STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
	ORIGINAL BUDGET KSHS '000	ADJUSTMENTS ADDITIONS KSHS '000	FINAL BUDGET 2017/2018 KSHS '000	ACTUAL COMPARABLE BASIS 2017/2018 KSHS '000	PERFORMANCE DIFFERENCE 2017/2018 KSHS '000	NOTES
INCOME :						
Agency fees	15,457,318	2,194,436	17,651,754	17,651,754	-	
Road Maintenance Levy	1,353,467	(1)	1,353,467	1,473,360	119,893	
Sale of Tamper- Proof seals	12,527	-	12,527	12,934	407	
Petroleum Development levy	45,980	-	45,980	7,176	(38,804)	
NTSA Agency Commission	25,960	-	25,960	9,889	(16,071)	
Document Processing Fees	28,860	-	28,860	42,100	13,240	
Interest income	498,838	-	498,838	348,804	(150,034)	
Transit Toll	17,420	-	17,420	15,327	(2,093)	
Rent receivable	22,496	-	22,496	34,324	11,828	
Public Overtime	3,770	-	3,770	3,972	202	
Institutional houses - rent	114,439	-	114,439	136,408	21,969	
Aviation Revenue	92,600	-	92,600	96,609	4,009	
Sugar Levy	-	-	-	9,857	9,857	
Air Passenger Service charge	258,740	-	258,740	208,280	(50,460)	
KESRA Income	-	-	408,000	270,133	(137,867)	
Miscellaneous Income	17,793	-	17,793	11,991	(5,802)	
Other Funding	-	-	42,043	38,156	(3,887)	
OTHER AIA	48,540	-	48,540	34,846	(13,694)	
Deferred Income Amortisation	-	-	-	324,635	324,635	
Total Operational Income	**17,998,748**	**2,194,436**	**20,643,227**	**20,730,555**	**87,329**	**(a)**
STAFF COSTS:						
Basic pay	9,912,212	195,203	10,587,104	10,429,424	157,680	
Other Allowances	4,712,156	-	4,718,156	4,508,919	209,237	
Total Staff Salaries and Allowances	**14,624,368**	**195,203**	**15,305,260**	**14,938,344**	**366,916**	**(b)**
OPERATIONAL Expenses:						
Staff Welfare Expenses	70,300	20,486	79,703	60,238	19,465	
Medical Expenses	638,231	-	788,207	873,936	(85,729)	
Training Expenses	-	20,000	181,200	131,499	49,701	
Uniform & Laundry Expenses	-	31,853	33,013	56,236	(23,223)	
Travel & Accomodation	509,565	-	705,043	592,430	112,613	
Utilities Expenses	-	20,000	454,767	436,969	17,798	
Building Repairs & maintenance	425,310	-	135,721	146,649	(10,928)	
Motor Running Expenses	-	64,499	309,451	208,199	101,251	
Motor boat running Expenses	218,436	-	21,639	14,795	6,844	
Scanner Expenses	18,019	-	390,709	157,493	233,216	
Rents & Rates	-	393,909	571,364	649,452	(78,088)	
Computer Software	420,053	95,000	799,774	591,477	208,297	
Computer Expenses	75,088	-	125,861	-	125,861	
Security Expenses	578,230	50,000	461,867	423,470	38,397	
Insurance Expenses	413,666	21,284	75,530	68,260	7,270	
Publicity & Advertising	78,018	-	165,320	146,628	18,692	
Taxpayers Education	55,000	40,000	105,048	65,112	39,935	
Consultancy	53,980	7,093	223,095	159,908	63,187	
Secretarial Expenses	-	-	42,061	67,960	(25,899)	
Directors' Expenses	83,837	399,193	51,952	31,733	20,219	
Bank Charges	53,080	-	60,306	62,727	(2,421)	
Corp' strategy and review conf' exp	-	-	183,775	152,179	31,596	
Office Running Expenses	60,125	-	300,165	277,602	22,563	
Printing & Stationery Expenses	103,072	47,000	46,721	15,894	30,828	
Consumable Stores Expenses	231,710	47,917	23,343	-	23,343	
Materials & Supplies Expenses	38,016	-	-	-	-	
Enforcement Expenses	21,235	-	149,858	47,653	102,205	
Laboratory Expenses	4,390	-	13,638	6,154	7,484	
Depreciation Expenses	24,221	20,000	-	740,177	(740,177)	
TOTAL Operational Expenses	**4,173,581**	**1,278,235**	**6,499,132**	**6,184,830**	**314,303**	**(c)**
TOTAL Recurrent Expenses	**18,797,949**	**1,473,437**	**21,804,392**	**21,123,173**	**681,219**	
DEFECIT FOR THE PERIOD	**(799,201)**	**720,998**	**(1,161,166)**	**(392,618)**	**(593,890)**	**(d)**

Notes:

(a) Increase in operational incomes is attributable to deffered income amortised, KESRA income and Road Maintenance Levy. There was a reduction of interest income due to capping of interest rates and less deposits held with commercial banks.

(b) The variance in staff costs is due to performance bonus budgeted but not paid

(c) The budget included roll over funding from the previous financial year for pending bills related to scanners, enforcement expenses and computer software

(d) The adjustments to the budget are due to additional funding from the National Treasury

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1 (o).
The financial statements have been prepared and presented in Kenya Shillings which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Kshs. 000).

