% and a growth of 2.3% over the Financial Year 2019/20 exchequer revenue collections of KSh. 1,509.8 Billion.

Agency Revenue

In the Financial Year 2020/21, KSh. 125.1 Billion was collected as agency revenue against a target of KSh. 122.2 Billion translating to a performance rate of 102.4%. The agency revenue grew by 28.8% as compared to KSh. 97.1 Billion collected in the Financial Year 2019/2020.

Overview of factors underpinning revenue performance in 2020/21

KRA adopted a variety of Revenue Enhancement Initiatives resulting in increased enforcement efforts and deployment of new tax measures aimed at ensuring that non-compliant individuals pay their fair share of taxes. Tax Base Expansion, a key target in the 7th Corporate Plan, is also credited with the strong performance. The newly adopted taxes such as the Digital Services Tax, Minimum Tax, and initiatives such as Voluntary Tax Disclosure, among others enabled KRA to recruit additional taxpayers. Active taxpayers increased from 3.94 Million to 6.55 Million during the three-year 7th Corporate Plan period.

Technology was instrumental during the peak of the Covid-19 pandemic. Technology platforms drove revenue mobilization through data led compliance management framework. The automation of KRA processes enabled the Authority to improve taxpayers’ services and subsequently collect more revenue, especially during the Covid-19 pandemic.

Taxpayers have also stepped forward to find an amicable solution to problems with KRA since the introduction of the Alternative Dispute Resolution (ADR) mechanism. This enabled KRA to unlock KSh. 31.5 Billion in taxes out of 552 cases concluded during FY 2020/2021, with the main goal of ensuring timely, objective and efficient settlement of tax disputes. The enhanced recovery of tax arrears saw KRA collect KSh. 93.7 Billion in the FY 2020/2021 compared to KSh. 84.7 Billion collected in FY 2019/2020.

The Authority also entrenched a performance management culture, which enhanced accountability and productivity of the staff, thus driving the strong financial year performance. In addition, KRA has also intensified its fight against tax evasion to ensure no revenue is lost.

Stakeholder engagement has become a fundamental pillar in KRA's business processes, with the goal of forming solid partnerships that serve as foundations for trust, which is essential for voluntary tax compliance. As a result, KRA has become more approachable and willing to engage in discussions about issues that mattered to stakeholders. This strategy worked well, not just in terms of developing connections with taxpayers, but also in terms of generating new ideas and technologies to help improve the tax environment and revenue collection. The Authority also worked with other agencies, as part of a multi-agency team, to help close revenue loopholes.

Global Outlook

Global economy is expected to rebound in 2021. This is predicated on steady but highly uneven global vaccinations in the second half of this year and a gradual relaxation of Covid-19 related restrictions. The World Bank indicates that the global economy is projected to grow at 6 percent in 2021 and 4.3 percent in 2022. Growth is expected to resume in Sub-Saharan Africa this year, reaching 2.8 percent, and further to 3.3 percent in 2022 as projected by the World Bank.

This pickup is underpinned by stronger external demand from the region’s trading partners mainly China and the United States, higher commodity prices and better containment of Covid-19. The World Bank forecasts the global trade to grow at 8.3 percent this year and 6.3 percent in 2022, reflecting a rebound in global output and investment.

Kenya’s Outlook

The Covid-19 pandemic is not showing any signs on ending soon which poses a risk. However, the National Treasury projects the Kenyan economy to grow by about 6.6 percent in 2021, and 6 percent over the medium term. According to the World Bank, in the 2021 Kenya Economic Update, the country's economy is expected to sustain recovery and gradually return to growth as a result of an upturn in consumer confidence and business activity, supported by ongoing vaccination efforts and the return of mobility to pre-pandemic levels. The economic recovery will be supported by a stable macroeconomic environment, turnaround in trade as economies recover from the Covid-19 pandemic and expected favourable weather that will support agricultural output. The World Bank expects the Kenyan economy to rebound in 2021, with a real GDP growth of 4.5 percent.

Appreciation

On behalf of KRA Board of Directors, I wish to extend my appreciation to the National Treasury and look forward to their continued support in pursuit of KRA’s Mission during the 8th Corporate Plan period ‘*To Enhance Mobilisation of Government Revenue and to Facilitate Growth in Economic Activities and Trade by Ensuring Compliance with Tax and Customs Laws*’. I would like to take this opportunity to thank my fellow Board Members, KRA management and staff for their tireless efforts in ensuring that the Authority achieved and surpassed its set revenue target in the Financial Year 2020/21.

I wish to extend my gratitude to the taxpayers who have been supportive and compliant, allowing KRA to collect and surpass its revenue target.

We strongly believe that with your continued support we will weather through the storm of Covid-19 pandemic and work hard towards a sustainable economic growth.

Amb. (Dr.) Francis Muthaura, M.B.S., E.G.H.
CHAIRMAN, KRA BOARD OF DIRECTORS

COMMISSIONER-GENERAL’S STATEMENT

(1) Introduction

The Financial Year 2020/21 marked the end of KRA’s Seventh Corporate Plan running from 2018/19 to 2020/21. The plan that was themed ‘*Revenue Mobilization through Transformation, Data-Driven decision-making, and Tax Base expansion’* outlined four strategic priorities that sought to enable the government achieve revenue independence and avoid deficit financing.

Notwithstanding the challenging operating economic environment brought about by the COVID-19 pandemic, Kenya Revenue Authority (KRA) defied all odds to surpass its revenue target after eight (8) years, since the FY 2013/14. This is after revenue collection in the FY 2020/21 (July 2020 - June 2021) reached a new record of KSh. 1,669,213.4 Million compared to KSh. 1,606,864.9 Million collected in FY 2019/20.

(2) Operating Environment

According to the 2021 Budget Policy Statement, Kenya’s GDP grew by 3.8 percent in the FY 2020/21 compared to 3.0 percent in 2019/20. Key elements of the macroeconomic environment included inflation rate, which decreased from 5.2 percent in the FY 2019/20 to 5.1 percent in the FY 2020/21. The Kenya Shilling exchange rate to the dollar averaged 108.7 in FY 2020/21 compared to 103.6 in the FY 2019/20. While the value of imports increased by 11.5 percent from KSh. 1,355.5 Billion in FY 2019/20 to KSh. 1,510.5 Billion in FY 2020/21. The 91-day Treasury bill rate declined from 6.92 percent in FY 2019/20 to 6.74 percent in FY 2020/21, indicating a general decline in interest rates in the economy. The Nairobi Securities Exchange (NSE) 20 share index moved from 1,942 points in June 2020 to 1,928 points in June 2021.

(3) Revenue Performance

Kenya Revenue Authority (KRA) defied all odds to surpass its revenue target after eight (8) years, since the FY 2013/14. This is after revenue collection in the FY 2020/21 reached a new record of KSh. 1,669,213.4 Million compared to KSh. 1,606,864.9 Million collected in FY 2019/20. This was achieved despite the challenges experienced in the operating economic environment due to Covid-19 pandemic.

The revised revenue target for the FY 2020/2021 was KSh. 1,652,392.9 Million, which KRA surpassed with a surplus of KSh. 16,821.4 Million. This represents a performance rate of 101% and revenue growth of 3.9% compared to the previous financial year. This performance is consistent with the prevailing economic indicators, especially the estimated GDP growth of 0.6% in 2020. During the financial year, KRA also recorded a milestone after revenue collection more than doubled in the last 10 years from KSh. 707,360.3 Million in

FY 2011/12 to KSh. 1,669,213.4 Million in FY 2020/21 representing a growth of 136% in the last ten years.

In the period under review, the exchequer revenue grew by 2.3% with a collection of KSh. 1,544,167.9 Million compared to KSh. 1,509,751.1 Million collected in FY 2019/20; representing a performance rate of 100.9% against the target of KSh. 1,530,226.2 Million.

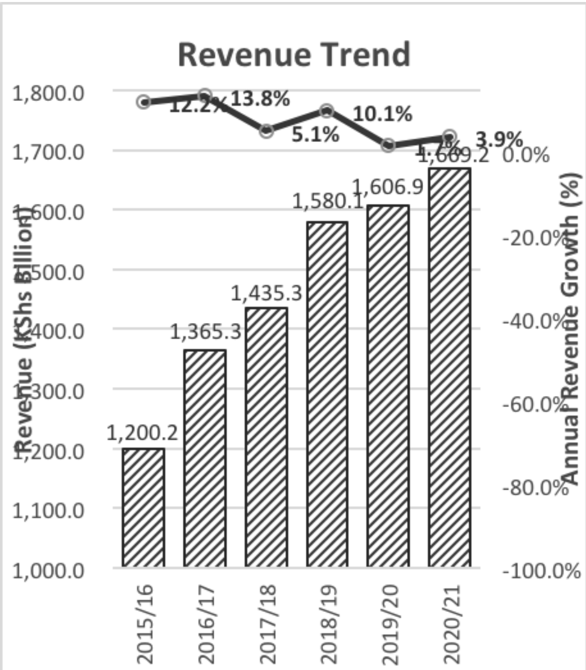

Figure 1: Revenue trends (2015/16 – 2020/21)

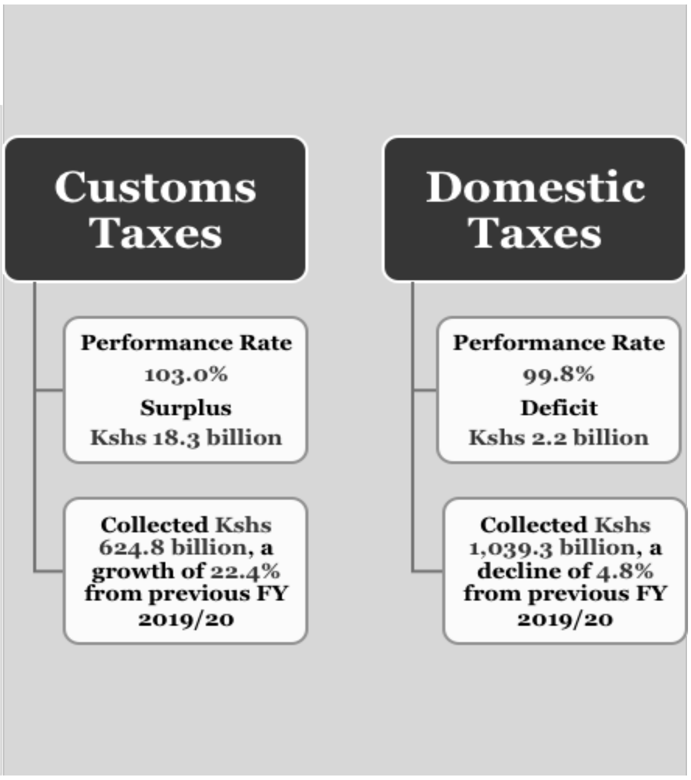

Figure 2: FY 2020/21 Performance rate against target

Figure 1 shows consistent revenue growth from 2015/16 to 2020/21, with an average annual revenue growth of 7.8% in the six-year period and 5.2% in the last three years. As shown in Figure 2, Customs and Border Control collected KSh. 624.8 Billion in FY 2020/21 against a target of KSh. 606.5 Billion registering a revenue surplus of KSh. 18.3 Billion. Customs revenues grew by 22.4% over KSh. 510.6 Billion collected in FY 2019/20 and recorded a performance rate of 103.0%. On the other hand, Domestic Taxes Department collected KSh. 1,039.3 Billion in FY 2020/21 against a target of KSh. 1,041.4 Billion, a revenue deficit of KSh. 2.2 Billion. Domestic tax revenues declined by 4.8% over KSh. 1,092.2 Billion collected in FY 2019/20 and recorded a performance rate of 99.8%.

(i). Customs and Domestic Taxes Performance

The Domestic Taxes Department (DTD) collected KSh. 1,039,267.2 Million during the FY 2020/21 translating to a performance rate of 99.8%, while Customs and Border Control (CandBC) collected KSh. 624,776.0 Million surpassing its target of KSh. 606,520.2 Million representing a performance rate of 103.0% and recording a surplus of KSh. 18,255.7 Million.

Petroleum taxes amounted to KSh. 226,688.9 Million posting a growth of 34.5% and a surplus of KSh. 12,260.9 Million against the target, while Non-Oil revenue recorded a growth of 20.2% with collections amounting to KSh. 389,877.9 Million, which was above target by KSh. 14,784.4 Million.

(ii). Performance of Key Tax Heads

Corporation Tax: The tax head recorded a growth of 3.7% in the FY 2020/21. This performance was driven by increased remittance from Energy, Agriculture and Construction sectors that grew by 222.7%, 33.1% and 31.9% respectively. The collection from energy and construction sectors was partly driven by enforcement measures.

