



# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2021/2022



COMMISSION ON REVENUE ALLOCATION

*Promoting an Equitable Society*



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**ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR FINANCIAL YEAR 2021/2022**

*Published by:*

**COMMISSION ON REVENUE ALLOCATION**

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# ABBREVIATIONS AND ACRONYMS

<b>BPS</b>	Budget Policy Statement
<b>CARB</b>	County Allocation of Revenue Bill
<b>CBEF</b>	County Budget and Economic Forum
<b>CBROP</b>	County Budget Review and Outlook Paper
<b>CCI</b>	County Creditworthiness Initiative
<b>CEO</b>	Chief Executive Officer
<b>CFSP</b>	County Fiscal Strategy Paper
<b>CMA</b>	Capital Markets Authority
<b>CPA-K</b>	Certified Public Accountant of Kenya
<b>CPS-K</b>	Certified Public Secretary of Kenya
<b>CRA</b>	Commission on Revenue Allocation
<b>CRF</b>	County Revenue Fund
<b>DFID</b>	Department for International Development
<b>DMS</b>	Debt Management Strategy
<b>DoRB</b>	Division of Revenue Bill
<b>FY</b>	Financial Year
<b>IBEC</b>	Intergovernmental Budget and Economic Council
<b>IGRTC</b>	Intergovernmental Relations Technical Committee
<b>KCB</b>	Kenya Commercial Bank
<b>KEPTAP</b>	Kenya Petroleum Technical Assistance Project
<b>KIPPRA</b>	Kenya Institute for Public Policy Research and Analysis
<b>NLC</b>	National Land Commission
<b>OSR</b>	Own Source Revenue
<b>PFMA</b>	Public Finance Management Act
<b>PFMR</b>	Public Financial Management Reforms
<b>PS</b>	Principal Secretary
<b>UACA</b>	Urban Areas and Cities Act
<b>UDF</b>	Urban Development Fund
<b>UK</b>	United Kingdom
<b>UNDP</b>	United Nations Development Programme
<b>UoN</b>	University of Nairobi
<b>USA</b>	United States of America

# CHAIRPERSON'S STATEMENT



It is a great personal privilege to present the Commission's Annual Report and Financial Statements for Financial Year 2021/2022. This is our last one as Commissioners before our term comes to an end in December 2022. This Report presents the Commission's activities carried out between July 2021 and June 2022.

In the period under review, the country was in recovery mode from the COVID 19 pandemic and the economy started to gradually rise from its feet owing to the lifting of the containment measures of COVID protocols. This brought about more activity in the performance of the budget thus ensuring more activities in the counties.

As a Commission, we engaged in several activities with our key stakeholders including Parliament and we also had direct engagements with the counties where we were able to experience first-hand the challenges the counties face we also gained an in-depth understanding on issues surrounding projects like non-core infrastructure which may require a review of policies by the key state actors. We also delivered on our core mandate of making recommendations concerning the equitable sharing of revenue between the National and County Governments and among County Governments.

During the year under review the Commission launched a series of reports and publications key among them being the County Fact Sheets for each of the 47 counties. The Fact Sheets provide information on the National and County Governments on socio-economic indicators including: health, education, poverty, roads, water and sanitation, electricity and population. It further introduces the following data sets: county revenues and expenditures, counties' contribution to Gross Domestic Product, counties' Intra-regional bloc contribution to the Gross Domestic Product, and data on the dominant economic activities per county. The Commission received invaluable support from our Development Partners in this Financial Year which went a long way in ensuring we fulfil our mandate. We are grateful for this support and the continued partnership.

I must applaud the Commission's Secretariat staff who fully adjusted to the back to office work protocols and ensured continuity of service delivery even as we achieved our mandate. As a Commission we remain committed to developing policies and recommendations that promote an equitable society to ensure that we leave no Kenyan behind.

A handwritten signature in black ink, appearing to read 'Jane Kiringai', written over a light blue horizontal line.

Dr. Jane Kiringai

**CHAIRPERSON**

**Date : 29/08/2022**

# REPORT OF THE COMMISSION SECRETARY / CEO



I am pleased to present the Commission's Annual Report and Financial Statements for the Financial Year (FY) 2021/2022. During the period under review, the Commission made significant contributions toward promoting equitable sharing of revenue between the National and County Governments and among county governments.

In addition, key recommendations on how to enhance financing of, and financial management needs of County Governments were made. To promote equitable sharing of revenue among County Governments, the Commission prepared recommendations on equitable sharing of revenue between the national and County Governments. The Commission recommended that in FY 2022/2023, the National Government receive an allocation of Ksh. 1.77 trillion, County Governments Ksh. 370 billion and the Equalisation Fund Ksh. 6.8 billion. These recommendations were based on revenue projections of Ksh. 2.14 trillion for the FY 2022/23. The allocation for county governments was developed using the Third Basis on Revenue Sharing among county governments.

To enhance financial management among county governments, the Commission published a report on the County Assemblies' Own Source Revenue Training, developed in collaboration with the National Treasury and the Public Finance Management Secretariat. The report documented training undertaken for Members of County Assemblies (MCAs) to develop their capacity to develop and implement Revenue-Raising Model Laws and other Own Source Revenue Legislation.

Further, the Commission commenced on the Own Source Revenue Potential & Tax Gap Study to establish the revenue potentials of the top streams in each of the 47 counties in Kenya. The study aims at providing a standardized legal, policy and institutional framework for local revenue-raising measures and enforcement actions to broaden County Governments' revenue bases while enhancing their revenue administrative capacity.

To boost fiscal responsibility in county governments, the Commission developed county recurrent expenditure budget ceilings for FY 2022/2023 following consultations with stakeholders. The ceilings aim at providing controls that balance expenditure and enhance fiscal discipline among the devolved units. Additionally, to strengthen gender responsive planning and budgeting in counties, the Commission, in collaboration with UN Women, trained county budget economic forums (CBEFs) on how to ensure gender responsiveness in the budgeting process. Data is key in informing policy and decision making in national and county governments.

During this period, the Commission published the 3rd Edition of the Kenya County Fact Sheets. The report provides data on various socio-economic indicators for the national and county governments including: health, education, poverty, roads, water and sanitation, electricity and population. The Fact Sheets are useful for policy formulation and planning at the national and county levels.

Finally, I wish to sincerely appreciate all National and County Governments, development partners and other key stakeholders who continue to support the work of the Commission. I also appreciate the CRA secretariat whose tireless efforts continue to ensure that CRA implements its mandate in accordance with the provisions of the Constitution of Kenya (2010).