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

ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	**(Effective for annual periods beginning on or January 1, 2017)** In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The Authority adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Authority.

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019:** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

i) Agency Income

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

ii) Revenue from exchange transactions

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

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

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

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

(b) Development funding and capital grants by the Treasury

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

(c) Property, Plant and Equipment

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

The estimated useful life is as follows: -

Plant & Machinery	8 years
Equipment/Furniture/Fittings	8 years
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 annual budget is prepared on Activity basis, that is, activities are identified and costs and expenditure associated to the same.

(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

	2017/2018 Kshs '000	2016/2017 Kshs '000
Amortisation of grants deferred Income	324,635	196,663
	324,635	196,663

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

3. REVENUE FROM EXCHANGE TRANSACTIONS

	2017/2018 Kshs '000	2016/2017 Kshs '000
Agency Income	17,651,754	15,458,009
	17,651,754	15,458,009

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

	2017/2018 Kshs '000	2016/2017 Kshs '000
Road Maintainance Levy Commission	1,473,360	1,348,915
Aviation Revenue Commission	96,609	97,081
Air Passenger Service Charge Commission	208,280	266,208
KEBS Agency Income	9,857	11,983
Insurance Deductions Commission	3,677	4,390
National Transport & Safety Authority Commission	9,889	12,701
Import Declaration Fees	7,176	9,410
Petroleum Development Levy	38,156	34,846
	1,847,003	**1,785,534**

b. Other Incomes

	2017/2018 Kshs '000	2016/2017 Kshs '000
Sale of Tamperproof Seals	12,934	9,260
Public Overtime	3,972	3,004
Document Processing Fees	42,100	22,436
Staff Housing Rental Income	136,408	137,938
Property Rental Income	34,324	30,961
KESRA Incomes	270,133	310,046
Other AIA	34,846	28,053
Miscellaneous Income **	23,965	43,449
	558,682	**585,147**

**Miscellaneous income consists of income from sale of tender documents, staff identity cards, PSV Badges, training school activities, road transit toll collections and gains on foreign exchange.

5. ADMINISTRATIVE COSTS

a. Staff and Employee Costs

	2017/2018 Kshs '000	2016/2017 Kshs '000
Salaries & Allowances	14,827,075	13,509,829
Medical Expenses	873,936	728,000
Provision for Staff Leave	100,143	126,146
Provision for Staff Contract Gratuity	11,125	122,794
	15,812,279	**14,486,769**

b. Other Administrative Costs

		2017/2018 Kshs '000	2016/2017 Kshs '000
Travelling & Accomodation		592,430	985,268
Utilities		436,969	354,581
Staff Welfare		60,238	55,393
Printing & Stationery		15,894	40,248
Consultancy		159,908	184,569
Computer Expenses		591,477	536,066
Training		131,499	300,679
Office Running Expenses		277,603	256,419
Insurances		68,260	69,1
Board Expenses	(i)	31,733	21,223
Entertainment		152,179	180,369
Consumable Stores		47,653	16,472
Security Expenses		423,470	423,576
Depreciation Charge		731,996	39,222
Amortisation of Intangible Assets		8,181	8,181
		3,729,490	3,471,443
Inventory Write-back	*		(69,887)
TOTAL ADMINISTRATIVE COSTS		19,541,768	17,888,325

*The Inventory Write-back relates inventory for prior years earlier expensed and now capitalised after change in the policy on inventories.

i. *Board Expenses*

	2017/2018 Kshs '000	2016/2017 Kshs '000
Directors' fees	9,429	8,749
Sitting Allowances	9,539	10,160
Accomodation & Travel Expenses	12,766	2,314
	31,733	21,223

6. OPERATING EXPENSES

	2017/2018 Kshs '000	2016/2017 Kshs '000
Rent & Rates	649,452	356,069
Taxpayer Education	65,112	160,435
Motor Running Expenses	208,199	156,060
Advertising & Public Relations	146,628	275,224
Secretarial Expenses	67,960	38,227
Uniforms & laundry	56,236	33,567
Bank Charges	62,727	76,315
Containers & Sealing Expenses	-	14
Laboratory Expenses	6,154	10,865
	1,262,468	**1,106,777**

7. MAINTENANCE EXPENSES

		2017/2018 Kshs '000	2016/2017 Kshs '000
Building Repair & Maintenance		146,649	198,316
Scanner Maintenance	(a)	157,493	74,354
Motor Boat Expenses		14,795	15,246
		318,937	**287,917**

(a) Scanner expenses

	2017/2018 Kshs '000	2016/2017 Kshs '000
Annual Maintenance Contract	141,971	72,420
Routine Maintenance Expenses	15,521	1,934
	157,493	**74,354**

8. PROPERTY, PLANT AND EQUIPMENT.

(i)