PAYE: The tax head declined by 9.3% in the FY 2020/21, a drop from an average growth of 2.0% recorded during the same time last year. The decline was driven by reduction in employment emanating from measures taken by mainly private firms to reduce operating costs as a result of the Covid-19 pandemic. The tax head was also affected by the reduction of the top PAYE rate from 30% to 25% in the first half of the year and a 100% tax relief for persons earning below KSh. 24,000 per month.

Withholding Tax: The tax head recorded a growth of 3.8% in the FY 2020/21, which is a drop from 18.2% recorded last year. The performance was negatively impacted by depressed economic growth due to the impact of Covid-19 pandemic.

Domestic Excise: The tax head recorded a growth of 12.0% in the FY 2020/21, compared to a decline of 6.4% recorded in the last financial year. The performance turnaround is attributed to gradual reopening of the economy and extended operating hours for bars and restaurants.

Domestic VAT: Domestic VAT recorded a decline of 7.9%. The performance of the tax head was primarily affected by the Covid-19 pandemic, which saw business turnovers decline. At the same time, the decline was due to reduction of VAT rate from 16% to 14% during the first half of the fiscal year.

(4) Drivers to Key Achievements in the FY 2020/21

During the period under review, KRA implemented a number of Revenue Enhancement Initiatives that enabled the Authority enhance revenue collection. This was largely driven by enhanced compliance enforcement efforts and the implementation of new tax measures, focused on ensuring that non-compliant taxpayers pay their due taxes.

The good performance is also attributed to Tax Base Expansion (TBE), which was a key deliverable in the 7th Corporate Plan. Through this initiative, KRA recruited more taxpayers arising from the newly implemented taxes including Digital Services Tax and Voluntary Tax Disclosure, among others. Over the Seventh Corporate Plan period, active taxpayers increased from 3.94 million to 6.55 million.

The introduction of Alternative Dispute Resolution (ADR) mechanism also saw taxpayers come forward to find amicable solution in disputes with KRA. With the main objective being to ensure, faster, objective and efficient resolution of tax disputes, ADR enabled KRA to unlock KSh. 31.5 billion in taxes out of 552 cases resolved during the FY 2020/2021.

The enhanced recovery of tax arrears saw KRA mobilize KSh. 93.7 billion in the FY 2020/2021 compared to KSh. 84.7 Billion collected in FY 2019/2020.

The technology investment made by the Authority over the years was instrumental during the peak of the Covid-19 pandemic. Technology platforms drove revenue mobilization through data led compliance management frameworks. The automation of KRA processes, especially during the Covid-19 pandemic, enabled the Authority to improve taxpayers' services and subsequently collect more revenue. For example, KRA implemented the use of a Mobile App dubbed *M-service* for specific tax administration processes: registration; tax filing and payment of some tax obligations; and enquiry services. During this period, all goods declared under the Single Customs Territory framework were monitored using the Regional Electronic Cargo Tracking System (RECTS) and all Customs related inquiries and applications were also processed online.

KRA also entrenched a performance management culture that enhanced accountability and productivity of the staff, thus driving the strong financial year performance. In addition, KRA has intensified its fight against tax evasion to ensure no revenue is lost.

During the Financial Year 2020/2021, KRA adopted stakeholder engagement as a key pillar in its business processes with a view of building strong partnerships as foundations for trust, which is key for voluntary tax compliance. This made KRA more approachable and ready to dialogue on issues pertinent to stakeholders. This approach was productive, not only in enhancing good relationships with taxpayers, but also in providing new ideas and innovations useful for improving the tax environment and revenue collection. The Authority also collaborated with other agencies including being part of the multi-agency team, which support in sealing revenue loopholes.

(5) Outlook

The revenue target for the FY 2021/22 is KSh. 1,882,134.7 Million, of which KSh. 1,761,716.9 Million (93.6%) is Exchequer revenues and KSh. 120,417.7 Million (6.4 %) being the agency revenues that KRA collects. The target represents a growth of 12.8 % over the revenue collection in FY 2020/21 of KSh. 1,669,213.4 Million.

The National Treasury projects that the economy will expand by above 6.6 percent in 2021 and over six (6) percent over the medium term. The performance of Kenya's economy in 2021, like most economies all over the world, will largely be determined by the duration of the disruption of human and economic activities by the Covid-19 pandemic. The outlook is however optimistic with most of the economic activities slowly starting to pick up due to the relaxed Covid-19 restrictions and ease of movement within and outside the country.

Going forward, the Authority is implementing the 8th Corporate Plan over the period 2021/22 to 2023/24. The plan targets to collect KSh. 6,831,210 million by the end of the three-year period. With the support of taxpayers, the projected economic recovery of 6.6 % in 2021, progressive tax policy framework and a robust tax compliance mechanism, KRA is confident that it will achieve this target and enable the country sustain its economy.

During the plan period, the Authority will pursue revenue mobilization through tax simplification, technology-driven compliance and tax base expansion. In line with the plan's focus, reopening of borders and easing of Covid-19 restrictions, we expect to see the tax revenues rise.

Our Vision remains the same whereas our Mission has been refocused to read, *'to enhance mobilization of government revenue and to facilitate growth in economic activities and trade by ensuring compliance with tax and Customs laws'*. Given the clarion call by our customers to further simplify our processes and tax laws, we have expanded our Core Values to TECHS with the addition of Simple.

Over this Plan period, KRA's overarching strategic goals will be to:

(i). Realize government revenue targets while building a sustainable tax base.

(ii). Achieve exceptional customer service and community outreach.

(iii). Reduce overall cost of collection while improving the quality of operations and services.

(iv). Continue to build a performance-driven and ethical workforce.

(6) Conclusion

In conclusion, I would like to thank KRA Board of Directors, leadership and staff for their hard work that has enabled the Authority effectively execute its mandate as the principal revenue collector for the government of Kenya. Their dedication and commitment led to a positive revenue growth during the FY 2020/21 despite the adverse conditions.

On behalf of the KRA Board of Directors, Management and Staff, I applaud all compliant taxpayers for honouring their tax obligations. Despite the challenges brought about by the COVID-19 pandemic, you still voluntarily paid your taxes and supported the country achieve this great milestone. Your continuous contribution to Kenya's economic sustainability will go a long way in ensuring the sovereignty of this great nation. KRA is determined to make taxpaying experience better for all its customers. The Authority reiterates its commitment to exhibit integrity and professionalism in serving taxpayers. KRA is optimistic that we will perform better in the new financial year.

Finally, I wish to acknowledge the positive support that we continue to receive from the national treasury and planning in facilitating the Authority to delivery on its mandate.

FCPA Githii Mburu, MGH, CBS
COMMISSIONER-GENERAL

STATEMENT OF KENYA REVENUE AUTHORITY's PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

KRA had four balanced scorecard perspectives and four objectives within its strategic plan for the period 2018/19 to 2020/21. These strategic perspectives are:

(1) Revenue,

(2) People,

(3) Customer, and

(4) Business process.

KRA develops its annual work plans based on the above four perspectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The KRA achieved its performance targets set for the FY 2020/21 period for its four strategic perspectives as indicated in table 1.

Table 1: Strategic Achievements in FY 2020-21

Strategic Pillar/ Perspective	*Objective*	*KPIs*	*Activities*	*Measure*	*Achievement*
Revenue	Meeting the Government's revenue targets through a risk-based compliance framework in an equitable, efficient and effective manner	Total Revenue collected		(KSh. Mn)	1,669,200
		On-time payment		%	88
		Active Tax payers		No.	6,547,934
		Professionals recruited	Recruit through the implementation of a strategy to improve compliance in the professional sector	No.	4,977
		Registered companies recruited	Identification of registered companies that are active but non-compliant	No.	100,372
		Landlords recruited	Recruit through the implementation of a Real Estate Strategy	(No.)	32,169
		Systems integrated	Integrate with other systems (iCMS and iSupport)	(No.)	4
		HNWI recruited	Implement compliance management model	(No.)	22
		Quality profiles forwarded to Departments	Robust intelligence collection and investigation	(No.)	1,301
		Cases investigated	Enhance intelligence driven investigation	(No.)	81
		Disputes resolved in ADR out of total disputes	• Independent review of Taxpayer Objections • Regular stakeholder engagements for ADR • Adhere to ADR regulations anchored on Section 112 of the Tax Procedures Act 2015 • Review the ADR Framework: Review of ADR Framework	%	55.9
		Collectable debt/Total revenue	• Fully utilize the debt module in iTax • Fast track the debt recovery process timelines • Implement Corporate debt management structure • Use of Data Analytics	(%)	5.9
People	A competent, performance driven, customer focused and motivated staff	Employee satisfaction		(%)	65.7
		Corruption perception index	Implement a Corporate Integrity Program: • Creation of awareness for the Stakeholders • Efficient Inter-agency Collaboration • Train Auditors on Corruption related audits • Staff investigation • System reviews and automation • Identify and review guidelines on National Values and Ethics • Conduct lifestyle audits, vetting and background checks	(%)	34.2
		Staff recruited	Recruit additional staff	(No.)	599
		Training satisfaction	Implement training and skills enhancement programme: • Develop a policy on attraction and retention of high priority and critical skills • Develop a Public Service Competency Framework guiding training and development • Define the high priority and critical skills • Identify 3-5 key technical areas per department • Develop and implement specialised training curriculum • Develop and implement ATP • Establish a fund to support self-development Develop institutional curriculum on Results Based Management (RBM)	(%)	63.9
		Leadership score	• Develop a pool of successors for all critical roles • Develop and implement a structured staff development program • Evaluate trainings in line with Kirk – Patrick framework • Develop KRA curriculum on transformational leadership training • Train staff on Transformative and Value-based Leadership	(%)	62.4
		Knowledge sharing culture score	Institutionalise Knowledge management • Capacity building of the knowledge leaders • Implement awareness programme • Implement knowledge retention and transfer initiative • Grow the knowledge base	(%)	55
		Employee Engagement (Sikika survey)	Implement Corporate culture change management	(%)	86
		WE satisfaction index	Implement a work environment improvement program: • Standardization of work environment • Deployment of a strategic property portfolio development program • Review, develop and deploy efficient and cost-effective facilities and logistics services • Implement an Integrated Security Solution • Implement an Asset and facility management system	(%)	71.6

Strategic Pillar/ Perspective	*Objective*	*KPIs*	*Activities*	*Measure*	*Achievement*
			• Develop and implement Employee-Self Service • Implementation of Shared Services • Develop institutional curriculum on Occupational Safety and Health (OSH) • Train staff on occupational safety and health (OSH)		
Customer	Achieve a quantum leap in customer service	Taxpayer satisfaction rate	Implement Customer Service Improvement framework Service Access Expansion Strategy· • Design and implement a Customer Engagement Framework and tax awareness strategy • Implement initiatives to improve KRA's Business Value • Implement initiatives to improve KRA's Operational Excellence • Adopt a multi-channel led but cost optimal approach to customer service deliver	(%)	72.2
		Customer perception of KRA staff adherence to core values		(%)	71.7
		SLA implementation: Processing of TCC and refunds		(%)	62
		Implement Initiatives for combating illicit trade	Implement initiatives to reduce illicit trade initiatives • Undertake baseline survey • Operationalize National Inter-agency framework • Strengthen PVoC program • Operationalize 3 OSBPs • Introduce Non-Intrusive verification tools • Integrate international and regional customs systems • Implement Real-Time Monitoring System (RTMS) • Operationalize three (3) Joint Operation Centres • Establish strategic inland roadblocks and patrols • Acquire and operationalize mobile command units and body worn cameras • Implement Manifest Monitoring System in all stations	(%)	100
		Paying Taxes	• Integrate iTax with other systems • Collect Revenue on behalf of County Government of Nairobi • Fast-track implementation of the electronic audit selection process • Integrated stamp duty collection system with iTax	Rank	92
		Trading Across borders	• Port Charter implementation	Rank	117
		Imports under marine/ sea cargo processed under PAP	• iCMS full implementation, roll out and integration with Single Window System • Implement integrated scanner strategy • Implement RECTS • Joint verification of cargo at 4 International Airports and 7 OSBPs • Scaling up of ICD Embakasi operations	(%)	15.06
		Refunds clearance	Implement VAT Refunds Strategy: • Integrate iTax-Refunds with iCMS • Implement TIMS • Review and automate the current manual refunds risk rating framework • Undertake Refunds Business Process Reengineering • Lobby National Treasury to change the VAT refund process so that VAT is paid net of refunds • Restructuring export refund process • Enhance Capacity in the division • Credit utilization across tax heads in iTax	(Days)	104
		Initiatives to reduce uncertainty in the administration of tax statutes	• Apply legislation in line with the letter and spirit of the law • Ensure the presence of a well-functioning mediation process. • Guidelines and safeguards for early identification and sanction of non-compliant taxpayers • Use proportionality in enforcement (Intensity of Enforcement)	(%)	100
Business Processes	Data intelligence driven business processes	Cost of collection		(%)	1.22
		On-time filing		(%)	97
		Automation levels	Implementation of the 3rd KRA Wide ICT Strategy (2018/2019 – 2020/2021)	(%)	95.71
		Data Utilization Index	Implementation of Data Governance Framework	(%)	71
		Business Continuity and ISO Maintenance	• Enhance ICT Disaster Recovery preparedness through upgrade of Times Towers Data Centre • Achieve ISO 9001:2015 Recertification • Maintain sector specific Accreditation to ISO 17025:2017 for Testing and Calibration laboratories • Implement an Integrated Management System (IMS) of ISO Standards • Conduct QMS management reviews, – surveillance	(%)	100