CPA James Katule

**COMMISSION SECRETARY/CEO**

**Date: 29/08/2022**

# 1. COMMISSION INFORMATION AND MANAGEMENT

## 1.1 Background Information

The Commission was formed by the Constitution under section 215 in December, 2010 and is represented by 9 Commissioners and a Commission Secretary who are responsible for the general policy and strategic direction of the Commission.

### 1.1.2. Principal Activities

The Commission on Revenue Allocation's principle mandate is to make recommendations on the basis for equitable sharing of revenue raised nationally between the National and County Governments and among the County Governments. Other functions of the Commission include:

- a) Make recommendations concerning the financing of, and financial management, by County Governments;
- b) Define and enhance revenue sources of the National and County Governments;
- c) Encourage fiscal responsibility by the National and County Governments.
- d) Determine, publish and regularly review a policy in which sets out the criteria by which to identify the marginalised areas for purposes of Article 204(2);
- e) Consider and make recommendations to the National Assembly and Senate on any published Bill that includes provisions dealing with the sharing of revenue, or any financial matter concerning County Governments.

### 1.1.3. Mission

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

### 1.1.4. Vision

No Kenyan Left Behind.

### 1.1.5. Key Management

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

- i. Commissioners
- ii. Commission Secretary / CEO
- iii. Management
- iv. Secretariat / Staff

### 1.1.6. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were

- |      |                   |                             |
|------|-------------------|-----------------------------|
| i.   | CPA James Katule  | Commission Secretary        |
| ii.  | Angela Kariuki    | Director Corporate Services |
| iii. | CPA Maureen Junge | Finance Manager             |
| iv.  | Geoffrey Ntook    | Procurement Officer         |

### 1.1.7. Fiduciary Oversight Arrangements

Functions of the Commission are carried out under a defined structure made up of the Full Commission, defined and /or ad-hoc Committees with specific terms of reference that facilitate the discharge of the Commission's mandate. Each Committee is chaired by a Commissioner whose role in conjunction with other Commissioners and the Secretariat are collectively responsible for ensuring that the Committee performs their duties in line with the Terms of Reference.

#### **The Commission Committees are as follows:**

1. Finance and Administration Committee provides the policy framework on support to the Commission in the areas of: finance, procurement, human resource, ICT, legal and communication.
2. Division of Revenue and Allocation Committee guides the development of recommendations on division of revenue between the two levels of government and among County Governments.
3. Public Financial Management Committee guides the preparing of recommendations on financing of and financial management of County Governments and recommendations that encourage fiscal responsibility.
4. Revenue Enhancement Committee steers the Commission's recommendation that define and enhance revenue sources of both National and County Governments.
5. Stakeholder Management and Marginalization Committee deals with determination of the marginalization policies. In addition the committee serves as a link between the Commission and its stakeholders.
6. Audit, Corporate Governance and Risk Management Committee provides oversight on Corporate Governance, Risk Management and Internal Control Processes of the Commission

#### **Commission Headquarters**

Commission on Revenue Allocation  
14 Riverside Drive  
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P.O Box 1310-00200 Nairobi  
**Tel:** (020) 4298000

#### **Commission Contacts**

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**Website:** www.cra.go.ke

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City Square 00200  
Nairobi, Kenya  
KCB Bank Limited  
KICC Branch  
Harambee Avenue  
P. O. Box 46950-00100 Nairobi  
**Tel:** (020) 29248501,  
**Fax:** (020) 29248501,

### **Independent Auditors**

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

### **Principal Legal Adviser**

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

## I.2 COMMISSIONERS



**Dr. Jane Kiringai,**  
**Chairperson**

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

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

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



**Mr. Humphrey Wattanga,**  
**Vice Chairperson**

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

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

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



**Prof. Edward Oyugi,**  
**Commissioner**

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

He has held senior academic and research positions in several universities such as Kenyatta University, Bayreuth University (Germany), University of Heidelberg, (Germany), United States International University, Kenya and Tangaza College, Kenya. He has been a member of the National Economic and Social Council and the Task Force on Devolution. He was also the executive Director of Social Development Network (SODNET) for several years. Professor Oyugi has published extensively and written several books, articles, book chapters, and papers on diverse subjects. He has received several awards including Otto Benecke Foundation Award (1980) and Hellmann/Hammett Award of the Fund for Free Expression, New York (1992).



**Dr. Irene Asienga,**  
**Commissioner**

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

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

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

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



**Mr. Kishanto Suuji,**  
*Commissioner*

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

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

He holds an Masters in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Arts in Economics and Government from University of Nairobi.



**Mr. Peter Gachuba,**  
*Commissioner*

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

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

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



**Prof. Peter Kimuyu,  
Commissioner**

Professor Peter Kiko Kimuyu holds a PhD in Energy Economics from University of Nairobi, a Master of Sciences in Energy Economics from University of Surrey, UK, an Masters Arts in Economics from University of Nairobi, and a Bachelor of Education in Economics and Mathematics from University of Nairobi.

He is the founder director of the School of Economics in the University of Nairobi and former Executive Director of the Institute of Policy Analysis and Research. He has held board-level appointments with the Export Promotion Council, Privatization Commission and KCB Group. He is a trustee with Africa International University, Technical Advisor to Scott Christian University and a lapsed member of the New York Academy of Sciences.

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



**Ms. Fouzia Abdikadir,  
Commissioner**

Ms. Fouzia has over 10 years' experience in financial management. Prior to joining the Commission on Revenue Allocation, she worked as a finance manager. She holds a Postgraduate Diploma in Portfolio Management and Investment Analysis from the London School of Commerce, U.K. and a Bachelor of Commerce-Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT). She is currently undertaking a Masters in Business Administration from the University of Wales Institute, Cardiff. She also has certification in civic leadership from Tulane University (USA).

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



**Dr. Julius Muia**  
*PS Treasury / Commissioner*

Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning – The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030.

Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.

An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

## 1.3 MANAGEMENT



**CPA James Katule**  
*Commission Secretary / CEO*

CPA James Katule is the Chief Executive Officer (CEO) of CRA. Prior to his appointment, James Katule was the Director Fiscal Affairs (2014-2022) and Director Corporate Services (2012-2014) at CRA. His experience spans over 32 years, 17 of which have been at various levels of management in public organizations as well as international donor-funded research institutions. These include the International Centre for Insect Physiology and Ecology (ICIPE), The International Livestock Research Institute (ILRI), African Medical and Research Foundation (AMREF), The Capital Markets Authority (CMA) and currently CRA.

James Katule is an experienced Certified Public Accountant – CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Arts in Economics & Business Education from Kenyatta University. He is an alumnus of the Andrew Young School of School of Policy Studies, Georgia State University where he undertook a course on Fiscal Decentralization, Local Governance and Service Delivery.