	LAND BUILDING KSHS'000'	PLANT & MACHINERY	MOTOR VEHICLE KSHS'000'	OFFICE EQUIPMENTS & FURNITURE KSHS'000'	COMPUTERS KSHS'000'	MOTOR BOATS KSHS'000'	WIP KSHS'000'	TOTAL KSHS'000'
VALUATION								
1 July 2017	19,587,260	1,464,552	566,688	513,729	515,111	253,742	8,368,773	31,269,856
Additions	-	1,432,270	35,073	28,160	35,651	-	1,803,096	3,334,251
Disposal	-	-	(19,738)	-	-	-		(19,738)
30 June 2018	**19,587,260**	**2,896,823**	**582,024**	**541,890**	**550,762**	**253,742**	**10,171,869**	**34,584,369**
DEPRECIATION								
1 July 2017	-	-	-	10,709	28,513	-	-	39,223
Charge for the Year	214,791	167,596	68,953	65,606	176,908	38,141	-	731,996
Dep. On Reval	184,303	20,153	51,191	-	-	4,650	-	260,297
Disposal	-	-	(16,204)	-	-	-	-	(16,20
30 June 2018	**399,094**	**187,749**	**103,940**	**76,315**	**205,422**	**42,791**	**-**	**1,015,3**
NET BOOK VALUES:								
30 June 2018	**19,188,166**	**2,709,074**	**478,084**	**465,574**	**345,340**	**210,951**	**10,171,869**	**33,569,057**
1 July 2017	10,455,850	3,445,475	876,306	1,284,564	2,291,227	604,467	4,044,270	23,002,158
Additions			28,248	169,023	155,193	-	2,202,726	2,555,190
Revaluation	9,131,410	(1,980,922)	(313,749)	(939,858)	(1,931,309)	(350,725)	2,121,778	5,736,624
Disposal	-	-	(24,116)	-	-	-		(24,116)
30 June 2017	**19,587,260**	**1,464,553**	**566,689**	**513,729**	**515,110**	**253,742**	**8,368,773**	**31,269,857**
DEPRECIATION								
1 July 2017	1,547,834	2,341,689	555,163	888,265	2,142,589	552,313	-	8,027,853
Charge for the Yr	-	-	-	10,709	28,513	-	-	39,222
Revaluation	(1,547,834)	(2,341,689)	(533,460)	(888,265)	(2,142,588)	(552,313)	-	(8,006,148)
Disposal	-	-	(21,704)	-	-	-	-	(21,704)
30 June 2017	**-**	**-**	**-**	**10,709**	**28,513**	**-**	**-**	**39,223**
NET BOOK VALUES:								
30 June 2017	**19,587,260**	**1,464,553**	**566,689**	**503,020**	**486,597**	**253,742**	**8,368,773**	**31,230,635**

(ii) Land & buildings

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

The Authority is yet to receive title documents for some 14 pieces of leasehold land received 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 transfer of the title is ongoing. The Authority was allocated 5 plots of land in Halugho, Amuma, Gerille, Elwak & 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.

(iv) Capital Work In Progress

	2017/2018 Kshs '000	2016/2017 Kshs '000
Intergrated Tax Management System	1,783,246	1,736,053
Valuations Database system (Phase I & II)	33,939	33,939
SAP ERP System for Support Services	553,924	469,675
Renovation of JKIA Offices	10,294	10,294
Renovation of Border Stations	22,038	22,038
Datawarehouse and Business Intelligence	491,939	488,957
Diaster Recovery Management System	12,448	12,448
Video Conferencing	54,328	54,328
Simba Transformation Project	81,559	81,559
Biometric Security System (Times Towers)	138,512	122,504
Electronic Cargo Tracking System (Phase I)	85,287	80,084
Customs Revenue Accounting Module	4,664	4,664
One Stop Border Posts	3,877,052	3,877,052
Business Contunity Management System	61,061	48,283
eBoard System (BS)	4,789	4,789
New Fire Detection System	51,133	22,699
Customer Relationship Management System (CRM)	111,408	32,043
New Data Centre (CBC)	1,178,391	495,902
Corporate Business Centre Fit Out	664,274	266,581
CBM Rehabilitation of Border Stations	111,618	5,899
Intergrated Customs Management System	501,988	498,984
Data Analysis Tools & Computer Tools	19,208	-
Corporate Website Transformation	5,594	-
Enterprise Risk Management System	34,397	-
Payment Gateway	20,716	-
Scanner Networking & Command Centre	161,607	-
IP Telephony System	5,165	-
Replacement of Lifts (Times Towers)	91,291	-
TOTAL	**10,171,869**	**8,368,773**

9. INTANGIBLE ASSETS

	2017/2018 Kshs '000	2016/2017 Kshs '000
COST		
1 July	358,481	358,481
Additions	-	-
30 June	**358,481**	**358,481**
AMORTISATION		
1July	346,044	337,863
for the year	8,181	8,181
30 June	**354,225**	**346,044**
NET BOOK VALUE		
30 June	**4,256**	**12,437**

The intangible assets are made up of different computer software in use by the Authority. Included in the Intangible Assets are fully amortised assets whose original cost was Kshs. 169,267,025, (2017- Kshs. 169,267,025).

10. RECEIVABLES

	2017/2018 Kshs '000	2016/2017 Kshs '000
Trade Debtors		
Other Agency debtors	270,124	271,486
Rent Receivable	60,982	40,102
Interest Receivable	38,182	50,446
	369,289	**362,034**
Other Debtors		
Staff Debtors	184,365	115,915
Prepayments	20,818	19,863
Other Debtors	64,040	54,937
	269,222	**190,715**
Debtors Total	**638,511**	**552,749**

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.