Strategic Pillar/ Perspective	*Objective*	*KPIs*	*Activities*	*Measure*	*Achievement*
			audits, and surveillance audits verification • Identifying prioritized services and establish business continuity requirements: • Pursuing certification to ISO 22301:2012 BCMS		
		Organizational Restructuring	• Organization Structure alignment • Streamline Corporate Policy Unit • Transforming the Legal Services and Board Co-ordination Department • Implement BEA Framework.	(%)	100

CORPORATE GOVERNANCE STATEMENT

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

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

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

Board Meetings

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

Board Committees

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

Human Resources Committee

The Committee is responsible for monitoring and appraising the performance of Senior Management, reviewing of human resource policies, approval of remuneration policy for employees and making recommendations on Senior Management appointments to the Board. The Committee met eight (8) times and its Members were:

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

Finance, Administration and Procurement Committee

The Committee is responsible for review of the Authority's annual budget, Procurement and Disposal Plans and related policies. The Committee met eight (8) times and its Members were:

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

Audit and Risk Committee

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

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

Revenue, Strategy and Technology Committee

The Committee is responsible for review of the Authority's strategic implementation of the Corporate Plan and Reform Programme. It also serves as a forum to encourage continuous research and review of tax policy proposals; regulatory framework and revenue collection. The Committee met twelve (12) times and its Members were:

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

Board of Trustees

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

1. Mr. Paul Icharia (Chairman),
2. Mr. Mukesh Shah,

3. Ms. Susan Mudhune and
4. Commissioner Corporate Support Services.

Board Matters

Attendance to board meetings by members	In the Financial Year 2020/2021: There were eleven (17) Board Meetings Board Meetings attended by Members. Meetings — No. of Meetings Full Board — 17 Finance, Administration and Procurement Committee — 6 Human Resources Committee — 9 Revenue, Strategy and Technology Committee — 7 Audit Committee — 6
Succession plan	Appointment is by the President (for the Board Chairman) and Cabinet Secretary – The National Treasury (for Members).As per the Kenya Revenue Authority Act Section 6(2)(a) and Section 6(2)(e). Expiry of term is usually communicated to The National Treasury at least 3 months before expiry of Term
Existence of a board charter	There is an existing Board Charter, which was reviewed and approved by the Board on 18th March, 2021.
Process of appointment and removal of directors	As per the Kenya Revenue Authority Act Sections 7 and 8.
Roles and functions of the Board	As per the Kenya Revenue Authority Act Section 6(6).
Induction and training	The Directors undertook a virtual audit and risk workshop on 27th and 28th October, 2021 facilitated by consultants from the International Monetary Fund and Governance Optimized.
Board and member performance	The Board Performance Self-Assessment for Financial Year 2019/2020 was carried out on 4th September, 2020 and facilitated by the State Corporations Advisory Committee.
Conflict of interest	Conflict of interest is declared in all Board and Board Committees Meeting and recorded as part of the proceedings.
Board remuneration	As per the relevant Government Circular: Sitting Allowance: Letter dated 11th February, 2011 Ref ZZ MOF 131/04
Ethics and conduct	This is provided for under chapter 3 of the Board Charter, which quotes policies and acts that the board members as public officers are subject to.
Governance audit	The Governance Audit has not taken place. The State Corporations Advisory Committee (SCAC) vide their letter Ref No. OP/SCAC.9/175A dated 20th February, 2020 indicated that the SCAC was in the process of accrediting Governance Auditors and they would share the list once the process was complete. The Authority awaits further guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue performance and Growth FY 2015/16 – FY 2020/21

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

In figure 1, revenue collection trends from FY 2015/16 to FY 2020/21 is presented. The figure shows consistent revenue in this period, with an average annual revenue growth of 7.8% in the six-year period and 5.2% in the last three years. As shown in Figure 2, Customs and Border Control collected KSh. 624.8 billion in FY 2020/21 against a target of KSh. 606.5 billion registering a revenue surplus of KSh. 18.3 billion. Customs revenues grew by 22.4% over KSh. 510.6 billion collected in FY 2019/20 and recorded a performance rate of 103.0%. On the other hand, Domestic Taxes Department collected KSh. 1,039.3 billion in FY 2020/21 against a target of KSh. 1,041.4 billion, a revenue deficit of KSh. 2.2 billion. Domestic tax revenues declined by 4.8% over KSh. 1,092.2 billion collected in FY 2019/20 and recorded a performance rate of 99.8%.

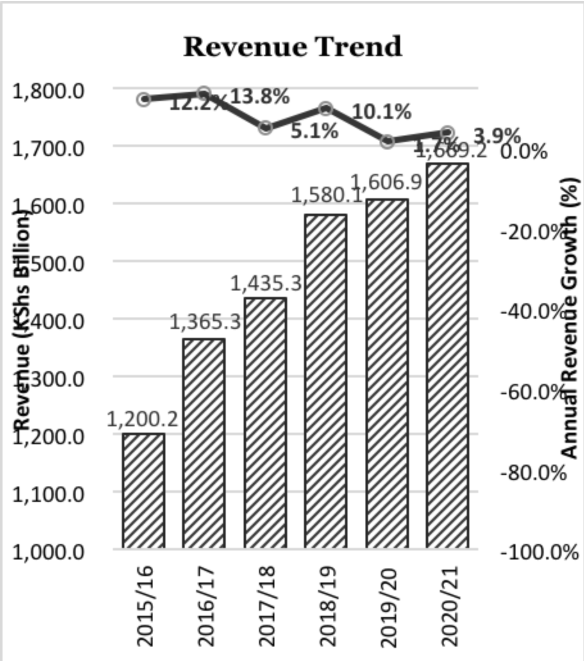

Figure 1: Revenue trends (2015/16 – 2020/21)

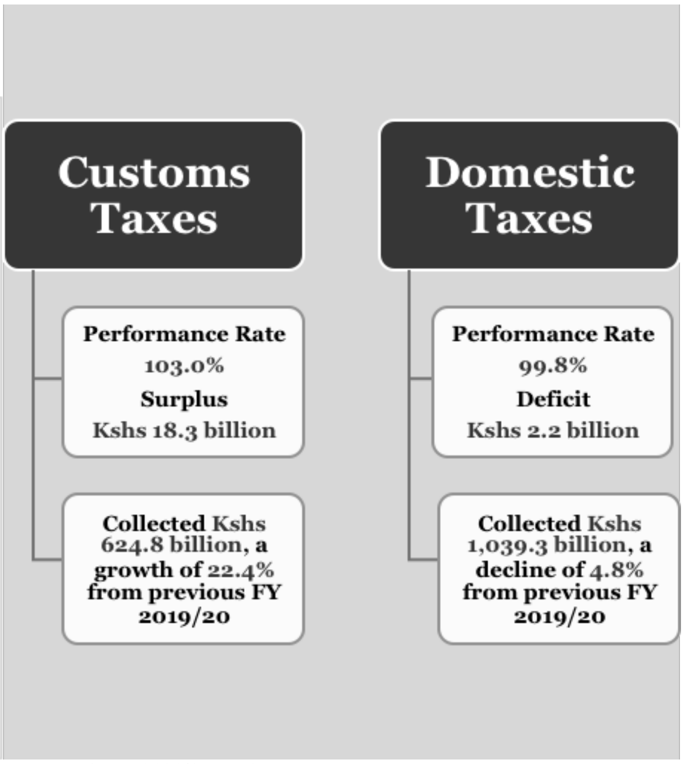

Figure 2: FY 2020/21 Performance rate against target

2. Revenue Performance against Target FY 2015/16 – FY 2020/21

In figure 3, we present the historical performance of revenue against revised targets. It is noted that, the target has been revised over the years to adjust for changes in the macroeconomic environment that dictates the level of revenue collection. For the last eight years, KRA has consistently missed her target by an average of 3%. However, in the FY2020/21 the target was surpassed by 1.01% despite the challenges in the operating environment.

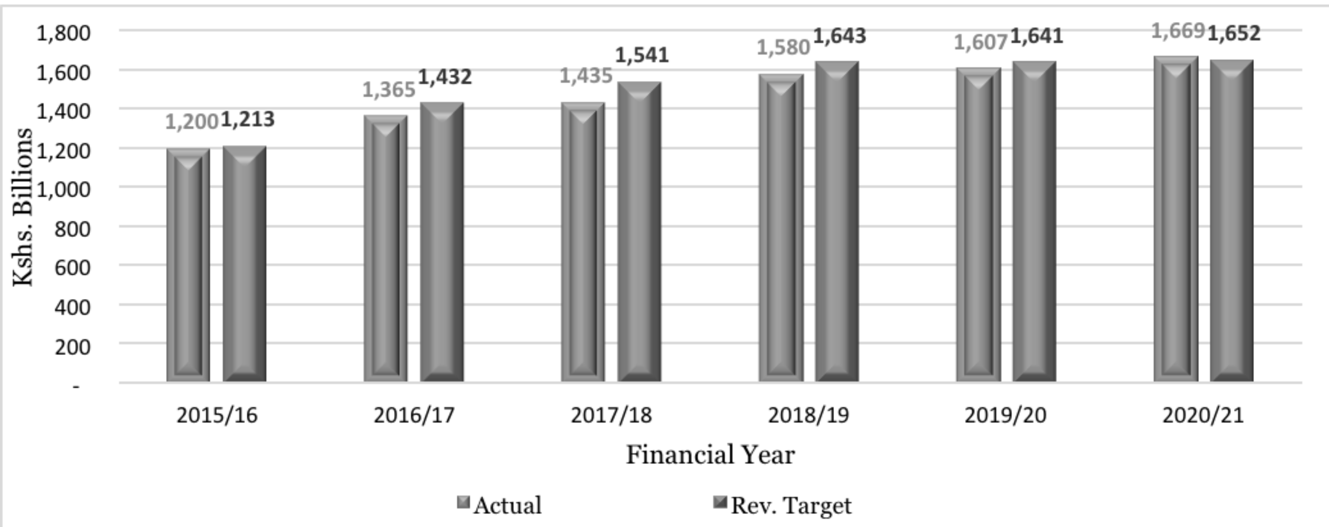

Figure 3: FY 2015/16 - FY2020/21 Actual Collection against Revised Target

3. Risks and Mitigation in 8th Corporate plan

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

(a) Non-registration of taxpayers

To mitigate this risk KRA's Eighth corporate plan seeks to implement the Tax Base Expansion (TBE) strategy through recruitment of new taxpayers and additional obligations. The target for new taxpayers will be in real estate, businesses in the Turnover Tax (ToT) regime, registered companies, agriculture sector, professionals and High Net-Worth Individuals (HNWI). These are expected to raise the number of active taxpayers from 6.5 million to 8.2 million, implying an additional 1.7 million taxpayers. This will be achieved through the following: i) Taxation of the Informal Sector; ii) Use Geographic Information System for Block Management System; iii) Increase compliance by HNWI to promote equity; iv) Taxation of the digital economy; v) Strategic collaboration and partnerships for revenue mobilization.

(b) Data integrity risk

This is the risk that data stored and processed by Information Technology (IT) systems are incomplete, inaccurate or inconsistent across different IT systems. This risk will be mitigated by cleaning the taxpayer database. A clean taxpayer database is critical for revenue mobilisation as it ensures that the taxpayers have the correct obligations and ledger balances. KRA will implement the following key strategies to ensure the integrity of the tax register: i) Assure data quality; and ii) Increase data coverage in internal processes/systems.

(c) Smuggling risk

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

(d) Taxpayer/Customer experience risk

KRA undertakes to offer an easier interpretation of tax laws to ease compliance and service delivery. This will be done through: i) Simplification of tax processes, forms and technology links, to make it easy to comply; and ii) Implementation of tax policy reforms to ensure stability and clarity of tax laws.

4. Risk caused by COVID-19 Pandemic

The COVID-19 pandemic has continued to exert pressure on economic activity and implicitly tax revenue collection. This is informed by slow economic activity, staff layoffs by employers, the containment measures and their resulting effects among others. Consequently, in order to cushion the citizenry from the adverse effects of COVID-19, the government in April 2020; through the Tax Laws Amendment Act, 2020, introduced some tax measures aimed at increasing the disposable income for Kenyan's. This negatively affected the collections in addition to the shrinking tax base. In December 2020, the Tax Laws Amendment Act (No. 2), 2020 reversed some of the measures contained in the Tax Laws Amendment Act, 2020. This was informed by improvements in the operating environment and opening up of the economy after gradual lifting of the containment measures. It was then expected that this would positively impact on revenue. It is observed that the COVID-19 impact on revenue collection has been declining over time but continues to negatively affect revenue collection.