**Angela Kariuki**  
*Director Corporate Services*

Angela Kariuki holds a Masters in International Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mrs. Kariuki has been with the Commission from inception for a period of six years. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.

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



**Sheila Yieke**  
**Director Legal Affairs**

Sheila Yieke is an Advocate of the High Court of Kenya and holds an Masters in Business Administration, Finance from the United States International University and a Certified Public Secretary (K). In addition she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK). She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.



**Joseph Kuria**  
**Director ICT**

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

He holds the following professional certifications: MCP, MCSE, MCDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector. Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data center technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems and deployment of Integrated Shared Services across government.



**Lineth Oyugi**  
*Director Economic Affairs*

Lineth Oyugi holds a Masters of Arts in Economics from the University of Nairobi and a 4<sup>th</sup> year Phd student of Economics at University of Nairobi. She has vast knowledge and experience in Research having worked for the Federation of Kenya Employers as the Head of Research and Policy Advocacy.

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



**CPA Selly Yagan**  
*Ag. Director Fiscal Affairs*

Selly Yagan holds Masters Degree Master of Arts Degree in Economics Policy and Management from Makerere University and a Bachelor of Arts Degree (Economics) from the University of Nairobi. She is a Certified Public Accountant and a member of Institute of Certified Public Accountants of Kenya (ICPAK). Mrs Yagan has a four years' experience in the Commission as a Deputy Director Fiscal Affairs. She has a vast experience in the Public Sector as an Economist / Statistician, having served in various capacities in various institutions. She has acquired a wealth of knowledge and skills in planning, budgeting and budgetary processes, research, policy formulation, policy analysis, implementation and monitoring.

Prior to joining the Commission, Mrs Yagan worked with the Salaries and Remuneration Commission (SRC), a Young Professional at the Kenya Institute for Public Policy Research and Analysis (KIPPRA) in the Macroeconomics division and the Ministry of Planning and National Developments.



**CPA Maureen Junge**  
*Finance Manager*

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

As the inaugural manager in charge of finance, Ms. Junge was instrumental in developing finance policies and setting up the operational procedures in the finance department including aligning them to the public financial management and reporting systems.

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

## 2. REVIEW OF THE COMMISSION'S PERFORMANCE FOR THE FY 2021/2022

### 2.1 Equitable Sharing of Revenue

#### 2.1.1. Recommendation on Revenue Sharing between National and County Governments for Financial Year 2022/2023

The Commission is required under Article 216(1) (a) of the Constitution of Kenya, 2010 to recommend the basis for the equitable sharing of revenue between the National and County Governments. Further, Section 190 of the Public Finance Management Act (PFMA) 2012 requires the Commission to submit its recommendations at least six months before the beginning of the next financial year to the Senate, the National Assembly, the National Executive, County Assemblies and County Executives.

The Commission, therefore, prepared and submitted to Parliament its recommendation on the sharing of revenue between the national and county governments for the financial year 2022/2023 on November 2, 2023. The Commission recommended that based on a revenue projection of Ksh. 2,142 billion for the financial year 2022/23, the **National Government be allocated Ksh. 1,765.2 billion, county governments Ksh. 370 billion**, and the **Equalisation Fund Ksh. 6.8 billion**. The Commission further recommended that if realized, the projected revenue increase of Ksh. 366.4 billion above the financial year 2021/22 estimate of Ksh. 1, 775.6 billion be used to reduce the national government's fiscal deficit as a matter of national interest.

The Commission's financial year 2022/23 recommendation retained the equitable shares for either level of government at the financial year 2021/22 levels. This was due to the following:

- i. **Economic growth:** The need to stimulate the economy following the slump occasioned by the COVID-19 global pandemic.
- ii. **Revenue performance:** The expected slow recovery of the economy and the 2022 general election were likely to affect revenue performance negatively in the financial year 2022/23. To contain the fiscal deficits within the recommended target, there was a need for equitable shares to be retained at the financial year 2021/22 levels.
- iii. **Debt sustainability:** Persistent past underperformance of revenues has led to increased fiscal deficits occasioning the accumulation of more debt to finance government functions. This calls for fiscal consolidation to contain the public debt.
- iv. **The 2022 General Election:** The need for the Government to restructure its expenditures to finance the August 2022 general election as a matter of national interest.

In line with the provision of Section 190(d) of the PFMA 2012, the Commission also presented to Parliament the determination of each county's equitable share based on the Third Basis for revenue sharing approved by Parliament in September 2020. This was done as the Commission submitted its recommendation on the equitable sharing of revenue between the National and County Governments.

In preparing the recommendation on the equitable sharing of revenue between the National and County Governments for the financial year 2022/23, the Commission engaged its key stakeholders. These include the National Treasury, the Council of Governors, the National Assembly, the Senate and the Intergovernmental Budget and Economic Council (IBEC).

The Division of Revenue Act was assented to on April 5, 2022 and allocated Ksh. 1,764.1 billion to the National Government, Ksh. 370 billion to the County Governments, and Ksh.7.1 billion to the Equalisation Fund. The county Government's allocation as a proportion of the last audited and approved accounts of the financial year 2017/18 was 26.17%. The allocation, therefore, met the requirement of Article 203(2): *"For every financial year, the equitable share of the revenue raised nationally that is allocated to county governments shall be not less than fifteen per cent of all revenue collected by the National Government."*



*Participants at the launch of the recommendation on the equitable sharing of revenue between national and county governments for the financial year 2022/2023*

### **2.1.2. Review of the Division of Revenue Bill, County Allocation of Revenue Bill, and the County Government's Additional Allocation Bill**

Article 205 requires that when a Bill that includes provisions dealing with the sharing of revenue or any financial matter concerning county governments is published, the Commission considers those provisions and makes recommendations to the National Assembly and the Senate. In this regard, the Commission considered the Division of Revenue Bill (DoRB), County Allocation of Revenue Bill (CARB) 2022, and the County Governments Additional Allocations, 2022, and made its recommendations to Parliament.

### **2.1.3. Review of the Budget Review and Outlook Paper, the Budget Policy Statement, and the Debt Management Strategy**

The Public Finance Management Act (2012) requires that the National Treasury and Economic Planning seeks and considers the Commission's views on the Budget Policy Statement (BPS), the Budget Review Outlook Paper (BROP), and the Debt Management Strategy. The Commission reviewed these policy documents and submitted its considerations to Parliament.