11. AMOUNT DUE FROM TREASURY

The amount represents outstanding agency commission for April to June 2018, the amount was received in July, 2018. The National Treasury paid an amount of Kshs. 2,131 Million that related to the long outstanding debt. The breakdown of the transfers from The National Treasury is as follows;-

	2017/2018 Kshs '000	2016/2017 Kshs '000
1 July	3,444,499	2,131,332
Accrued in the year	17,651,754	15,458,008
Amount received in the year	(19,800,375)	(14,144,841)
30 June	**1,295,877**	**3,444,499**

12. SECURITY DEPOSITS

	2017/2018 Kshs '000	2016/2017 Kshs '000
Savings & Loan (k) Ltd	1,629,785	1,592,536
Housing Finance	622,315	612,847
National Bank of Kenya Ltd	162,571	160,738
Higher Educations Loans Board (HELB)	20,000	20,000
	2,434,671	**2,386,122**

The deposits with Savings & Loans and Housing Finance are placed as security against staff mortgage advances, while the National bank deposits are placements against staff car loans. Deposits with HELB are placements against college fees issued to staff for further studies.

13. CASH AND BANK BALANCES

	2017/2018 Kshs '000	2016/2017 Kshs '000
Cash in Hand	1,345	807
Cash at Bank	3,809,554	1,878,751
Fixed Deposits	3,098,302	1,435,151
Government Treasury Bills	983,476	3,437,334
	7,892,677	**6,752,042**

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 2018. The funds are held against creditors and ongoing commitments as per notes 15 and 21.

The analysis of Cash in Hand is as below;

Cash in Hand

Station	2017/2018 Kshs '000	2016/2017 Kshs '000
Nairobi	483	478
Mombasa	200	7
Machakos	7	4
Thika	37	61
Nyeri	3	3
Kisumu	171	45
Garissa	9	-
Nakuru	59	13
Eldoret	3	34
Embu	42	41
Namanga	50	-
Loitoktok	100	-
JKIA	180	120
	1,345	**807**

The analysis of Cash at Bank is as below;

Cash at Bank

Station	Bank	2017/2018 Kshs '000	2016/2017 Kshs '000
Nairobi Main Account	National Bank of Kenya	479,285	1,463,485
Nairobi Dollar Account	National Bank of Kenya	85,637	169,344
Excise Stamps Account	National Bank of Kenya	495,829	180,934
KRA East African Regional Transpc	National Bank of Kenya	2,620,361	-
Kenya School of Revenue Administ	National Bank of Kenya	121,936	56,305
Kenya School of Revenue Administ	National Bank of Kenya	3,120	1,236
Kenya School of Revenue Administ	National Bank of Kenya	517	-
Mombasa Account	National Bank of Kenya	754	577
Kisumu Account	National Bank of Kenya	429	402
Nakuru Account	National Bank of Kenya	59	1,903
Eldoret Account	National Bank of Kenya	1,124	2,213
Embu Account	National Bank of Kenya	67	47
Thika Account	National Bank of Kenya	96	625
JKIA Account	National Bank of Kenya	314	612
Machakos Account	National Bank of Kenya	13	66
Garissa Account	National Bank of Kenya	9	392
Namanga Account	Kenya Commercial Bank	3	460
Wajir Account	Kenya Commercial Bank	-	149
		3,809,554	1,878,751

Fixed Deposits

	2017/2018 Kshs '000	2016/2017 Kshs '000
National Bank of Kenya	-	300,000
Cooperative Bank of Kenya	1,412,371	603,850
Kenya Commercial Bank	1,404,687	319,137
KESRA - National Bank of Kenya	281,244	212,164
	3,098,302	1,435,151

Treasury Bills are placements in Central Bank of Kenya with maturity period between July to September 2018. The placements are analysed as follows:-

Government Treasury Bills

	2017/2018 Kshs '000	2016/2017 Kshs '000
91 Day Treasury Bills	983,476	1,964,555
182 Day Treasury Bills	-	1,472,779
	983,476	3,437,334

14. STOCKS

	2017/2018 Kshs '000	2016/2017 Kshs '000
General Stationery	67,194	13,215
Printed Stores Inventory	29,077	71,938
Computer Consumable Inventory	22,719	28,855
Miscellanous Stores Inventory	7,645	6,891
	126,635	**120,898**

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

15. PAYABLES

	2017/2018 Kshs '000	2016/2017 Kshs '000
Trade Creditors and Accounts Payable	2,118,302	1,583,283
Payroll Deduction and Staff Creditors	43,893	47,394
Taxes	213,092	250,965
	2,401,613	**1,881,643**

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.
Included in Accounts Payable is a balance of Kshs. 523 Million (analysed below) from sale of Excise Stamps for payment to the suppliers of the Stamps.

Excise Stamps Fund Account

	2017/2018 Kshs '000	2016/2017 Kshs '000
Balance B/F	94,958	212,715
Total Receipts	2,440,724	2,454,295
Total Payments	2,012,372	2,572,052
Balance C/F	**523,310**	**94,958**

There was a total of Kshs. 457 Million payable to the stamps manufacturer; for stamps and software.