The COVID-19 impact is expected to be mitigated by the ongoing vaccination programme where the Government aims to vaccinate 10 million adults by the end of 2021. As a result, we anticipate a speed up in the reopening of the economy and increased economic activity that is critical for tax purpose. At the same time, KRA is determined to ensure effective implementation of initiatives to expand the tax base including digital service tax, and enhanced recruitment of taxpayers for instance, landlords, informal sector taxpayers, professionals, registered companies, and individuals trading online. Besides, a continual review of existing active taxpayers coupled with a revamped audit function is expected to foster compliance. Among others, the Authority is also keen on implementing paperless processes especially in customs in order to enhance efficiency in trade facilitation and simplified processes.

5. KRA Project Portfolio

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

Table 2: KRA's Project Portfolio

Stage	*Number of Projects*	*Projects*
Completion and Closure (90% - 100%)	3	1. Anonymous Reporting System 2. iCMS 3. iScan
Execution (16% - 89%)	14	1. mService 2. DWBI (insight) 3. TIMS 4. Case Management System 5. iTax Take over 6. Nairobi County Revenue Management System 7. Regional Electronic Cargo Tracking System (RECTS) 8. East African Regional Transport, Trade and Development Facilitation Project (EARTTDFP) 9. Refurbishment of Secondary Data Centre 10. IP Telephony II 11. WAN Optimisation and Kilindini Network Upgrade 12. IDEA 13. Tenable Security 14. Electronic Queue Management System
Start-up (0-15%)	7	1. Horn of Africa Gateway Development Project (HoAGDP) 2. Ushuru Pensions Towers Phase II Fit out 3. Integrated Access and Identity Management Solution 4. Digital Forensics Laboratory 5. Security Operations Centre 6. Intelligence Analytical Tools 7. Oracle Vault Capacity Building
Completed Projects	4	1. eJuris (iLaw) 2. Imposter Detection System 3. VDI (Centralised End User Computing) 4. New Data Centre
Requiring Funding to Implement	2	1. Integrated Security System (Physical Security) 2. Automatic Exchange of Information System

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

A. Employee welfare

Policies Guiding the Hiring Process	*Gender Ratio - Yes*	*Stakeholder Engagements - Yes*	*Improvement Frequency*
Recruitment and Selection Policy	3.0 (g); of the policy states that the Authority shall comply with the gender and disability mainstreaming policies Current status In FY 2020/2021, the total number of staff recruited was 835, out of which 48% (400 staff) were female and 52% (435 staff) were male.	(a) All recruitments are initiated and requisitioned for by the user department or division and approved by the respective HOD. (b) They are required to provide an approved departmental staff establishment and updated job description. (c) The DC, HR reviews all the recruitment requests in line with the approved staff establishments and budgetary allocations. (d) The Commissioner, CSSD approve the recruitment process, including job adverts, for KRA ‘1’– ‘7’. (e) The CG reviews and approves recruitment requests for KRA ‘8’– ‘9’ in line with the approved staff establishment and budgetary allocations (f) The recruitment and selection process for KRA ‘8’– ‘9’ may be facilitated through a recruitment agency or consultant while KRA ‘1’– ‘7’ are facilitated through the DC, HR.	On need basis
Disability Mainstreaming Policy	1.2; The Authority is an equal opportunity employer and does not discriminate against Persons With Disabilities.	(a) The Authority maintains PWDs disaggregated data for policy formulation, policy reviews and implementation of relevant programs. (b) The Authority encourages the participation and involvement of PWDs in social and welfare programs (c) The Authority evaluates emergency and safety procedures to ensure they take into account the needs of persons with disability. This includes making sure all emergency exits are wide enough for wheel chair users. (d) 6.7 The Authority has constituted a Disability Mainstreaming Committee and nominated members to the committee including persons with disabilities (PWDs. (e) We share our Job adverts with the Council (NCPWDs) to cast the net wide.	On need basis
Gender Mainstreaming Policy	The following Clauses states that the Authority will; 7.4; Ensure 30% representation of women in recruitment, selection, acting appointment and promotion. 7.5; Implementation of gender sensitive action in the areas of recruitment, selection, promotion and striking a balance between work life and social life. 7.6; Implementation of gender sensitive policies in terms of working conditions. Current status As at 14th July 2021, the overall gender representation in the Authority was as follows: *Total number of staff – 8,029 (100%); Female Staff – 3,661 (46%); Male Staff – 4,368 (54%)*	Gender Mainstreaming Committee comprising of 9 members was set up on 23rd October, 2020 to assist the Authority achieve its commitments on gender mainstreaming issues which include; • Set up and operationalization of a Gender Management System. • Mainstreaming Gender in the Authority’s workplace Policies, Plans and Programs. • Undertaking capacity building on Gender. • Submission of quarterly reports using the prescribed format to the State Department for Gender with a copy to the National Gender and Equality Commission.	On need basis
Work Environment Standard Policy	1.3 The Authority is committed to promote and maintain high standards of health and safety of employees, customers and the general public	(i) The Authority ensures regular sensitizations on safety and health. (ii) Reporting accidents and incidences to DOSH when they occur	On need basis
	1.6.6. Safety and health audits: The Authority ensures that work environment audits are conducted in all work places at least once in a year	(i) Work environment audits are initiated by Human Resource Division and reports submitted to relevant Heads of Department (HoDs) for implementation of recommendations to ensure a safe and healthy work environment (ii) Regular Work Environment Spot checks are conducted and recommendations submitted to relevant departments for implementation to ensure compliance.	On need basis

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

Introduction

The United Nations Sustainable Development Goals (SDGs) guide Kenya Revenue Authority (KRA) in its execution of Corporate Social Responsibility (CSR) activities, hence the continuous focus on the pillars of healthcare, education and environment.

The Authority has invested in CSR activities, beneficial to communities, leaving behind a lasting trail of KRA’s values; that have in turn improved the social and economic welfare of communities. With economic sustainability, comes an effective tax administration, which encourages tax compliance and promotes fairness in taxation.

CSR Pillars

KRA’s Corporate Social Responsibility strategy focuses on four key pillars namely;

- Healthcare
- Sports

- Environment
- Education

Healthcare

A healthy population is likely to be more productive, earn more, save more, invest more and have a greater purchasing power. KRA has therefore invested in the health pillar to ensure that taxpayer's health and hygiene are taken care of.

Sports

KRA has invested in sports activities combined with community outreach and development activities. Some activities that have helped nurture youth under the sports pillar include football and facilitation of races such as The Standard Chartered Marathon and Madoka Marathon. In the financial year 2020/21, KRA's CSR did not focus on the sports pillar, due to the Ministry of Health restrictions on Covid-19 that limited public gatherings.

Environment

KRA seeks to increase forest cover, develop strong partnerships with Kenya Forest Service, schools and other partners on tree planting exercise. This is aimed at encouraging the youth to participate in environmental protection activities as a bridge to conquer desertification, poverty and peaceful coexistence of communities.

Education

Education is an important contributor to national development. Citizens who can read, write and think critically have better economic opportunities. KRA has invested in the Education Sector to ensure that less fortunate children have the opportunity to pursue education.

Noteworthy CSR projects by KRA in the past include; the refurbishment of Moi Referral Hospital Renal Ward, The Jaramogi Oginga Odinga Paediatric Hospital in Kisumu, construction of the Paediatric Wing at Bokole Health Centre, Changamwe and refurbishment of the Kenyatta National Hospital Children's Playground.

Financial Years 2020/2021 CRS initiatives

During the 2020/2021 Financial Year, KRA carried out various CSR initiatives in line with the national priorities aimed at achieving economic prosperity and achieved the following milestones:

Health Pillar Initiatives

To address the female hygiene challenges associated with menstrual health, during the 2020/21 financial year, KRA provided sanitary towels to girls in marginalized communities. Some of the schools that benefitted from the program were Ndohivyo and Dzisuhuni Primary School in Samburu.

In Samburu for instance, girls miss school every four days a month on average, due to lack of sanitary towels. This project went a long way in helping the girls attend school throughout the year.

The sanitary towels and toiletry donation also benefitted over 2000 primary school girls in GK prison Primary School in Kitengela, St Mary's Magdalene Thingingi in Embu and Meru School for the Mentally Challenged. An extra 3000 sanitary towels were donated to the Alliance Girls High School in Nairobi.

In the same year, KRA constructed an Abolition block for the Sergoit Health Center Level 3 Hospital, Elgeyo Marakwet County.

Environmental Pillar Initiatives

In the Financial Year 2020/2021, KRA involved staff and other stakeholders to plant trees as per the presidential directive on National Tree Planting in order to achieve UN recommended 10% forest cover and use of Nature Based Solutions to mitigate effects of climate change.

In October 2020, KRA partnered with Kenya Defence Forces (KDF), Nakuru County, Greenbelt Movement, Globe Gone Green and Madison Insurance to plant thousands of trees at Lanet Primary school.

In the Coast region, KRA planted 2000 seedlings at the Taveta One-Stop Border Post Compound, 500 trees in Moyale and other 150 trees in Garissa University compound. In Western Region, KRA staff planted hundreds of trees at Gureta Nyasoko Primary School in Kuria.

Key Challenges

Some of the challenges experienced during the financial year 2020/21 include; inadequate funding for all CSR projects/initiatives as well as the Covid-19 pandemic which equally delayed the activities due to the Ministry of Health (MOH) restrictions put in place to reduce spread of the virus.

Conclusion.

In conclusion, staff involvement and stakeholders' engagement in CSR helped to improve the overall relationship and image of KRA. In this particular financial year, KRA involved staff directly by participating in online games -Chess, Draughts and Scrabble and tree planting activities. Staff equally visited a number of Children's Homes countrywide and donated food and toiletries.

FCPA GITHII MBURU, M.G.H., C.B.S.
COMMISSIONER-GENERAL

REPORT OF THE BOARD DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June, 2021 which show the state of Kenya Revenue Authority's affairs.

Principal activities

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

Results

The results of the Authority for the year ended June, 2021 are set out here in.

Directors

The Members of the Board who served during the year are shown here in. During the year, director Bernard Ndung'u, MBS (Alternate Director to the Cabinet Secretary, National Treasury) retired and replaced by Director Musa Kathanje as the Alternate Director to the Cabinet Secretary, National Treasury with effect from 17th March, 2021.

Auditors

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

Paul Matuku, EBS
By Order of the Board
Board Secretary
Date: ……………………………………….

STATEMENT OF DIRECTORS' RESPONSIBILITES

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

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

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The KRA Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2021, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on _______________ and signed on its behalf by:

FCPA GITHII MBURU, M.G.H., C.B.S. AMB. DR. FRANCIS K. MUTHAURA, M.B.S., E.G.H. COMMISSIONER-GENERAL CHAIRMAN

REPORT OF THE AUDITOR-GENERAL ON KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

(a) Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

(b) Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

(c) Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Revenue Authority set out on pages 55 to 85, which comprise the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Revenue Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Revenue Authority Act, 1995.

Basis for Opinion

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

Emphasis of Matter

Land Without Title Documents

As reported in the previous year, the statement of financial position reflects a balance of Kshs.30,365,026,000 under property, plant and equipment which, as disclosed in Note 8 (ii) to the financial statements, includes eleven (11) pieces of leasehold land with a total acreage of 22.4453 hectares and which the Authority is yet to receive tittle documents. The properties, with a net book value of Kshs.751,075,267 as detailed below, are said to be at various stages of registration with the National Land Commission and Ministry of Lands and Physical Planning even though the issue of title documents has been outstanding for a long period of time.

Location	*Acreage*	*Net Book Value (Kshs.)*	*Remarks*
Kisumu (Robert Ouko)	0.3483 Ha.	1,978,846	Residential Flats
Namanga	0.225 Ha.	14,526,315	Office Block
Mombasa (Kenya Revenue Authority Training Institute)	0.6372 Ha.	415,000,000	Vacant
Mombasa (Bamburi)	9.556 Ha.	104,589,474	20 Residential Houses
Mombasa (Oceanic-Kizingo)	0.166 Ha.	145,312,500	24 Residential Units
Mtwapa	0.4048 Ha.	5,812,500	Residential Blocks
Kilifi	0.046 Ha.	6,781,250	Office Block, Residential Houses, and former VAT Offices
Horohoro	4.0 Ha.	26,100,000	Office Block
Namanga	4.0 Ha.	14,464,286	Office Block
Kisumu	2.662 Ha.	1,978,846	Residential Units
Busia	0.40 Ha.	14,531,250	Office Blocks
	22.4453	751,075,267	

Further information indicates that the transfer process for a title deed currently in the name of East Africa Common Services Authority (EACSA) is on-going. In addition, the Authority was allocated five (5) plots of land in Hulugho, Amuma, Gerille, Elwak, and Diffu which has been gazetted as border entry points as detailed below:

Location	*Acreage*	*Remarks*
Diffu Site - Wajir County	7.0 acres	Proposed site for One Stop Border Point
Gerille Site - Wajir County	1.3 acres	Proposed site for One Stop Border Point
Amuma Site - Garissa County	7.6 acres	Proposed site for One Stop Border Point
Hulugho Site - Garissa County	1.3 acres	Proposed site for One Stop Border Point
Elwak Site - Mandera County	30 acres	Proposed site for One Stop Border Point

The five (5) plots have not been valued and are therefore excluded from the property, plant and equipment balance of Kshs.30,365,026,000.