## **2.2 Policies Identifying Marginalised Areas**

The Commission is required under Article 216(4) to determine, publish and regularly review a policy in which it sets out the criteria by which to identify the marginalised areas for purposes of sharing the Equalisation Fund. The Equalisation Fund is used to provide basic services including water, roads, health facilities and electricity to marginalised areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible. Thus, the following activities were conducted:

### 2.2.1 Research on the State of Inequality in Kenya

The Commission developed and finalized the 2022 State of Inequality in Kenya report to inform the development of the Third Policy Identifying Marginalised Areas in Kenya. This report contains data and information on the status of inequality across counties in health, education, roads, water and sanitation, and energy.

### 2.2.2 Development of the Third Policy Identifying Marginalised Areas

As part of its preparation for the development of the Third Policy, the Commission visited 12 counties identified as marginalised in the First Policy. The visit aimed to assess projects financed through the First Policy as well as development projects implemented by the National and County Governments over nine years of devolution. During the visits, the Commission also sought the views of the various stakeholders in preparation for the Third Policy Identifying Marginalised Areas. Following the visit, the Commission developed a report on the level of implementation of the First Policy and development in the 12 counties.



*The Commission paid a courtesy call to the Kilifi County Commissioner as part of its visit to marginalized areas along the Kilifi Salt Belt*

### 2.2.3 Peer-to-Peer Learning in Germany on Equalisation

The Commission had peer-to-peer learning in Germany from April 2 to 10, 2022 to learn more about the identification of the marginalised, the right mix of priorities and strategies, and collaboration among the marginalised, the counties and the national governments. The learning equipped the Commission for more informed development of the Third Policy Identifying Marginalised Areas.

## 2.3 Public Financial Management

The Commission made its annual recommendations on County Government's recurrent budget expenditure ceilings, as required in the Public Finance Management Act (PFMA). Activities undertaken during the year include the preparation of the County Fiscal Strategy Paper Report and Budget Cycle Report. Further, the Commission supported county public financial structures, and specifically, the County Budget and Economic Forums to discharge their roles more effectively.

### 2.3.1 County Government's Recurrent Expenditure Budget Ceilings Recommendation

The County Government's Recurrent Expenditure Budget Ceilings recommendation for FY 2022/23 was developed and submitted to the Senate. The budget ceiling recommendation was adopted by the Senate for the county executive as provided while county assembly ceilings were adopted with amendments. Figure 1 illustrates the Commission's recommendation as well as the Senate-approved ceilings.

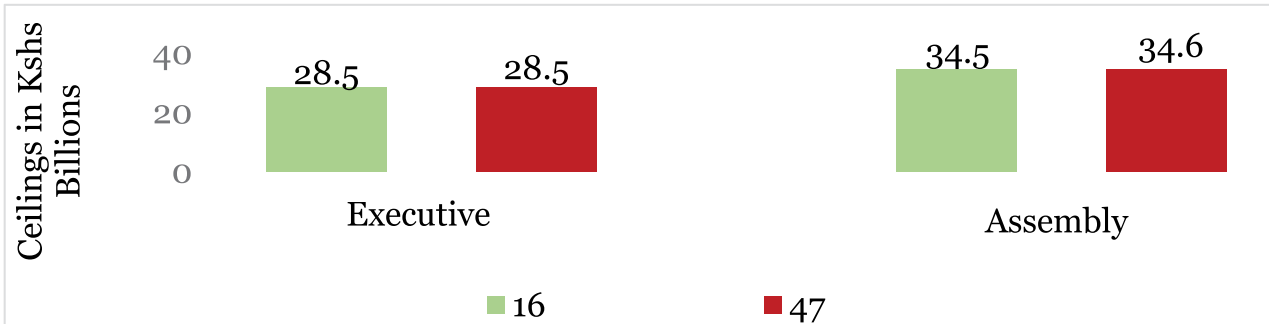


Figure 1: County Government Recurrent expenditure ceiling for FY 2022 -23

### 2.3.2 County Fiscal Strategy Paper Report

Section 117 of the Public Finance Act 2012 requires County Treasuries to seek the views of the Commission before submitting the County Fiscal Strategy Paper (CFSP) to the County Assemblies. Figure 2 illustrates the number of counties that submitted their CFSPs in FY 2022/23 compared to the previous year.

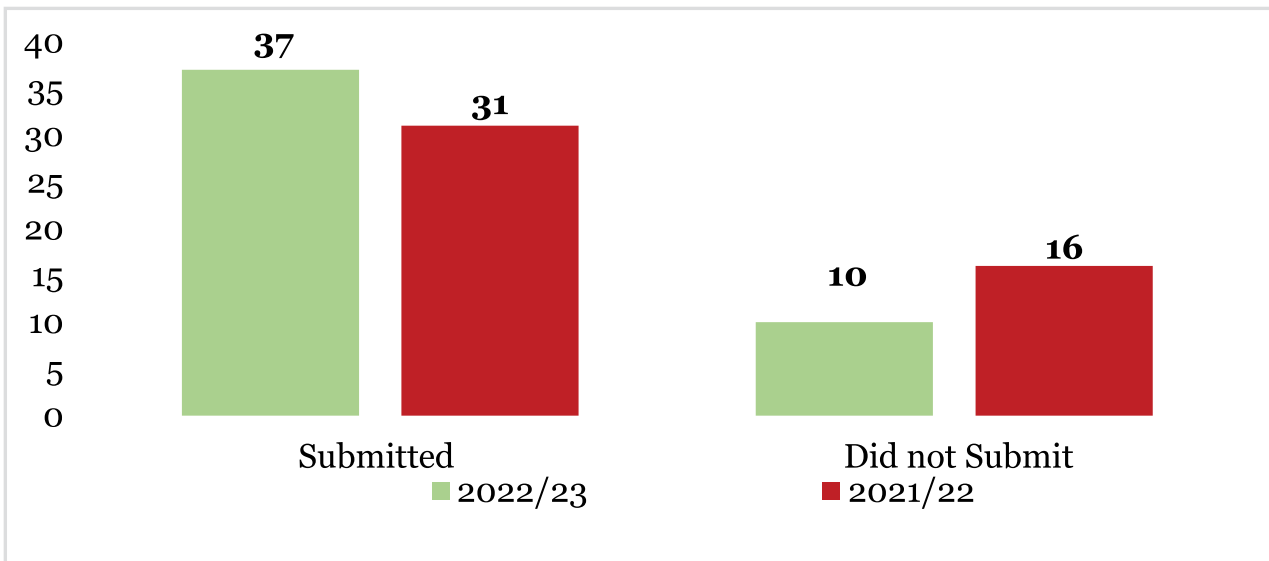


Figure 2: Number of Counties that submitted and did not submit CFSP in FY 2020-21 and FY 2021-22

A majority (49%) of the county treasuries submitted their CFSP after February 28, which is the statutory deadline for submission of CFSP to the county assemblies as shown in Figure 3 below. The low rates (28%) of compliance is an issue of concern to the Commission.