16. LEAVE PAY , CONTRACT GRATUITY & STAFF PROVISIONS

	2017/2018 Kshs '000	2016/2017 Kshs '000
Provision for staff leave	1,188,070	1,090,451
Provision for Gratuity	223,682	47,130
Provision for Staff on Suspension	556,446	400,452
	1,968,198	**1,538,033**

Leave pay provision is in respect of leave days earned by staff members but not taken as at 30th June 2018. Contract gratuity provision is in respect of gratuity accrued for staff on contract terms for the period to 30th June 2018. Provision for staff on suspension relates to unpaid accrued salaries and allowances for staff members who are on suspension.

17. CONTRIBUTION TO GOVERNMENT PENSION FUND

	2017/2018 Kshs '000	2016/2017 Kshs '000
1 July	24,290	25,616
Paid	(16,966)	(1,326)
30 June	7,324	24,290

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

	2017/2018 Kshs '000	2016/2017 Kshs '000
1 July	62,248	204,949
Funds Received	-	-
Expenses	(25,464)	(142,701)
30 June	36,784	62,248

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 & DONORS

Capital / Development Grants by the National Treasury

	2017/2018 Kshs '000	2016/2017 Kshs '000
1 July	**16,996,410**	**16,370,410**
Contribution in the Year		
ERP system for Support Services	110,000	220,000
Cordinated Border Management Project	100,000	200,000
New Data Centre	103,000	206,000
	313,000	**626,000**
30th June	17,309,410	16,996,410

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 2018, Kshs. 1,310 Million (2017 Kshs. 1,271.0 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 2017, was Kshs. 18.078 Billion (2016, Kshs. 15.984 Billion) while the present value of past service liabilities at that date was Kshs 14.817 Billion (2016 Kshs. 17.230 Billion). The scheme prepares it's own Financial Statements in accordance with the Retirement Benefits Authority (RBA) rules.

21. CAPITAL COMMITMENTS

	2017/2018 Kshs '000	2016/2017 Kshs '000
Approved and contracted	623,338	216,642
Approved and not contracted	1,463,215	908,330
	2,086,553	**1,124,972**

22. RECURRENT COMMITMENTS

	2017/2018 Kshs '000	2016/2017 Kshs '000
30 June	**1,262,039**	**839,252**

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

23. EMPLOYEES

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

	2017/2018	2016/2017
30 June	7,007	6,232

Included above are employees on Permanent and Pensionable, Contract and Temporary terms.

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

	2017/2018 Kshs '000	2016/2017 Kshs '000
At 1 July	2,696,193	1,306,857
X - Ray Cargo Scanners	1,175,008	-
EARTTFP Funds	44,140	-
Motor Vehicles	-	27,955
Datawarehouse and Business Intelligence	-	486,048
New Data Centre (CBC)	-	573,011
ICMS	-	498,984
Amortisation	(324,635)	(196,662)
At 30 June	**3,590,707**	**2,696,193**
Grant income to be amortised within one year	324,635	177,759
At the end of the period	**3,266,072**	**2,518,434**

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. Ten X – Ray Cargo scanners were donated by the Government of China. Kshs. 44.14 Million was received from the World Bank for the East African Regional Transport, Trade and Development Facilitation Project (EARTTFP).

25. RELATED PARTIES

The Government of Kenya is the principal shareholder in Kenya Revenue Authority.
During the year, the following transactions were carried out with related parties as analysed as follows:-

(a) Transaction

i) Government of Kenya

	2017/2018 Kshs '000	2016/2017 Kshs '000
Capital Grants	313,000	626,000
Agency Income	15,457,318	15,458,009
Revenue Enhancement Initivaties Funding	4,318,000	-
	20,088,318	16,084,009

ii) Key management compensation

	2017/2018 Kshs '000	2016/2017 Kshs '000
Salaries and other short - term employment benefits	125,657	115,920
	125,657	115,920

iii) Directors' remuneration

	2017/2018 Kshs '000	2016/2017 Kshs '000
Fees and other Emoluments (note 5)	31,733	21,223
	31,733	21,223

(b) Balances

Due (to)/from related parties

	2017/2018 Kshs '000	2016/2017 Kshs '000
Amount due from Treasury (note 11)	1,295,877	3,444,499
Contribution to Government pension fund (note 16)	(7,324)	(24,290)
	1,288,553	3,420,209

26. FINANCIAL RISK & CAPITAL MANAGEMENT

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

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

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as agency and other receivables.
The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk is made up as follows:

	Fully Performing Kshs 000	Past Due Kshs 000	Impaired Kshs 000
At 30 June 2018			
Receivables	638,511	-	-
Security Deposits	2,434,670	-	-
Bank Balances	6,908,035	-	-
At 30 June 2017			
Receivables	552,749	-	-
Security Deposits	2,386,122		
Bank Balances	3,314,021	-	-

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
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 30 June 2018				
Trade payables	256,985	2,144,628	-	2,401,613
Provisions	-	-	1,968,198	1,968,198
Contribution to Govt. Pension Fund	-	-	7,324	7,324
Total	**256,985**	**2,144,628**	**1,975,522**	**4,377,135**
At 30 June 2017				
Trade payables	298,359	1,583,284	-	1,881,643
Provisions	-	-	1,538,033	1,538,033
Contribution to Govt. Pension Fund	-	-	24,290	24,290
Total	**298,359**	**1,583,284**	**1,562,323**	**3,443,966**

(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:

	Ksh Shs '000	Others Shs '000	Total Shs '000
At 30 June 2018			
Financial assets (Bank balances)	88,757	-	88,757
Liabilities			
Payables	-	-	-
Net foreign currency liability	88,757	-	88,757

(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 Kshs. 88,757,182 (2017: Kshs. 170,580,208).