Under the circumstances, the completeness and accuracy of the property, plant and equipment balance of Kshs.30,365,026,000 as at 30 June, 2021 could not be confirmed as fairly stated. Further, in the absence of title documents, it has not been possible to ascertain that all the above properties and improvements thereon belong to the Authority.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.

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

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

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

CPA Nancy Gathungu, CBS

AUDITOR-GENERAL

Nairobi

12 April, 2022

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	Kshs'000	Kshs'000
REVENUE			
Revenue from non- exchange transactions			
Deferred grant income amortisation	2	859,681	836,294
Revenue from exchange transactions			
Agency Income	3	20,557,087	20,807,351
Commissions Income	4(a)	2,759,009	1,976,681
Interest Income	4(b)	247,188	439,561
Other Income	4(c)	440,821	367,628
TOTAL REVENUE		24,863,786	24,427,515
EXPENDITURE			
Administrative Expenses	5	24,435,674	22,776,439
Operating Expenses	6	1,454,094	1,443,506
Maintenance Expenses	7	362,218	394,709
TOTAL EXPENDITURE		26,251,986	24,614,654
Other gains/(losses)			
Gain / (Loss) on disposal of assets		(181,829)	(98)
Loss on Write Off of Property	8	(968,834)	-
DEFICIT FOR THE YEAR		(2,538,863)	(187,237)

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

Josephat Omondi

Head of Finance - ICPAK Member No. 3473

FCPA Githii Mburu, MGH, CBS

Commissioner General

AMB. DR. Francis K. Muthaura, MBS , EGH

Chairman

The notes set out herein form an integral part of the Financial Statements

KENYA REVENUE AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2020/2021 KSh. '000	2019/2020 (Restated) KSh. '000
Assets			
Current Assets			
Cash and Bank Balances	13	1,562,844	5,508,924
Stocks	14	98,164	111,972
Receivables	10	608,790	438,571
		2,269,798	6,059,467
Non-Current Assets			
Property, Plant and Equipment	8	30,365,026	31,519,124
Intangible Assets	9	1,196,142	1,864,011
Amount due from Treasury	11	6,050,563	3,364,046
Security Deposits	12	2,838,361	2,565,951
		40,450,092	39,313,132
Total Assets		42,719,890	45,372,599
Liabilities			
Current Liabilities			
Payables	15	2,634,849	1,796,593
Leave Pay and Gratuity Provision	16	2,113,225	2,104,417
Deferred Income Amortisation	24	836,294	836,294
		5,584,368	4,737,304
Non Current Liabilities			
Contribution to Government Pension Fund	17	6,705	6,705
Designated Fund	18	166,786	269,054
		173,491	275,759
Total Liabilities		5,757,859	5,013,063
Net Assets		36,962,031	40,359,536
Capital grants by the Treasury	19	18,644,300	18,541,910
Deferred Grants Income	24	943,737	1,582,656
Accumulated Fund		799,782	3,338,645
Revaluation Reserve		16,574,212	16,896,325
		36,962,031	40,359,536
Total Net Assets and Liabilities		42,719,890	45,372,599

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

Josephat Omondi

Head of Finance - ICPAK Member No. 3473

FCPA Githii Mburu, M.G.H., C.B.S.

Commissioner General

AMB. DR. Francis K. Muthaura, M.B.S., E.G.H.

The notes set out herein form an integral part of the Financial Statements

KENYA REVENUE AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	Capital Grants by Treasury Kshs'000	Deferred Grants Income Kshs'000	Accumulated Fund Kshs'000	Revaluation Reserve Kshs'000	Total Fund Kshs'000
1 July 2019		17,935,410	2,418,950	3,525,882	17,238,912	41,119,154
Contribution for the year		606,500	-	-	-	606,500
Charge for the year		-	(836,295)	-	(342,586)	(1,178,881)
Defict for the year				(187,237)		187,237)
At 30 June 2020		18,541,910	1,582,655	3,338,645	16,896,325	40,359,536
1 July 2020		18,541,910	1,582,655	3,338,645	16,896,325	40,359,536
Contribution for the year	19	102,390	220,762		-	323,152
Deficit for the year		-	-	(2,538,863)	-	(2,538,863)
Charge for the year	24	-	(859,681)	-	(322,113)	(1,181,794)
At 30 June 2021		18,644,300	943,737	799,782	16,574,212	36,962,031

The notes set herein form an integral part of the Financial Statements

KENYA REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE, 2021

	NOTE	2020/2021 KSh. `000	2019/2020 (Restated) KSh. `000
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(2,538,863)	(187,237)
Non- cash movements			
Depreciation	8	1,112,552	968,993
Amortisation of Intangible Assets	9	972,860	944,858
Decrease in Amortisation of Deferred Income	25	(859,681)	(836,294)
Revaluation of Assets		-	-
Loss on disposal of Assets		181,829	98
Write - Off of Property Plant and Equipment	8	968,834	-
Increase in Security Deposits	12	(272,410)	(78,141)
Increase in Stocks	14	13,808	(25,889)
Prior Period Adjustment		-	-
Increase in Debtors and receivables	10 and 11	(2,856,736)	(384,839)
Decrease in Creditors, payables and Provisions	15 and 16	847,065	(868,663)
Net cash flows from operating activities		**(2,430,742)**	**(467,115)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(1,759,459)	(2,115,687)
Purchase of Intangible Assets		-	-
Proceeds from sale of Property, Plant and Equipment		23,237	410
Net cash flows from investing activities		(1,736,222)	(2,115,277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Contribution by the National Treasury	19	102,390	606,500
Decrease in Accumulated Fund		-	-
Decrease in Designated Funds	18	(102,268)	(306,940)
Increase in Deferred Funding by the World Bank		189,772	-
Increase in Deferred - Motor Vehicles donated by JICA		30,990	-
Net cash flows from financing activities		220,884	299,560
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(3,946,080)	(2,282,832)
Cash and cash equivalents at 1 July		5,508,924	7,791,756
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	1,562,844	5,508,924

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

Josephat Omondi

Head of Finance - ICPAK Member No. 3473

FCPA Githii Mburu, M.G.H., C.B.S.

Commissioner General

AMB. DR. Francis K. Muthaura, M.B.S., E.G.H.

Chairman

The notes set out herein form an integral part of the Financial Statements

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021						
	ORIGINAL (ADJUSTED)	ADJUSTMENTS	FINAL	ACTUAL	PERFORMANCE	PERFORMANCE
	BUDGET		BUDGET	COMPARABLE BASIS	DIFFERENCE	DIFFERENCE
			2020/2021	2020/2021	2021/2021	2020/2021
	KSHS '000	KSHS '000	KSHS '000	KSHS '000	KSHS '000	(%)
INCOME :						
Agency fees	20,369,289	-	20,369,289	20,361,521	(7,768)	-
Bonus Income		-	-	195,566	195,566	
Road Maintenance Levy	1,540,180	233,095	1,773,275	1,746,315	(26,961)	98%
Sale of Tamper- Proof seals	5,075	769	5,843	8,271	2,427	142%
Petroleum Development levy	104,240	389,100	493,340	517,600	24,260	105%
NTSA Agency Commission	9,520	1,856	11,376	11,725	349	103%
Interest income	304,346	(69,394)	234,952	247,188	12,235	105%
Transit Toll	20,521	1,624	22,146	23,703	1,558	107%
Rent receivable	17,183	(2,457)	14,726	9,507	(5,219)	65%
Public Overtime	1,682	1,576	3,259	1,509	(1,750)	46%
Institutional houses - rent	134,771	455	135,226	130,180	(5,046)	96%
Aviation Revenue	88,345	(29,105)	59,240	66,386	7,146	112%
Air Passenger Service charge	213,622	(148,901)	64,721	59,927	(4,794)	93%
KESRA Income	-	245,550	245,550	220,128	(25,422)	90%
Miscellaneous Income	100,295	(5,195)	95,100	83,168	(11,932)	87%
Nairobi City County Government	128,172	38,056	166,228	261,604	95,376	157%
Tax Appeals Tribunal Filling Fees	-	-	-	49,717	49,717	100%
Sugar Levy	-	-	-	10,089	10,089	100%
Deferred Income Amortisation	-	-	-	859,681	859,681	100%
Roll Over Funding	2,542,895	-	2,542,895	-	-	-
Total Operational Income	25,580,137	657,031	26,237,168	24,863,786	1,169,513	95%
STAFF COSTS:						
Basic pay	10,906,159	557,236	11,463,395	11,556,423	(93,028)	101%
Other Staff Expenses	7,087,941	(557,236)	6,530,705	6,103,144	427,561	93%
Total Staff Salaries and Allowances	17,994,100	-	17,994,100	17,659,567	334,532	98%
OPERATIONAL Expenses:						
Staff Welfare Expenses	34,488	5,711	40,199	20,694	19,504	51%
Medical Expenses	1,287,621	0	1,287,621	1,197,480	90,140	93%
Training Expenses	100,795	27,695	128,490	108,220	20,270	84%
Uniform and Laundry Expenses	77,640	580	78,220	127	78,092	0%
Travel and Accomodation	208,529	66,465	274,994	275,053	(58)	100%
Utilities Expenses	591,812	(86,554)	505,258	472,543	32,714	94%
Building Repairs and maintenance	106,829	157,695	264,524	137,309	127,215	52%
Motor Running Expenses	188,077	16,350	204,427	208,224	(3,797)	102%
Motor boat running Expenses	19,269	(600)	18,669	6,088	12,580	33%
Scanner Expenses	820,265	(356)	819,909	218,288	601,621	27%
Rents and Rates	872,161	94,070	966,231	840,607	125,624	87%
Computer Software	1,033,928	96,710	1,130,639	817,949	312,689	72%
Computer Expenses	56,628	18,696	75,324	19,278	56,046	26%
Security Expenses	561,882	29,348	591,231	566,615	24,616	96%
Insurance Expenses	205,585	(114)	205,471	194,371	11,101	95%
Publicity and Advertising	146,549	23,400	169,949	148,350	21,600	87%
Taxpayers Education	95,048	(15,961)	79,087	69,461	9,626	88%
Consultancy	86,409	36,453	122,862	245,065	(122,204)	199%
Legal and Secretarial Expenses	10,652	6,170	16,822	19,441	(2,618)	116%
Directors' Expenses	30,000	-	30,000	23,069	6,931	77%
Bank Charges	53,064	(285)	52,780	26,422	26,358	50%
Conference Expenses	66,903	8,809	75,711	57,836	17,875	76%
Office Running Expenses	386,601	82,433	469,034	473,056	(4,023)	101%
Printing and Stationery Expenses	60,509	10,914	71,423	14,892	56,531	21%
Materials and Supplies Expenses (e-Seals)	50,550	(1,213)	49,337	-	49,337	0%
Enforcement Expenses	168,491	(8,521)	159,971	85,590	74,381	54%
Laboratory Expenses	10,729	(2,513)	8,216	7,212	1,003	88%
Depreciation Expenses	-	-	-	2,085,412	(2,085,412)	-
COVID - 19 Response	140,828	(50,000)	90,828	86,457	4,370	95%
Corporate Membership Subscriptions	36,200	2,292	38,492	33,056	5,436	86%
TAT Appeals Tribunal Expenses	77,996	28,809	106,804	134,250	(27,445)	126%
TOTAL Operational Expenses	7,586,037	546,483	8,132,520	8,592,419	(459,899)	106%
TOTAL Recurrent Expenses	25,580,136	546,483	26,126,620	26,251,986	(125,367)	100%
Less: Disposal of Fixed Assets			-	*(181,829)*		
Less: Write Off of PPE			-	(968,834)		
Less: Additional capital funding		(160,997)	(160,997)	-		
DEFICIT FOR THE PERIOD	0	(50,450)	(50,450)	(2,538,863)	2,488,414	
The notes set out herein form an integral part of the Financial Statements						

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	*Impact*
Other Improvements to IPSAS	Applicable: 1st January 2021: *(a)* Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. *(b)* IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. *(c)* IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. *(d)* IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

i. Relevant new standards and amendments to published standards but not yet effective for the year ended 30 June 2021

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

ii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2020/2021.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

(i). Agency Income

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

(ii). Revenue from exchange transactions

Finance Revenue

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

Rental income

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

Commission revenue

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

Other operating income

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

(b) Development funding and capital grants by the Treasury

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

(c) Property, Plant and Equipment

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

The estimated useful life is as follows: -

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

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

(d) Intangible Assets

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

(e) Cash and Cash equivalents

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

(f) Translation of foreign currencies

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

(g) Employee benefits costs

(i) Retirement benefit obligations

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

ii) Other entitlements

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

(h) Inventories

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

(i) Receivables

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

(j) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), otherwise they are presented as non-current liabilities.