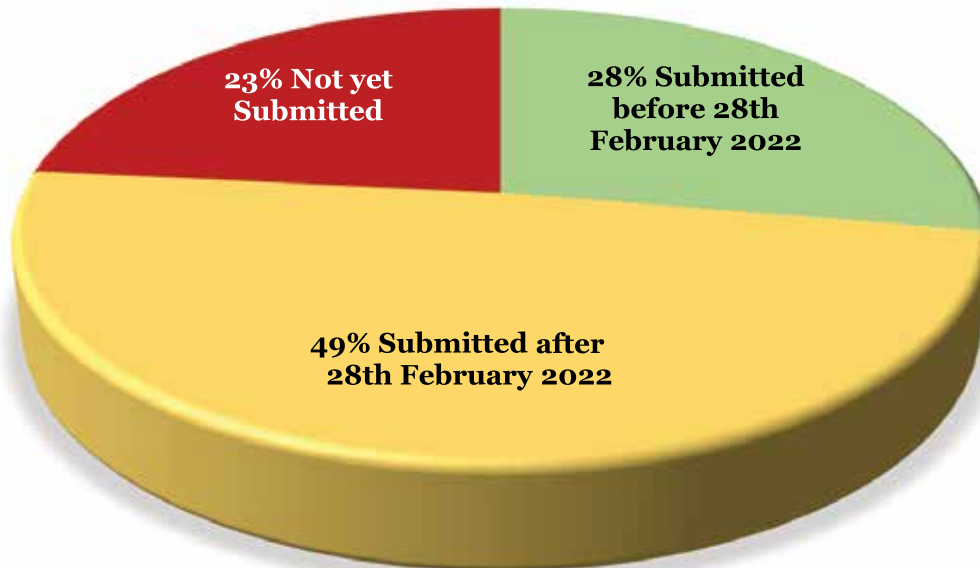


Figure 3: Percentage of counties that submitted the CFSP with the required deadline

Counties still have erratic revenue projections and require capacity enhancement in revenue forecasting. In compliance with the threshold of personnel emolument of 35% of the county's total revenue, a majority of the counties (26 out of 33) did not conform to the threshold as illustrated in Figure 4. Four counties did not provide data for 2022/23 personnel emoluments projections.

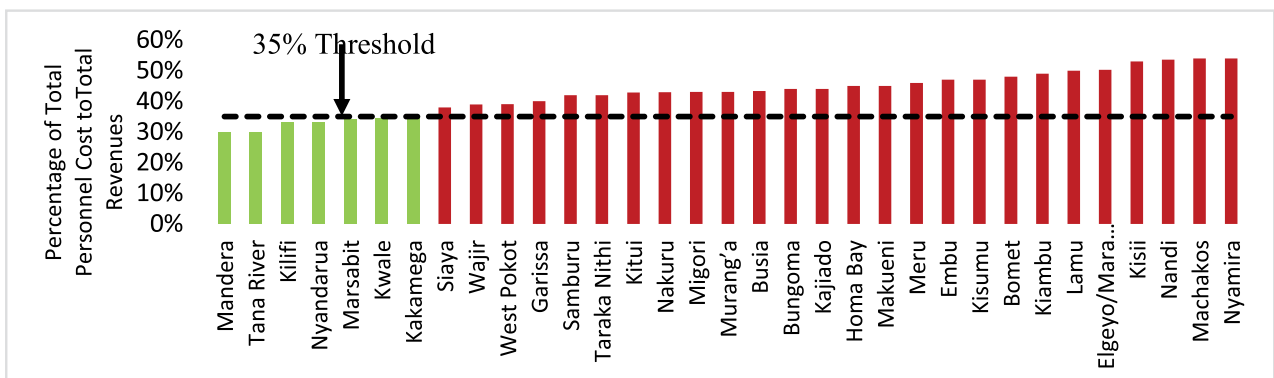


Figure 4: County Government's Personnel Emolument Proportion of Total Revenues

A majority of the counties adhered to the fiscal responsibility threshold of development expenditure being at least 30% as illustrated by Figure 5.

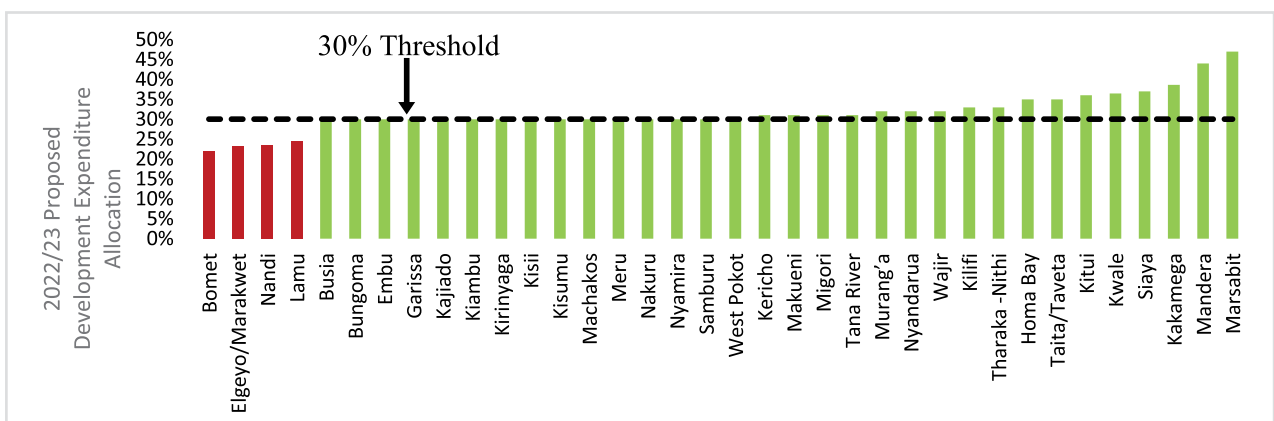


Figure 5: Proposed Development Expenditure Allocations 2022/23

Even though most of the county governments allocated a minimum of 30% towards development expenditure, a majority of them do not meet this requirement in terms of actual expenditure on development over the medium term as illustrated by Figure 6.