(c) Price risk

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

27. PRIOR PERIOD ADJUSTMENTS

The prior year adjustments relate to post audit adjustments for the Financial Period 2016/2017 and in compliance with IPSAS 3 sub section 48-54. The adjustments were;

	2016/2017 Restated Kshs'000
Cash and Bank Balances:	
As previously reported	6,524,721
Restatements:	
Recognition of KESRA income	36,026
Misposting adjustments	20,107
Recognition of Excise Funds	171,188
	227,321
As restated	**6,752,042**
Debtors & Receivables:	
As previously reported	553,968
Restatements:	
Interests on Security Deposits	5,531
Misposting adjustments	- 6,751
	- 1,220
As restated	**552,748**
Security Deposits	
As previously reported	2,371,751
Restatements:	
Interests on Security Deposits	14,546
Misposting adjustments	- 175
	14,371
As restated	**2,386,122**
Property, Plant & Equipment	
As previously reported	30,478,727
Restatements:	
Recognition of Training School Asset Additions	5,693
Recognition of development projects by donors and partners	1,425,586
Adjustment for Revaluation of Assets	- 22,466
Adjustment for Excisable Goods Management System	- 656,906
	751,908
As restated	31,230,635

Creditors & Payables	
As previously reported	1,880,766
Restatements:	
Recognition of Excise Funds	- 171,188
Accrual of scanner maintenance Expenses	105,154
Misposting adjustments	66,909
	875
As restated	**1,881,641**
Contribution by The National Treasury	
As previously reported	18,249,137
Restatements:	
Recognition of scanner donated by development partners	(1,425,586)
Recognition of Deferred Incomes from donations	2,678,313
	1,252,727
As restated	**16,996,410**
Revaluation Reserve	
As previously reported	18,427,808
Restatements:	
Recognition of Revaluation of Assets	585,361
	585,361
As restated	**17,842,447**
Deferred Income	
As previously reported	132,457
Restatements:	
Recognition of Deferred Income from assets acquired from development Partners	2,563,735
	2,563,735
As restated	**2,696,192**

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

STATEMENT OF FINANCIAL PERFORMANCE EXTRACT

	NOTE	2016/2017 As previously reported Kshs'000	Profit increase / (decrease)	2016/2017 Restated Kshs'000
REVENUE				
Revenue from non- exchange transactions				
Deferred grant income amortisation	27 (g)	82,085	(114,578)	196,663
Revenue from exchange transactions				
Agency Income		15,458,009	-	15,458,009
Interest Income	27 (a)	544,428	(20,101)	564,529
Other Income	27	440,512	(144,635)	585,147
TOTAL REVENUE		18,310,568		18,589,882
EXPENDITURE				
Administrative Expenses	27	18,061,734	173,409	17,888,325
Operating Expenses	27	1,070,839	(35,938)	1,106,777
Maintenance Expenses	27	395,009	107,092	287,917
TOTAL EXPENDITURE		19,527,582		19,283,019
Other gains/(losses)				
DEFICIT FOR THE YEAR		(1,213,453)		(689,576)

STATEMENT OF FINANCIAL POSITION EXTRACT

	NOTE	2016/2017 As previously reported Kshs '000	increase / (decrease) Kshs '000	2016/2017 Restated Kshs '000
Current Assets				
Cash and Bank Balances	27 (a)	6,524,721	(227,321)	6,752,042
Receivables	27 (b)	553,968	1,219	552,749
		7,199,587		7,425,690
Non-Current Assets				
Property, Plant & Equipment	27 (h)	30,478,727	(751,908)	31,230,635
Intangible Assets		12,437	-	12,437
Amount due from Treasury		3,444,499	-	3,444,499
Security Deposits	27 (c)	2,371,751	(14,371)	2,386,122
		36,307,414		37,073,693
Total Assets		43,507,001		44,499,383

Liabilities				
Current Liabilities				
Payables	27 (d)	1,880,766	(877)	1,881,643
Leave Pay and Gratuity Provision	27 (d)	1,139,136	(398,897)	1,538,033
Deferred Income Amortisation	27 (g)	0	(177,759)	177,759
		3,019,902		**3,597,435**
Non Current Liabilities				
Contribution to Govt Pension Fund		24,290	-	24,290
Designated Fund		62,248	-	62,248
		86,538		**86,538**
Total Liabilities		**3,106,440**		**3,683,973**
Net Assets		**40,400,561**		**40,815,410**
Capital grants by the Treasury	27 (e)	18,249,137	1,252,727	16,996,410
Deferred Grants Income	27 (g)	132,457	(2,385,977)	2,518,434
Accumulated Fund	27	3,591,158	133,039	3,458,119
Revaluation Reserve	27 (f)	18,427,808	585,361	17,842,447
		40,400,560		40,815,410
Total net assets and liabilities		43,507,001		44,499,383