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

(k) Provisions

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

(l) Budget information

The KRA Board of Directors approved the original budget for FY 2020-2021 on 27th August 2020. An additional funding of 2.0 Billion was received from the National Treasury to fund operations. The additional funding was incorporated in the 1st Revised Budget prepared, presented to and approved by the Board on 28th January 2021. Further, due to funding shortages for critical activities, reallocation of funds across vote heads was prepared. This was incorporated in the 2nd Revised Budget which was presented and approved by the Board on 23rd March 2021.The 2nd Revised Budget took into account the impact of changes in funding and expenditure patterns, Surplus in Appropriation-In-Aid and savings identified in Capital, Development and Revenue Expenditure.

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

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

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

(m) Nature and Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority has created Capital Grants from the National Treasury reserves to represent the National Treasury's input by directly funding capital development for the Authority.

The Revaluation reserves represent the surplus arising from the revaluation of the Authority's Property, Plant and Equipment.

(n) Related Parties

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

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

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

Critical accounting judgments in applying the Authority's policies

Impairment losses

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

Plant and equipment

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

Contingent liabilities

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

2. REVENUE FROM NON EXCHANGE TRANSACTIONS

	2020/2021		**2019/2020**	
	Kshs '000		**Kshs '000**	
Amortisation of grants deferred Income	859,681		836,294	
	859,681		**836,294**	

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

3. REVENUE FROM EXCHANGE TRANSACTIONS

	2020/2021	**2019/2020**
	Kshs '000	**Kshs '000**
Agency Income	20,361,521	20,807,351
Bonus	195,566	-
	20,557,087	**20,807,351**

The Agency Income is provided for in accordance with the provisions of the Kenya Revenue Authority Act CAP 469 Section 16.

4. REVENUE FROM EXCHANGE TRANSACTIONS

a. Commissions Income

	2020/2021	**2019/2020**
	Kshs '000	**Kshs '000**
Road Maintainance Levy Commission	1,746,315	1,489,159
Aviation Revenue Commission	66,386	94,377
Air Passenger Service Charge Commission	59,927	222,347
NCCG Commission Income	261,604	37,303
KEBS & Sugar Levy Agency Income	10,089	11,486
Road Transit Toll	23,703	18,231
National Transport & Safety Authority Commission	11,725	8,313
Petroleum Development Levy	517,600	40,888
KAA Concession Fees	2,898	2,392
Petroleum Regulatory Levy	25,034	21,483
Merchant Shipping Service Levy	33,728	30,702
	2,759,009	**1,976,681**

The Agency Income represents 2% of the collected revenue as per the Service Level Agreements (SLAs). Kenya Revenue Authority was appointed as the principal agent for collection of the Nairobi City County Government (NCCG) revenue w.e.f. March,2020. The comparative NCCG commission was for 4 months only in FY 2019/2020.

Petroleum Development Levy Commission increased due to the favourable collections on petroleum revenue in the period and to the review of the PDL rate from KSh. 0.40 to KSh. 5.40 per litre of imported oil volume. The new rate was effective 10th July, 2020.

b. Interest Income

	2020/2021	**2019/2020**
	Kshs '000	**Kshs '000**
Interest on Fixed Deposits	230,100	383,018
Interest on Security Deposits	17,087	56,543
	247,188	**439,561**

Interest Income consists of incomes from deposits placed on Short Term Fixed Deposits and on Security Deposits on back up funds on staff mortgage and staff car loan schemes. The decrease in interest income is due to the reduction in deposit base and interest rates in year 2020/2021.

Other Incomes

	2020/2021	**2019/2020**
	Kshs '000	**Kshs '000**
Sale of Tamperproof Seals	8,271	3,906
Public Overtime	1,509	1,642
Tax Appeals Tribunal (TAT) Filing Fees	49,717	-
Staff Housing Rental Income	130,180	147,749
Property Rental Income	9,507	12,815
KESRA Incomes	220,128	244,468
Insurance Commission	5,520	5,231
Miscellaneous Income **	15,989	- 48,184
	440,821	**367,628**

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

The increase in miscellaneous income includes income received as compensation for security perimeter wall in Mombasa and compensation from insurers for the cost repairs incurred by the Authority for repairs to a damaged scanner unit.

5. ADMINISTRATIVE COSTS

a. Staff and Employee Costs

		2020/2021		2019/2020
		Kshs '000		Kshs '000
Salaries & Allowances		17,650,758		16,252,779
Medical Expenses		1,215,876		1,079,623
Provision for Staff Leave		(232,782)		(150,064)
Provision for Staff Contract Gratuity & Severance Pay		241,590		75,705
		18,875,443		**17,258,043**

Other Administrative Costs

		2020/2021		2019/2020
				(Restated)
		Kshs '000		Kshs '000
Travelling & Accommodation		275,470		578,358
Utilities		473,683		531,503
Staff Welfare		20,694		78,359
Printing & Stationery		68,744		65,929
Consultancy		278,121		252,273
Computer Expenses		817,949		681,504
Training		108,220		99,984
Office Running Expenses		484,759		346,166
Insurances		194,371		180,309
Board Expenses	(i)	23,069		25,183
Conference Expenses		57,836		157,614
Consumable Stores		19,278		-
Security Expenses		567,033		507,635
Enforcement Expenses		85,590		99,727
Depreciation Charge		1,112,552		968,993
Amortisation of Intangible Assets		972,860		944,858
		5,560,231		**5,518,396**
TOTAL ADMINISTRATIVE COSTS		**24,435,674**		**22,776,439**

The increase in salaries and allowances is attributable to provision of Staff Performance bonus payment approved by the Board of Directors.

- The increase in medical expenses is attributable to increase in number of staff members in the period.
- The decrease in provision for leave is attributable to increased utilisation of leave days by staff.
- The increase in provision for contract gratuity and Severance pay is due to increase in the number of Fixed Term Contract staff and also, the provision in FY 2019/2020 was effected in January 2020, therefore comparative period is 6 months.
- The decrease in Travel and Accommodation is due to restricted travel due to the COVID 19 pandemic and enforcement of austerity measures.
- The increase in utilities is attributable to data and dedicated internet connectivity to enhance tax collection in the COVID pandemic period.
- The decrease in staff welfare expenses is due hosting on Christmas party for staff members in the comparative FY 2019/2020 (December,2019).
- The increase in printing and stationery is attributable to an increase in usage.
- The increase in consultancy expenses is attributable to increase in services from Jomo Kenyatta University of Agriculture and Technology (JKUAT).
- The increase in computer expenses is attributable to increase in miscrosoft office licenses, Virtual Desktop licenses and Lotus Email licenses due to increased users. In addition, there was enhancement of LAN/WAN infrastructure in Shimoni, Times Tower and Lake Basin Mall offices and repair works on the uninterrupted power supply system at Times Tower.
- The increase in training expenses is attributable to training on Ethics and Leadership of management staff and customs refresher training for 300 officers from the Customs and Border Control Department.
- The increase in insurance cost is due to the Group Accident and Last Expense Insurance Cover borne by the Authority previously borne by the Staff Pensions Scheme.
- The decrease in conference expenses is attributable to restricted conferencing activities due to the COVID 19 pandemic and enforcement of austerity measures.
- The increase in consumable stores relates to expenses for COVID prevention e.g. hand sanitizers.
- The increase in security expenses is attributable to opening of new stations and lease of additional security equipment.
- The increase in depreciation and amortisation is attributable to additional items transferred from Work In Progress to PPE after completion.

i. *Board Expenses*

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Directors' fees		12,444	7,833
Sitting Allowances		7,718	12,012
Accommodation & Travel Expenses		2,908	5,338
		23,069	**25,183**

6. OPERATING EXPENSES

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Rent & Rates		840,607	780,601
Taxpayer Education		69,461	93,516
Motor Running Expenses		208,224	264,168
Advertising & Public Relations		148,350	123,042
Secretarial Expenses		20,727	13,164
Tax Appeals Tribunal (TAT) Expenses		132,963	54,804
Uniforms & laundry		127	3,146
Provision for Doubtful Debt		-	73,232
Bank Charges		26,422	36,326
Containers & Sealing Expenses			-
Laboratory Expenses		7,212	1,506
		1,454,094	**1,443,506**

- The increase in Rent and Rates is attributable to uptake of additional office space in Kitengela and Nyeri and also escalation of lease contract amounts for Ushuru Plaza, Nakuru offices, Sameer offices. The rent paid for the new offices in Western Region's offices in FY 2019/2020 was for a period of 6 months compared to fully year in FY 2020/2021.
- The decrease in motor vehicle expenses is attributable to disposal of several older high maintenance vehicle and replaced them with low maintenance fleet and the roll out of online taxi services to members of staff on official duties.
- The decrease in Taxpayers' Education expenses is because the Authority did not carry out countrywide tax returns filing campaign clinics in FY 2020/2021, these clinics were carried out in FY 2019/2020.
- The increase in Advertising and Publicity expenses is attributable to advertisements for waiver and exemptions campaigns undertaken by the Authority in the FY 2020/2021.
- The increase in Tax Appeals Tribunal expenses is attributable to increased number of sittings to clear backlog of caseload.

7. MAINTENANCE EXPENSES

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Building Repairs & Maintenance		137,841	147,390
Scanner Maintenance	(a)	218,288	230,188
Motor Boat Expenses		6,088	17,131
		362,218	**394,709**

(a) Scanner expenses

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Annual Maintenance Contract		211,940	212,842
Routine Maintenance and Other Expenses		6,348	17,347
		218,288	**230,188**

8. PROPERTY, PLANT AND EQUIPMENT.

(i)

	LAND BUILDING	PLANT & MACHINERY	MOTOR VEHICLE	OFFICE EQUIPMENTS & FURNITURE	OFFICE EQUIPMENTS LOOSE TOOLS	COMPUTERS	MOTOR BOATS	WIP	TOTAL
	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'
VALUATION									
1 July 2020	20,211,767	2,898,655	962,198	723,094	785,351	979,292	389,138	8,827,576	**35,777,070**
Additions	21,904	17,124	147,566	264,401	480,358	124,989	9,554	686,950	**1,752,845**
Write off	(1,079,599)	(986,690)	-	-	-	-	-	-	**(2,066,289)**
Transfer of WIP	3,570,493	-	-	-	-	-	-	(3,868,871)	**(298,378)**
Disposal	-	-	(93,436)	-	-	-	-	-	**(93,436)**
30 June 2021	**22,724,564**	**1,929,088**	**1,016,329**	**987,495**	**1,265,709**	**1,104,281**	**398,692**	**5,645,655**	**35,071,813**
DEPRECIATION									
1 July 2020	1,792,216	887,507	421,881	226,607	52,357	616,873	260,505	-	**4,257,945**
Charge for the Year	168,885	330,038	85,088	111,659	237,129	179,404	348	-	**1,112,551**
Dep. On Reval	231,623	201,642	55,744	(92)	-	-	25,198	-	**514,115**
Disposal	(110,765)	(986,690)	(80,371)	-	-	-	-	-	**(1,177,826)**
30 June 2021	**2,081,959**	**432,496**	**482,343**	**338,174**	**289,486**	**796,278**	**286,052**	**-**	**4,706,787**
NET BOOK VALUES:									
30 June 2021	**20,642,605**	**1,496,592**	**533,986**	**649,321**	**976,224**	**308,003**	**112,640**	**5,645,655**	**30,365,026**
1 July 2019	20,211,767	2,898,655	702,340	579,573	-	574,814	386,352	8,363,734	**33,717,235**
Additions	-	-	261,991	143,520	785,351	404,479	2,785	517,561	**2,115,688**
Transfer of WIP	-	-	-	-	-	-	-	(53,720)	**(53,720)**
Disposal	-	-	(2,133)	-	-	-	-	-	**(2,133)**
30 June 2020	**20,211,767**	**2,898,655**	**962,198**	**723,094**	**785,351**	**979,292**	**389,138**	**8,827,576**	**35,777,070**
DEPRECIATION									
1 July 2019	1,393,121	538,543	257,546	146,297	-	394,299	218,195	-	**2,948,001**
Charge for the Year	151,524	328,811	116,297	80,318	52,357	222,575	17,112	-	**968,993**
Dep. On Reval	247,571	20,153	49,422	(7)	-	-	25,198	-	**342,337**
Disposal	-	-	(1,383)	-	-	-	-	-	**(1,383)**
30 June 2020	**1,792,216**	**887,507**	**421,882**	**226,607**	**52,357**	**616,874**	**260,505**	**-**	**4,257,948**
NET BOOK VALUES:									
30 June 2020	**18,419,551**	**2,011,148**	**540,316**	**496,486**	**732,994**	**362,418**	**128,633**	**8,827,576**	**31,519,124**

(ii) Land and buildings

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

The Authority is yet to receive title documents for 11 pieces of leasehold land from the Government. These properties are at various stages of registration with the Commissioner of Lands. Another title deed is in the name of East African Common Services Authority (EACSA) and the process of transfer of the title is ongoing. The Authority was allocated 5 plots of land in Halugho, Amuma, Gerille, Elwak and Diff which have been gazetted as border entry points. The plots are yet to be valued and the Authority is in the process of acquiring title documents.