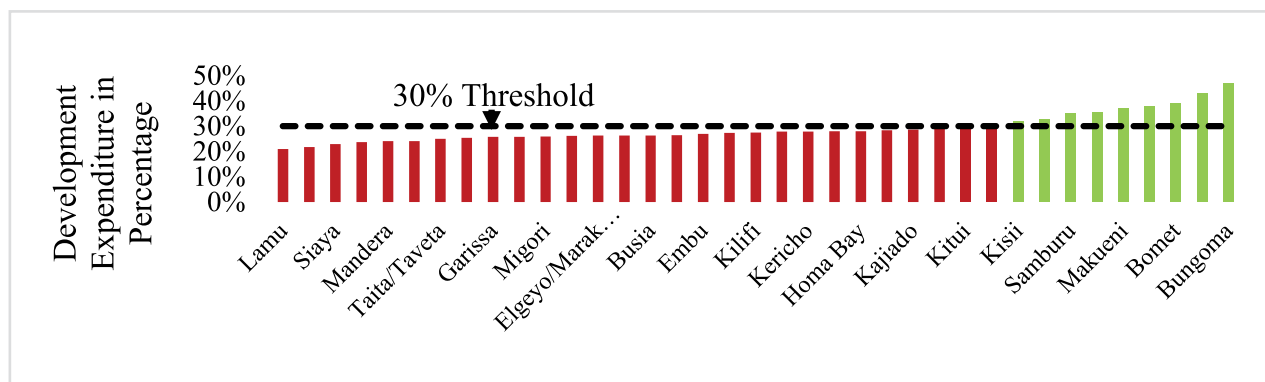


Figure 6: Average Development Expenditures Allocation for 2018/19, 2019/20, and 2020/21

### 2.3.3 County Budget and Economic Forums (CBEFs)

Enhancing the capacity of County Budget and Economic Forums (CBEFs) strengthens the capacity of county public finance structures. The Commission reviewed the CBEF Effectiveness Tool. This Tool evaluates the effectiveness of the CBEFs in planning, budgeting, financial management, and public participation. Further, the Commission coordinated peer-to-peer sharing by bringing together CBEFs from the 14 UNDP Focus counties.

### 2.3.4 Budget Cycle Report for the 2020/21 Financial Year

The PFMA, 2012 (Sections 125 to 136) provides guidelines for Kenya's budget process. Section 104 of the County Governments Act (CGA) stipulates that no public funds shall be appropriated without a planning framework developed by the County Executive Committee and approved by the County Assembly. The report sought to establish if there was alignment in Annual Development Plans (ADPs), CFSPs, Budgets, and financial statements for the 2020/21 Financial year.

It was observed from the report that even though the submission to CRA of the ADPs, CFSPs, and end-of-the-year financial statements is a requirement of law as provided by the PFM Act 2012, some counties do not adhere to this requirement. Further, some counties do not align CFSP, budgets, and financial statements.



*Participants at the workshop to disseminate gender-responsive revenue administration assessment reports for Tana River and Kajiado County governments supported UN Women and UNDP*

## 2.4. County Affairs

Article 216 (3c) of the Constitution requires the Commission to encourage fiscal responsibility in formulating recommendations. In the period under review, CRA executed this mandate through the following activities: the County Creditworthiness Initiative (CCI) and the development of a market-based product(s) for county governments.

### 2.4.1 County Creditworthiness Initiative (CCI)

County governments are expected to manage their finance, operations, and investments in ways that meet the fiscal responsibility yardstick. To support counties in this, the Commission supports county governments in bridging the financing gaps and developing an enabling environment for borrowing.

The CCI provides technical assistance to county governments to bridge their creditworthiness gap and access market finance for infrastructure and other development projects by:

- a) Strengthening the regulatory framework for County Government borrowing.
- b) Reforming fiscal decentralization typology that supports responsible borrowing regulated by market discipline.
- c) Institutionalise a framework that can oversee sustainable County government borrowing.
- d) Prepare capital market for the County Government borrowing.
- e) Strengthened County Governments' financial management for market access.

In the period under review, the credit ratings of Laikipia, Kisumu, Bungoma, and Makueni counties were reviewed by the Global Credit Rating Company Limited. The Commission provided technical assistance to the credit-rated counties. Nakuru County Government was sensitized on creditworthiness self-assessment exercise.

**Table 1: Credit Rating Scores**

Name of the County	Rating Score
Laikipia County	BBB- <sub>(KE)</sub>
Bungoma County	BBB- <sub>(KE)</sub>
Makueni County	BBB- <sub>(KE)</sub>
Kisumu County	BB <sub>(KE)</sub>

#### 2.4.2 Development of a market-based product(s) for county governments

Better credit ratings of the County Governments will provide them with access to market-based products. During the period under review, CRA in collaboration with Capital Market Authority (CMA), County Governments, National Treasury, and other stakeholders initiated the development of a market-based product(s) for County Governments.

### 2.5. Natural Resources Management (NRM)



*The Commission meeting with Kisi County Government officials to discuss how to enhance revenues from their natural resources*

The Constitution of Kenya requires the State to ensure sustainable exploitation, utilisation, management, and conservation of natural resources, ensure the equitable sharing of the accruing benefits under Article 69 (a) of the Constitution and utilize the natural resources for the benefit of the people of Kenya (Article 69 (h)).

To meet these obligations, the Commission formulates and reforms natural resource policy on exploitation for effective revenue enhancement, for sustainable natural resource management and stable economic development in Kenya.

The Commission also provides technical advice, oversees the implementation of strategies for effective natural resource exploitation and revenue sharing and promotes local capacities in sustainable natural resources management and fiscal planning.



Gold Miners in Karosi along River Migori, Migori County

During the year under review, the Commission:

1. Held consultations with the National Treasury and other stakeholders as a member of a taskforce to develop a framework for mineral royalty sharing. These aimed to explore collaboration in the mining sector and develop a funds flow mechanism, which ensures speedy disbursement of mining royalties to counties and communities.
2. Visited Migori and Kisii counties to discuss with the Counties' leadership how to enhance revenues and benefits from natural resources for the County Governments and the local communities.
3. Completed the Kenya Petroleum Technical Assistance Project (KEPTAP), a national government project, to strengthen Kenya's capacity to manage its petroleum sector and create wealth for sustainable development. Through this project, technical assistance and support for revenue and investment management reforms were provided, as was capacity building, of which CRA was a primary beneficiary.
4. Developed recommendations on natural resources revenue sharing, which was input into the vertical recommendation for the financial year.
5. Capacity building for the county governments on natural resources benefit-sharing through the PFM reform program.