STATEMENT OF CHANGES IN EQUITY EXTRACT

AS AT 30 JUNE 2017

	Note	Capital Grants by Treasury	Deferred Grant Income	Accummulated Fund	Revaluation Reserve	Total
Year ended 30 June 2017		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At 1 July 2016 - as previously reported		17,595,182	-	4,804,611	4,099,594	26,499,387
Prior year adjustments	27	(1,224,772)	1,306,857	(656,916)	260,297	(314,534)
As restated		16,370,410	1,306,857	4,147,695	4,359,891	26,184,853
Contribution for the year		626,000	1,585,999	-	-	2,211,999
Increase in revaluation					13,742,853	13,742,853
Charge for the year		-	(196,663)	-	(260,297)	(456,960)
Current portion of deferred income		-	(177,759)	-	-	(177,759)
Restated Deficit for the Year		-	-	(689,576)	-	(689,576)
30 June 2017 - restated	27	16,996,410	2,518,434	3,458,119	17,842,447	40,815,410
Year ended 30 June 2018						

At 1 July 2017 - restated	16,996,410	2,518,434	3,458,119	17,842,447	40,815,410
Contribution for the year	313,000	1,219,149			1,532,149
Surplus for the year	-	-	(392,618)	-	(392,618)
Charge for the year	-	(324,635)	-	(260,297)	(584,932)
Current portion of deferred income	-	(146,875)	-	-	(146,875)
At 30 June 2018	**17,309,410**	**3,266,073**	**3,065,501**	**17,582,150**	**41,223,134**

28.CONTINGENT LIABILITIES

These include:-

- An amount of Kshs. 2 million included in utility deposits representing a bank guarantee to Kenya Power and Lighting for Times Tower power supply.
- An amount of Kshs 1,297,759 representing a guarantee to Telkom Kenya Limited for supply of telephone facilities in the Times Tower building.
- Pending legal cases and court awards against the Authority estimated at Kshs 4,454,051,492 at the financial year end. The Treasury is expected to meet the cost of settling the awards should they materialize.

29.COMPARATIVES

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
1.	**Work in Progress** Board approval on the revaluation of the assets has not been presented for audit verification, date of the revaluation has not been indicated in the revaluation documents, difference of Kshs.433 million between the revaluation report and Financial Statements figures has not been explained. The Authority to present for audit verification payment vouchers to support the expenditure of Kshs.777,139,000.	Minutes & approval provided to the Auditors Copies of payment vouchers presented to the Auditors	Deputy Commissioner - Finance	Resolved	N/A
2.	**Cash and bank** Balances reflected in the statement of financial position not in agreement with verified amounts. Two bank accounts held at Kenya Commercial Bank- Wajir and KESRA National Bank-Dollar A/C - Nairobi with balances of Kshs.50,345 and USD 4,195.50 respectively not disclosed.	Adjustment made in the Adjusted Financial Statements for FY 2016/2017. Accounts disclosed in adjusted financial statements.	Deputy Commissioner - Finance	Resolved	N/A
3.	**Debtors** Balance of other agency debtors of Kshs.271,228,000 is overstated by Kshs.30,324,284	Financial Statements are not overstated. Amounts were accrued and reversed on receipt.	Deputy Commissioner - Finance	Resolved	N/A
4.	**Long outstanding staff** Travel imp-rest debtors amounting to Kshs.2,248,829 excluded from the staff debtors' balances in the financial statements	The debtors were included in FY 2015/16 financial statements but had been surrendered at the end of FY 2016/17.	Deputy Commissioner - Finance	In Progress	N/A
5.	**Capital Grants** National Treasury and other Donors paid Kshs.1,814,647,000 directly to suppliers for goods, works and services towards projects undertaken by the Authority. The amounts have not been disclosed in the financial statement.	Adjustment done in the Adjusted Financial Statements for FY 2016/2017	Deputy Commissioner - Finance	Resolved	N/A
6	**Commission Income:-** Income earned on standards levy, concession fees, insurance deduction commission and merchant superintendent shipping levy (MSSL) on behalf of Kenya Bureau of Standards, Kenya Airports	The Incomes had not been omitted in the Financial Statements. They are included in the commission income in the	Deputy Commissioner - Finance	Resolved	N/A