The disposal in the Financial Year relates to write off of Forodha house property that was surrendered to the Judiciary as directed by the National Treasury.

(iii) Capital Work In Progress

		2020/2021 Kshs '000	2019/2020 Kshs '000
One Stop Border Posts		1,350,279	3,877,052
Datawarehouse and Business Intelligence		502,765	501,925
New Data Centre (CBC)		1,781,920	1,577,921
CBM Rehabilitation of Border Stations		304,788	230,825
Integrated Customs Management System		551,417	536,103
Scanner Networking & Command Centre		438,440	237,873
Replacement of Lifts (Times Towers)		203,904	203,904
TIMS Implementation		124,976	117,613
ICT Security Tools		100,743	89,163
Customer Service Centre Fit Out (Banking Hall)		44,683	39,562
ITMS Tools		4,436	4,436
Renovation of JKIA Offices		15,964	15,964
Rehabilitation of Lamu Office		16,197	16,197
eBoard System		6,980	6,980
Rehabilitation of Kilindini Infrastructure		194,525	-
Case Management System		3,638	-
Biometric Security System (Times Towers)	(i)	-	184,588
Corporate Business Centre Fit Out	(ii)	-	781,579
Payment Gateway	(iii)	-	26,803
IP Telephony System	(iv)	-	5,165
Disaster Recovery Management System	(v)	-	12,448
New Fire Detection System	(vi)	-	64,938
Fortis Building Fit Out	(vii)	-	296,539
TOTAL		**5,645,654**	**8,827,576**

The completion certificates of four OSBPs amounting to KSh. 2.5 billion were received and the values for the assets were transferred to PPE in addition to a total of 7 projects amounting to KSh. 1.3 billion. The other projects completed and transferred to PPE during the year are marked (i) – (Vii) above.

9. INTANGIBLE ASSETS

	2020/2021	2019/2020
COST	Kshs '000	Kshs '000
1 July	3,294,352	3,240,632
Additions	6,613	-
Transfer from WIP	298,379	53,720
30 June	**3,599,344**	**3,294,352**
AMORTISATION		
1July	1,430,341	485,483
for the year	972,860	944,858
30 June	**2,403,201**	**1,430,341**
NET BOOK VALUE		
30 June	**1,196,142**	**1,864,011**

The intangible assets are made up of different IT software in use by the Authority. Included in the Intangible Assets are fully amortised assets whose original cost was KSh. 406,764,594. Additions for the year related to the Fire Detection System installed in Times Towers.

10. RECEIVABLES

		2020/2021		2019/2020	
		Kshs '000		Kshs '000	
Trade Debtors					
Other Agency debtors		207,227		82,463	
Rent Receivable		73,945		77,322	
Less: Provision for Doubtful Debt		*(73,232)*		*(73,232)*	
Interest Receivable		2,045		25,718	
		209,984		**112,271**	
Other Debtors					
Staff Debtors		136,498		111,892	
Prepayments		211,708		169,975	
Other Debtors		50,600		44,433	
		398,806		**326,300**	
Debtors Total		**608,790**		**438,571**	

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

Other agency debtors represent outstanding commission on collection of revenues on behalf of other organisations. Staff debtors mainly comprise of outstanding travel imprests, loans for acquisition of laptops and medical advances. The increase is due to staff travel imprests issued in the month of June 2021 and were due for surrender in July 2021.

The increase in prepayment is attributable to rent prepayment for the months of July and August 2021 in addition to Group Life Assurance for Pensionable staff for the period July 2021 to February 2022.

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

11 AMOUNT DUE FROM TREASURY

		2020/2021		2019/2020	
		Kshs '000		Kshs '000	
1 July		3,364,046		3,015,678	
Accrued in the year		20,557,087		20,807,351	
Amount received in the year		(17,870,570)		(20,458,983)	
30 June		**6,050,563**		**3,364,046**	

The amount represents outstanding agency commission for March to June 2021, performance bonus and salaries for seconded staff due from the National Treasury. The agency arrears and outstanding salaries for seconded staff were received in July, 2021.

12. SECURITY DEPOSITS

		2020/2021		2019/2020
		Kshs '000		Kshs '000
Savings & Loan (k) Ltd		1,912,790		1,709,464
Housing Finance		681,839		664,647
National Bank of Kenya Ltd		218,732		166,841
Higher Educations Loans Board (HELB)		25,000		25,000
		2,838,361		**2,565,951**

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

13. CASH AND BANK BALANCES

		2020/2021	2019/2020	
		Kshs '000	Kshs '000	
Cash in Hand		1,795	1,635	
Cash at Bank		649,991	1,044,023	
Fixed Deposits		911,058	4,463,266	
		1,562,844	**5,508,924**	

The fixed deposits are made up of one month deposits in the commercial banks shown below. The maturity period for the deposits is between July and August 2021. The funds are fully committed against creditors (note 15), ongoing commitments (note 21) and various funds held by the Authority at the end of the financial year.

The analysis of Cash in Hand is as below;

Cash in Hand

		2020/2021		**2019/2020**
		Kshs '000		**Kshs '000**
Station				
Nairobi		500		506
Mombasa		200		200
Thika		78		79
Nyeri		14		17
Kisumu		200		200
Namanga		50		50
Nakuru		58		25
Eldoret		109		153
Embu		-		42
Garissa		40		40
Loitoktok		100		100
KESRA NBI		211		159
KESRA MSA		150		-
JKIA		64		61
Meru		20		3
		1,795		**1,635**

The analysis of Cash at Bank is as below;

Cash at Bank

			2020/2021		**2019/2020**
Station	**Account No.**	**Bank**	**Kshs '000**		**Kshs '000**
Nairobi Main Account	01023015000000	National Bank of Kenya	466,696		580,643
Nairobi Dollar Account	00202301500800	National Bank of Kenya	10,496		20,794
Excise Stamps Account	01023121375100	National Bank of Kenya	75,821		370,180
KRA East African Regional Transport Account	01020014867900	National Bank of Kenya	2,288		25,660
Horn of Africa Gateway Development Project	01071233555600	National Bank of Kenya	54,148		-
Kenya School of Revenue Administration Account - Nairobi	01023015000900	National Bank of Kenya	16,921		25,419
Kenya School of Revenue Administration Dollar Account	02020015000900	National Bank of Kenya	3,745		7,546
Kenya School of Revenue Administration Account - Mombasa	01071015000900	National Bank of Kenya	6		1,995
Kenya School of Revenue Administration Account - Nairobi	01136743362900	COOP Bank	8,524		-
Mombasa Account	0100157035200	National Bank of Kenya	2,509		3,736
Nyeri Account	01001043153000	National Bank of Kenya	204		1,246
Kisumu Account	01023024672900	National Bank of Kenya	1,354		119
Nakuru Account	01001020365300	National Bank of Kenya	1,499		2,056
Eldoret Account	01023028526700	National Bank of Kenya	3,984		2,078
Embu Account	01023068681400	National Bank of Kenya	582		1,618
Thika Account	01023076219300	National Bank of Kenya	330		149
JKIA Account	01003058936400	National Bank of Kenya	54		35
Machakos Account	01023078537500	National Bank of Kenya	400		338
Garissa Account	01001079045300	National Bank of Kenya	209		276
Namanga Account	1112179674	Kenya Commercial Bank	48		78
Meru Account	01023040511600	National Bank of Kenya	173		59
			649,991		**1,044,023**

Fixed Deposits

		2020/2021		2019/2020
		Kshs '000		Kshs '000
National Bank of Kenya		-		2,200,000
Cooperative Bank of Kenya		-		700,000
Kenya Commercial Bank		513,886		1,190,349
KESRA - Cooperative Bank of Kenya		397,172		372,917
		911,058		**4,463,266**

The amount held in Kenya Commercial Bank are deposits for Contract staff Gratuity payments (2019/2020 KSh. 486 Million).

14. STOCKS

		2020/2021		2019/2020
				(Restated)
		Kshs '000		Kshs '000
General Stationery		61,901		72,867
Printed Stores Inventory		6,373		6,661
Computer Consumable Inventory		21,092		19,598
Miscellanous Stores Inventory		8,797		12,845
		98,164		**111,972**

The Authority adopted a policy of recognising consumable stocks held for operations as current assets.

15. PAYABLES

		2020/2021		2019/2020
		Kshs '000		Kshs '000
Trade Creditors and Accounts Payable		1,241,313		1,617,533
Payroll Deduction and Staff Creditors		1,302,136		97,011
Taxes		91,400		82,049
		2,634,849		**1,796,593**

Trade creditors and accounts payables represent the outstanding payments to suppliers and other parties, Payroll deductions include outstanding amounts for statutory deductions, loans, SACCOS contributions and others. Staff creditors comprise of outstanding payments due to staff and funds for staff welfare associations. The increase in Payroll deductions and Staff Creditors is due to accrual of staff performance bonus that was approved by the Board of Directors.

Included in Accounts Payable is a balance of KSh. 76 Million (analysed below) in the sale of Excise Stamps Account held for payment to the suppliers of the Stamps.

Excise Stamps Fund Account

		2020/2021		2019/2020
		Kshs '000		Kshs '000
Balance B/F		725,962		1,196,964
Total Receipts		3,726,301		2,738,998
Total Payments		(4,376,444)		(3,210,000)
Balance C/F		**75,819**		**725,962**

16. LEAVE PAY, CONTRACT GRATUITY AND STAFF PROVISIONS

		2020/2021		2019/2020	
		Kshs '000		Kshs '000	
Provision for staff leave		910,149		1,142,931	
Provision for Gratuity		542,956		449,165	
Provision for Staff on Suspension		390,793		415,816	
Provision for Severance Pay		269,327		96,505	
		2,113,225		**2,104,417**	

Leave pay provision is in respect of leave days earned by staff members but not taken as at 30th June 2021. Contract gratuity provision is in respect of gratuity accrued for staff on contract terms for the period to 30th June 2021. Provision for staff on suspension relates to unpaid accrued salaries and allowances for staff members who are on suspension. Provision for Severance Pay is for the Fixed Term Contract staff which was effected in the 2nd half of FY 2019/2020.

17. CONTRIBUTION TO GOVERNMENT PENSION FUND

	2020/2021	2019/2020
	Kshs '000	Kshs '000
1 July	6,705	6,724
Paid		(19)
30 June	**6,705**	**6,705**

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

18. DESIGNATED FUNDS

	2020/2021	2019/2020
	Kshs '000	Kshs '000
1 July	**269,054**	**575,994**
Funds Received		1,108
Expenses	(102,268)	(308,048)
30 June	**166,786**	**269,054**

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

19. CAPITAL / DEVELOPMENT GRANTS BY THE NATIONAL TREASURY

	2020/2021	2019/2020
	Kshs '000	Kshs '000
1 July	**18,541,910**	**17,935,410**
Contribution in the Year		
ERP system for Support Services	20,000	30,000
Cordinated Border Management Project	40,000	200,000
Disaster Recovery Site	42,390	-
Data Centre	-	301,500
Customer Relationship Management System	-	75,000
	102,390	**606,500**
30th June	**18,644,300**	**18,541,910**

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

20. RETIREMENT BENEFIT COSTS

During the year ended 30th June 2021, KSh. 895,761 Million (2020 KSh. 1,368 Million) was paid as contributions to the staff pensions scheme. The scheme changed from a defined benefit plan to a Defined Contribution Scheme with a defined benefit section and a defined contribution section with effect from 1 July 2005. Under the defined benefit scheme, the employer contribution on actuarial advice was maintained at 13.2% per member while a rate of 14% was adopted for the defined contribution scheme. Employees contribute 7.5% of their salaries for both sections of the scheme. The value placed on the existing final assets per the last valuation of 30th June 2018, was, KSh. 15.984 Billion while the present value of past service liabilities at that date was KSh. 14.817 Billion. The scheme prepares its own Financial Statements in accordance with the Retirement Benefits Authority (RBA) rules. Under the defined Contribution Scheme, an actuarial review is not a compulsory requirement.