**2.6. Revenue Enhancement**

The Commission is mandated to define and enhance the revenue sources for both the national and county governments (Article 216(3b), Constitution of Kenya, 2010). The Commission works closely with the county governments and provides advisory and technical support in revenue forecasting and capacity-building for county staff. During the financial year 2021/22, the following activities were undertaken.

### 2.6.1. Study to Determine Counties' OSR Potential and Tax Gaps

A report on counties' OSR Potential was developed during the reporting period. The study determined the maximum possible own-source revenue that each county government can collect from their most important revenue streams when they apply best practices in revenue administration. In addition, the study indicates the tax gap for all revenue streams per county.

The study estimated the potential for own-source revenue for county governments is Kshs. 216 billion. The Commission envisages that the findings of the study will be considered and recommendations implemented by county governments.

### 2.6.2. Analysed and Published Revenue Performance of County Governments

County Treasuries are mandated by Section 163 (1-4) of the PFM Act, 2012 to prepare annual financial statements. In addition, Section 164(1-4) mandates accounting officers of County Government entities to prepare annual entity financial statements in formats prescribed and published by the Accounting Standards Board.

Further, Section 165(1-4) mandates the receiver of revenue for a county government to prepare an account in respect of revenue collected, received, and recovered by the receiver during that financial year. All the reports are submitted to the Auditor General and copies are submitted to the National Treasury, Controller of Budget, and the Commission on Revenue Allocation.

In line with the above, the Commission prepared an annual performance report for the financial year 2022/21. The report was prepared based on the information provided in the county executive financial statements for FY-2020/21.

### 2.6.3. Developed and Disseminated Tana River County Revenue Assessment Report

The Commission through funding from UN Women Kenya, implemented the 'Strengthening citizen participation in planning, budgeting, and gender-responsive revenue administration and enforcement framework.'

In line with the Commission's mandate and in partnership with UN Women, the Commission undertook a study of the revenue administration of Tana River County Government from a gender perspective. The activity aimed at enhancing gender responsiveness in county revenue administration assessment and enforcement framework.

The assessment report ensures that the revenue assessment reforms actions plan is gender mainstreamed, providing strong and coherent pathways for women's leadership and participation in decision-making.

## 2.7. Legal Affairs



### 2.7.1 County Assembly Training on Own Source Revenue

The Commission trained 45 county assemblies and county governments' technical staff on model laws on revenue. *A Report on County Assemblies' Own Source Revenue Training* was produced and disseminated widely to key stakeholders and the wider public. The report provides recommendations on how to strengthen county governments' financial management.



Launch of the OSR Training Report -June\_2022

### 2.7.2 Review of Bills and Policies

The Commission is required under Article 205 of the Constitution to make recommendations to the National Assembly and the Senate on any Bill dealing with sharing of revenue, or any financial matter concerning county governments. The Commission was part of the review team for the Division of Revenue and County Allocation Bills for the next FY. The Commission also reviewed and contributed to the County Additional Allocation Bill, the National Toll Bill, the Controller of Budget Regulations, County Finance Bills and County Revenue Laws.

The Commission also reviewed the Budget Policy Statement for the financial year and the Policy on Revenue Enhancement in the Counties.

### 2.7.3 Participation in Africities Conference in Kisumu

The Commission participated in the 9th edition of the Africities Summit, held in Kisumu from May 17 to 21, 2022. The Theme of the conference was: "The Role of Intermediary Cities of Africa in the Implementation of Agenda 2030 of the United Nations and the African Union Agenda 2063".

The conference recognised the fact that by 2050 the bulk of the African population will be living in cities, and that the majority of city dwellers will settle in intermediary cities. Thus, there was a felt urgent need to develop resilient and sustainable urbanization in Africa. Africa's development models, therefore, need to more energy efficient, low carbon, more inclusive, and more resilient.

The Commission made a presentation on financing cities as the hubs of future development and expounded on the need for conditional grants to close the gap caused by devolution through the financing of cities.



*CRA Chairperson, Dr. Jane Kiringai (third left) and other panellists at the Africities Conference in Kisumu*

#### 2.7.4 Development of a Framework for the Transfer of Court Fines and Fees Imposed Under County Legislation

The Commission participated in the development of a framework for the transfer of court fines and fees imposed under county legislation from the national level.

#### 2.7.5 Financing Cities

The Commission was appointed to work with the Urban Department in the Ministry of Housing to identify ways of financing urbanization in Kenya. The implementation of devolution resulted in a funding gap to the five counties of Ksh.14.8 billion in the 2013/14 financial year, the first full year of allocation of devolved funds, relative to historical expenditure.

The funding gap resulted from the implementation of the equitable share and was calculated based on equitable share allocations relative to historical transfers. Under this criterion, the cities were provided with significantly lower resources than were necessary to maintain service delivery at the same level as under the centralized system of government.

Based on alternative approaches used to determine the gap in funding to cities, the total gap ranges from Ksh. 60.3 billion to Ksh. 184 billion. On average, the historical funding gap between 2013/14 and 2015/16 was KSH. 12.1 billion per year, totalling Ksh. 60.3 billion estimated over a five-year period. The State Department for Urban Development and Planning estimated a gap of USD. 1 billion (approximately Ksh. 100 billion) for all urban areas in Kenya (whereby the 5 cities comprise 70 percent of the total urban population), and a bottom-up costing approach of the Schedule 4 functions unique to cities by the county governments determined a fiscal need of Ksh. 184 billion.

The Commission prepared two reports with the help of development partners to provide policy direction to fund urbanization in Kenya through a Conditional Grant in an Urban Development Fund (UDF) established under the Urban Areas and Cities Act 2011 (UACA).

The Commission envisages both the vertical and horizontal allocations should inject public funds into the UDF. In addition, working with other stakeholders, the fund can receive private financing and grants from developing partners.

### **2.7.6 Visit to Malindi Salt Fields**

The Commission and the Kenya Association of Manufacturers visited the “Salt-belt’ region in Malindi to consult with the private salt companies on how Corporate Social Responsibility support has improved the lives of the residents from marginalized areas.

This is in line with the Commission to determine, publish and regularly review a policy in which it sets out the criteria by which to identify the marginalised areas for purposes of the Equalisation Fund (Article 204 (2)).

The Commission appreciated the coordination between the private sector and the National Government, which contributed to improving the livelihoods of the area’s marginalized communities.

### **2.7.7 Joint work with Safaricom**

The Commission and Safaricom identified and supported Waldenega Women group in Merti, Isiolo County. With funding from the Safaricom Trust Foundation, the group refurbished its guest house.

### **2.7.8 Coordination of Court Cases**

The Commission handled the following court cases: Petition No. 4 of 2020 at the Bungoma High Court on employment of staff by the County Assembly and Constitutional Petition E003 at the Embu High Court - This challenged a circular issued by the Commission on County Assembly ceilings.