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	Authority, various insurance companies and Kenya Maritime Authority of Kshs 45.7 million excluded in the commission income.	Statement of Financial Performance.			
7.	**Deferred Income-** Deferred grant income amortization of Kshs.82,085,000 varies with the amount computed during audit of Kshs. 48,133,417 resulting to a misstatement of the grant income by Kshs. 12,491,000	Adjustment to recognize the deferred income arising from all the donated assets has been calculated and included in the Adjusted Financial Statements for FY 2016/2017	Deputy Commissioner - Finance	Resolved	N/A
8.	**Assets not disclosed**: - three (3) Scanners donated by China Government in 2015/2016, five motor vehicles (5) donated by JICA and an ERP system from JICA. The deferred income associated with the use of these assets has not been recognized in the financial statement under review.	Adjustment done in the Adjusted Financial Statements for FY 2016/2017	Deputy Commissioner - Finance	Resolved	N/A
9.	**Variance between financial statement and Trial Balance.** Comparison of the financial statements figures in the 2016/2017 financial year against the ledger and trial balance figures of the agency for the same year revealed differences	The differences arose from adjustments made to the ledgers. Adjustments have been made in the Adjusted Financial Statements	Deputy Commissioner - Finance	Resolved	N/A
10.	**Duplicated invoices** Local creditors includes duplicated invoices of Kshs.50,927,000. Therefore the local creditors is overstated by Kshs.50,927,000.	Adjustment done in the Adjusted Financial Statements for FY 2016/2017	Deputy Commissioner - Finance	Resolved	N/A
11.	**Accrued Expenses** Scanner maintenance cost per year is Kshs.151,275,000 but the amount accrued as expenses for the financial year under consideration is Kshs.177,574,000. The scanner maintenance expenses therefore were overstated by Kshs.26,299,000.	The cost is Kshs 151 million plus Taxes which amounts to Kshs 177.5 million.	Deputy Commissioner - Finance	Resolved	N/A
12.	**Insurance expenses** Insurance expenses of Kshs.8 million, for the financial year 2015/2016 charged to 2016/2017 financial year.	The request to process payment was received after year end and accrued and paid in Financial Year 2016/2017	Deputy Commissioner - Finance	Resolved	N/A

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
13.	**Unsupported Payments;** Lake Naivasha Simba Lodge Expenditure of Kshs.127,781,000 whose payment vouchers were not availed for review and audit.	The list of attendants was provided for audit. The invoice was paid in according to the reservations and confirmation received from the organizing team. The request to process payment was received after year end and accrued and paid in Financial Year 2016/2017 Payment vouchers availed for audit.	Deputy Commissioner - Finance	Resolved	N/A
14.	**Motor Boat Expenses** The motor boat maintenance expenses of Kshs.15,246,000 would not be confirmed to be expenses for 2016/2017 since only Kshs.5,866,959 was verified. The difference of Kshs.9,378,860 is an expenditure for the period 2015/2016 and therefore the expenditure for 2016/2017 is overstated Kshs.9,378,860.	The request to process payment was received after year end and accrued and paid in Financial Year 2016/2017	Deputy Commissioner - Finance	Resolved	N/A
15.	**Medical Advances Write-off** Write off of medical advances/balances of Kshs.3,262,700 requires approval from the Cabinet Secretary in charge of The National Treasury to write off the debt as required by the Public Finance Management Act 2012.	Board had approved the write off of the unrecoverable outstanding medical advance balances. The Authority has requested the approval of the Cabinet Secretary and is following up for the same.	Deputy Commissioner - Finance	In Progress	FY 2018/2019
16.	**Leave Provision** Accumulate leave days are beyond what is allowed by the human resource policy and the Authority continues to provide for the unjustified leave days whose value is currently Kshs. 185,454,748 at the end of the year.	Provision is based on the leave due to staff. The Employment Act does not have any provision for Staff to forfeit leave earned. Staff have been advised to utilize the accumulated leave days in the next 18 – 24 months.	Deputy Commissioner - HR	In Progress	FY 2018/2019

The detailed responses on the matters have been shared with the Office of the Auditor General.

APPENDIX II: INTER-ENTITY TRANSFERS

	2017/2018		2016/2017	
Recurrent Grants				
Disbursement Month	**Bank Statement Date**	**Amount**	**Bank Statement Date**	**Amount**
July	25.08.2017	1,288,110	24.08.2016	1,279,834
August	25.09.2017	1,288,110	24.08.2016	1,279,834
September	03.10.2017	1,288,110	30.09.2016	1,279,834
October	27.10.2017	1,288,110	15.11.2016	1,279,834
November	10.01.2018	1,288,110	29.11.2016	1,279,834
December	20.02.2018	1,288,110	22.12.2016	1,279,834
January	19.03.2018	1,288,110	10.02.2017	1,279,834
February	24.04.2018	1,288,110	19.04.2017	1,279,834
March	15.05.2018	1,288,110	05.05.2017	1,279,834
April	05.07.2018	1,288,110	20.06.2017	1,279,834
May	05.07.2018	1,288,110	20.06.2017	1,279,834
June	05.07.2018	1,288,110	29.06.2017	66,667
June	-	-	03.07.2017	1,213,167
Additional Funding	23.03.2018	1,200,000	03.07.2017	100,000
	26.03.2018	600,000		
	16.04.2018	600,000		
	10.05.2018	600,000		
	22.05.2018	718,000		
	22.05.2018	600,000		
Total		**19,775,318**		**15,458,008**

Development Grants				
	Bank Statement Date	**Amount**	**Bank Statement Date**	**Amount**
	07.09.2017	156,500	29.11.2016	313,000
	24.10.2017	156,500	24.03.2017	105,000
			26.04.2017	101,500
			30.05.2017	106,500
Total		**313,000**		**626,000**
Grand Total		**20,088,318**		**16,084,008**

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	Receivables	Total Transfers during the Year
The National Treasury	Various Dates as per App. 2	Recurrent	19,775,318	17,651,754	-	2,123,564	19,775,318
The National Treasury	Various Dates as per App. 2	Development	313,000	-	313,000	-	313,000
Total			**20,088,318**	**17,651,754**	**313,000**	**2,123,564**	**20,088,318**