21. CAPITAL COMMITMENTS

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Approved and contracted	915,081	824,182
Approved and not contracted	2,438,040	2,039,993
	3,353,121	**2,864,175**

22. RECURRENT COMMITMENTS

		2020/2021		**2019/2020**	
		Kshs '000		**Kshs '000**	
30 June		**2,112,530**		**1,465,765**	

The above represents items and activities approved and contracted but not yet delivered. 2008/2009

23. EMPLOYEES

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

		June 2021		**June 2020**
Executive Contract Staff		178		147
Permanent & Pensionable		4,976		4,359
Fixed Term Contract Staff		2,837		3,390
		7,991		**7,896**

24. DEFERRED GRANT INCOME RECONCILIATION

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

(i) Deferred grant income reconciliation

		2020/2021		**2019/2020**
		Kshs '000		**Kshs '000**
At 1 July		2,418,950		3,255,244
EARTTFP Funds		180,217		-
Motor Vehicles		30,990		-
Lake Boat (KRA 007)		9,554		-
Amortisation		(859,681)		(836,294)
At 30 June		**1,780,030**		**2,418,950**
Grant income to be amortised within one year		836,294		836,294
At the end of the period		**943,737**		**1,582,656**

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

Donor Funded Projects						
FINANCIAL YEAR	ASSET DESCRIPTION	DONOR	AMOUNT	AS AT 30th JUNE 2020	CHARGE - 2020/2021	BAL AS AT 30th JUNE 2021
			Kshs '000	Kshs '000	Kshs '000	Kshs '000
2008/2009	Motor Boats	World Bank	131,765	-	-	-
2009/2010	Motor Boats	World Bank	-	-	-	-
2009/2010	Scanner	World Bank	141,222	-	-	-
2010/2011	Local Area Network System	World Bank	8,915	-	-	-
2011/2012	Power back Up - Times Towers	World Bank	135,146	-	-	-
2011/2012	Motor Vehicle/Audit Software /Server and Comp	World Bank	76,791	-	-	-
2012/2013	Gas Chromatograph Mass Spectrometer System	World Bank	21,895	-	-	-
2013/2014	High Speed Server	World Bank	193,293	-	-	-
2015/2016	3 Scanners	China Gvt	1,224,773	612,386	153,097	459,290
2016/2017	Motor Vehicles	JICA	27,955	7,828	5,032	2,797
2017/2018	10 CT Baggage Scanner s	China Gvt	1,175,008	734,380	146,886	587,494
2018/2019	Datawarehouse and Business Intelligence	SIDA & DANIDA	486,048	324,032	162,016	162,016
2018/2019	New Data Centre (CBC)	TMEA & GOK	573,011	382,007	191,004	191,004
2018/2019	Integrated Customs Management System	TMEA	498,984	332,656	166,318	166,338
2018/2019	EARTTF Funding (Training)	World Bank	44,140	25,659	12,079	2,287
2020/2021	EARTTF Funding (Training)	World Bank	48,734			
2020/2021	Horn of Africa Funding	World Bank	54,148	-	-	54,148
2020/2021	Kilindini Port ICT Infrasture (Wide Area Network (	World Bank	86,166	-	-	86,166
2020/2021	Kilindini Port ICT Infrasture (Installation of Enterp	World Bank	27,941	-	-	27,941
2020/2021	EARTTF Funding (Training)	World Bank	23,250	-	23,250	-
2020/2021	3 Motor Vehicles (Land Cruisers)	JICA	30,990	-	-	30,990
2020/2021	Lake Boat	JICA	9,554	-	-	9,554
			5,019,731	**2,418,950**	**859,681**	**1,780,026**

26. PRIOR PERIOD ADJUSTMENT

The prior year adjustments relate to post audit adjustments for the Financial Period 2019/2020 and in compliance with IPSAS 3 sub section 48-54. The adjustments were;

A. Property, Plant and Equipment	KSh. '000
As previously reported	30,786,129
Restatements:	
Recognition of Electronic Cargo Tracking Seals	785,352
Adjustment for Depreciation of the Electronic Cargo Tracking Seals	(52,357)
	732,995
As restated	31,519,124
B. Stock	
As previously reported	897,324
Restatements:	
Reclassification of Electronic Cargo Tracking Seals	(785,352)
	785,352
As restated	111,972

Adjustment for Property, Plant and Equipment (PPE) relates to reclassification of Electronic Cargo Tracking Seals from stock items to PPE. The seals are used by the Authority's Customs and Border Control Department for tracking transit cargo and have an estimated life span of 5 Years the seals will either be scrapped or revalued if they will still have an economic value.

The effects of the prior period adjustments to the financial statements is a follows;

Statement of Financial Position

	Note	As Previously Reported Kshs'000	Increase/(Decrease)	Restated Kshs'000
Assets				
Current Assets				
Cash and Bank Balances		5,508,924	-	5,508,924
Stocks	26 (a)	897,324	(785,352)	111,972
Receivables		438,571	-	438,571
		6,844,819		6,059,467
Non-Current Assets				
Property, Plant and Equipment	26 (a)	30,786,129	732,995	31,519,124
Intangible Assets		1,864,011	-	1,864,011
Amount due from Treasury		3,364,046	-	3,364,046
Security Deposits		2,565,951	-	2,565,951
		38,580,137		39,313,132
Total Assets		45,424,956		45,372,599
Liabilities				
Current Liabilities				
Payables		1,796,593	-	1,796,593
Leave Pay and Gratuity Provision		2,104,417	-	2,104,417
Deferred Income Amortisation		836,294	-	836,294
		4,737,304		4,737,304
Non Current Liabilities				
Contribution to Government Pension Fund		6,705	-	6,705
Designated Fund		269,054	-	269,054
		275,759		275,759
Total Liabilities		5,013,063		5,013,063.000
Net Assets		40,411,893		40,359,536
Capital grants by the Treasury		18,541,910	-	18,541,910
Deferred Grants Income		1,582,656	-	1,582,656
Accumulated Fund	26 (a)	3,391,002	52,357	3,338,645
Revaluation Reserve		16,896,325	-	16,896,325
		40,411,893		40,359,536
Total Net Assets and Liabilities		45,424,956		45,372,599

Statement of Financial Performance

	Note	*As Previously Reported* Kshs'000	*Increase/ (Decrease)*	*Restated* Kshs'000
REVENUE				
Revenue from non- exchange transactions				
Deferred grant income amortisation		836,294	-	836,294
Revenue from exchange transactions			-	
Agency Income		20,807,351	-	20,807,351
Commissions Income		1,976,681	-	1,976,681
Interest Income		439,561	-	439,561
Other Income		367,628	-	367,628
TOTAL REVENUE		24,427,515		24,427,515
EXPENDITURE				
Administrative Expenses	26(a)	22,724,082	52,357	22,776,439
Operating Expenses		1,443,506	-	1,443,506
Maintenance Expenses		394,709	-	394,709
TOTAL EXPENDITURE		24,562,297		24,614,654
Other gains/(losses)				
(Loss) on sale of assets		(98)	-	(98)
DEFICIT FOR THE YEAR		(134,880)		(187,237)

27. RELATED PARTIES

Nature of Related Party Relationships

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

Government of Kenya

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

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

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

(a) Transaction

(i) Government of Kenya

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Capital Grants		102,390	606,500
Agency Income		20,361,521	20,807,352
Bonus		195,566	-
		20,659,477	**21,413,852**

(ii) Key management compensation

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Salaries and other short - term employment benefits		158,812	129,582
		158,812	**129,582**

(iii) Directors' remuneration

		2020/2021	2019/2020
		Kshs '000	Kshs '000
Fees and other Emoluments (note 5)		23,069	25,183
		23,069	**25,183**

(b) Balances

Due (to)/from related parties

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Amount due from Treasury (note 11)	6,050,563	3,364,046
Contribution to Government pension fund (note 16)	(6,705)	(6,705)
	6,043,858	**3,357,341**

28. FINANCIAL RISK and CAPITAL MANAGEMENT

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

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

(i) Credit risk

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

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

	Fully Performing	Past Due	Impaired
	Kshs 000	Kshs 000	Kshs 000
At 30 June 2021			
Receivables	608,838	-	-
Security Deposits	2,838,361	-	-
Bank Balances	1,562,844	-	-
At 30 June 2020			
Receivables	438,571	-	-
Security Deposits	2,565,951		
Bank Balances	5,508,924	-	-

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KSh. '000	KSh. '000	KSh. '000	KSh. '000
At 30 June 2021				
Trade payables	292,073	949,240		1,241,313
Provisions			2,113,225	2,113,225
Contribution to Govt. Pension Fund			6,705	6,705
Total	292,073	949,240	2,119,930	3,3361,243
At 30 June 2020				
Trade payables	100,017	1,696,577		1,796,594
Provisions	-	-	2,104,416	2,104,416
Contribution to Govt. Pension Fund			6,705	6,705
Total	100,017	1,696,577	2,111,121	3,907,715

(iii) Market risk

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

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

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

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

(a) Foreign currency risk

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

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

		2020/2021		2019/2020	
		Kshs '000		Kshs '000	
KRA US Dollar Account (NBK)		10,496		20,794	
KESRA US Dollar Account (NBK)		3,745		7,546	
		14,241		**28,340**	
Liabilities / Payables		-		68	
Net Foreign currency liability		**14,241**		**28,272**	

(b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by five percentage (5% as a decrease/increase of KSh. 80,218,100 (2020: KSh. 275,446,200).

(c) Price risk

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

29. CONTINGENT LIABILITIES

These include:-

- An amount of KSh. 2 million included in utility deposits representing a bank guarantee to Kenya Power and Lighting for Times Tower power supply.

- An amount of KSh. 1,297,759 representing a guarantee to Telkom Kenya Limited for supply of telephone facilities in the Times Tower building.
- Pending cases arising from Revenue and staff related matters. 28 undetermined cases have a specified claim amounting to KSh. 8,249 million while 12 cases have no specified quantum and will be determined by the Court after hearing. 7 cases amounting to KSh. 609 million has been concluded against the Authority and the National Treasury has been engaged to provide funds for settling the awards as they materialize. The Authority has also appealed the cases.

Nature of case	Cases	
	Number	*Amount (KSh. 000)*
Concluded	7	609,191
Ongoing	28	8,249,370
Un-quantified	12	-
Total	41	8,858,562

30. COMPARATIVES

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

APPENDIX II: INTER-ENTITY TRANSFERS

KENYA REVENUE AUTHORITY			
Break down of Transfers from the National Treasury			
Disbursement Month	Bank Statement Date	Amount	Financial Period Funds Relate to
July	04.09.2020	1,530,774,067.50	FY 2020/2021
August	07.09.2020	1,530,774,067.50	FY 2020/2021
September	02.10.2020	1,530,774,067.50	FY 2020/2021
October	26.11.2020	1,130,774,067.50	FY 2020/2021
October	25.01.2021	400,000,000.00	FY 2020/2021
November	27.01.2021	1,530,774,067.50	FY 2020/2021
December	03.03.2021	1,530,774,067.50	FY 2020/2021
January	16.04.2021	1,776,549,067.50	FY 2020/2021
February	13.05.2021	1,376,549,067.50	FY 2020/2021
February	25.06.2021	400,000,000.00	FY 2020/2021
March	25.06.2021	1,776,549,067.50	FY 2020/2021
April	07.07.2021	1,818,332,400.70	FY 2020/2021
May	07.07.2021	1,818,332,400.70	FY 2020/2021
June	07.07.2021	2,218,332,400.70	FY 2020/2021
Total		20,369,288,809.60	
Development Grants			
	Bank Statement Date	Amount	Financial Period Funds Relate to
August	20.08.2020	30,597,500.00	FY 2020/2021
October	02.10.2020	30,597,500.00	FY 2020/2021
January	27.01.2021	20,597,500.00	FY 2020/2021
April	22.04.2021	20,597,500.00	FY 2020/2021
Total		102,390,000.00	
Grand Total		20,471,678,809.60	

As at 30th June 2021, there was an outstanding disbursement for FY 2020/2021 of KSh. 6.051 Million which was disbursed in July, 2021.

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JOSEPHAT OMONDI FCPA GITHII MBURU, M.G.H., C.B.S.

HEAD OF FINANCE COMMISSIONER GENERAL

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development	Total Amount – KES('000)	Where Recorded/recognized Statement of Financial Performance	Capital Fund	Total Transfers during the Year	Receivables	Total
The National Treasury	Various Dates as per App. 2	Recurrent	20,557,087	20,557,087	-	14,506,524	6,050,563	20,557,087
The National Treasury	Various Dates as per App. 2	Development	102,390	-	102,390	102,390	-	102,390
Total			20,659,477	20,557,087	102,390	14,608,914	6,050,563	20,659,477

*The total amount received in FY 2020/2021 (Recurrent) was KSh. 17,870 (as reported in note 11 above), KSh. 3,356 Million related to the FY 2019/2020 and KSh. 14,507 related to FY received in FY 2020/2021 (as reported above).

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