The Commission also presented a memorandum on the County Government Grants Bill 2021 to the Senate. The Bill provides a legal mechanism for the management, control, and accounting of both conditional and unconditional grants. The Bill, which was read for the first time on July 6, 2021, seeks to enable the transfer of KSh. 40 billion to respective County Revenue Funds (CRFs), and provides mechanisms for withdrawal from CRFs by county governments and mechanisms of their oversight by the Senate.

## 2.8. Communication and Engagement Activities

The Commission carried out a number of internal and external communication and engagement activities.

### 2.8.1 Development of Medium-Term Budget for FY 2022/23 – 2024/25

The Commission held a workshop to develop its medium-term budget for financial years 2022/2023 – 2024/2025. This involved review of the previous budget, projected economic performance, alignment to constitutional timelines and promoting recovery after the COVID 19 pandemic.



*CRA Commissioners and staff at the workshop to prepare its medium-term budget for FY 2022/23 – 2024/25*

### 2.8.2 Meeting with the Council of Governors

The Commission held discussions with the Council of Governors CEO, Mary Mwiti, on the Commission's support and participation in the Devolution Conference 2021.



*The Commission led by its chairperson Dr Jane Kiringai, held a meeting on the Devolution Conference with the Council of Governors CEO Ms. Mary Mwiti*

### 2.8.3 Visit to Mandera County

The Commission visited Mandera County to appreciate marginalized areas and review the impact of devolution in the county.

The county has a large number of areas identified as marginalised and has sought to improve those areas through targeted programs.



CRA Team with Mander County officials led by Governor Ali Roba outside Mander Water and Sewerage Company Headquarters

### 2.8.4 Outreach during the Devolution Conference 2021

The 7th Annual Devolution Conference was held in May, 2021 in Makueni County. The Conference focused on sub-national climate action. The theme of the Conference was “Multi – level Governance for Climate Action” with a sub-theme: “Sub-National Mobilization in Unlocking the Full potential in Climate Action”.



Visitors to CRA's exhibition booth at the 7th Annual Devolution Conference held in Makueni County

### 2.8.5 Constitutional Commissions and Independent Office's 10 Year Celebration

The Commission took part in the Constitutional Commissions & Independent Offices (CC&IOs) celebration of 10 years of Excellence in Promoting Constitutionalism and Observance of Democratic Values and Principles.



*Chief Justice Martha Koome (right) hands over the Compendium to CRA Commissioner Dr. Irene Asienga at the Celebration*

## 3. FINANCIAL STATEMENT

### 3.1. Statement of Performance Vs Predetermined Objectives for FY 2021/22

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)
<b>Sub programme 1:</b> General Administration and Planning	1. Enhanced internal controls and prudence in Financial management	Unqualified Audit opinion 2021	1	1		385,152,912	377,108,692
	2. Work environment and safety survey	Established Terms of References, tools and survey report.	1	-	Suspended due to budgetary constraints		
	3. Employee satisfaction survey	Report on employee satisfaction survey	1	-			
	4. Staff Car and Mortgage Schemes	No. of Car Loan applications facilitated	10	7	Based on loan requests		
		No. of staff Mortgage Loan applications facilitated	30	23	Target not met due to budgetary constraints		
	5. Reviewed Organizational & Salary Structure	Cost of living adjustment (COLA)	1	1			
	6. Commissioners and Staff trained	No. of Commissioners and staff trained	25	20	Affected by Budget cuts		
	7. Replacement of motor vehicles	No. of vehicles	2	2			
8. Revised policy manuals	Updated manuals (Finance, HR, Procurement, ICT and Communications)	5	5				
<b>Sub programme 2:</b> Equitable Sharing of Revenue	1. Equitable sharing of revenue between national and county governments (Vertical recommendation)	Annual Recommendation on equitable sharing of revenue between the national and county governments for the FY 2021, 21/22 and 2022/23	1	1	Completed and submitted to Parliament in November 2021 in Line with the revised budget calendar for 2022/23	20,010,000	18,884,209
		Recommendations on the provisions of the Budget Policy Statement, Budget Review and Outlook Paper and the Debt Strategy Paper	3	3	Three memoranda were completed and submitted to the National Treasury in December 2021		
	Review bases for sharing conditional grants		1	1	Done as part of the Commission's recommendation on sharing of revenue between the national and county governments for FY 2021/22		

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)
	2. Revenue shared equitably among county governments	No. of Bills Reviewed (DoRB, CARB, County government Grant Bill)	3	3	Completed and submitted the three Bills to Parliament by end of March 2022		
	3. Publicize Recommendation on equitable sharing of Revenue between the National and County governments and the 3rd basis formula for Revenue sharing among county govts	Technical report on the Third Basis for sharing of revenue among county governments and the popular version of the Third Basis recommendation printed and publicized (%)	100	100	The technical report on the Third Basis for sharing of revenue is now available online and accessible to the public. No hard copies were printed due to limited budget -The report is also available in hard copy.		
	4. Equity in sharing of decentralized funds	No. of conditional grants reviewed	4	-	Activity cancelled after the funds were merged into the Biashara Fund		
	5. Report on performance of county governments	Performance assessment report	1	-	Partially done as part of the CRA recommendation on the sharing of revenue between the national and county governments		
	6. Recommendation on a comprehensive natural resource revenue sharing criterion for adoption by national government	Natural Resources revenue sharing Criteria	1	1	Done as part of the CRA's recommendation on the sharing of revenue between the national and county governments. An intergovernmental taskforce was put in place under the State Department for Mining to determine a framework for the sharing of royalties from mining activities.  A framework was developed and shared with stakeholders for their input.		
	7. County Fact Sheets	County fact sheet developed and publicized	-	1	launched on 29th June 2022		
	8. Knowledge Management Framework	Establish partnerships with academic and other institutional resource centres and digital repository (%)	15	9	Partnership on sharing of information and collaboration on budget matters with the Parliamentary budget Office		

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)
Sub programme 3: Public Finance Management	1. Framework for recurrent expenditure budget ceilings for county governments.	Annual recommendation on recurrent budget ceiling FY20/21, 21/22, 22/23	1	1	was initiated and a memorandum on collaboration discussed.	19,050,954	16,930,613
	2. Counties engaged and supported to be compliant with PFM legislations	No. of ADPs, CBs, CFSPS and Financial Statements reviewed	188	76	Recommendation submitted to the Senate  Continuous and based on submission		
	3. Report on status of assets and liabilities of both levels of government	County government public expenditure review report developed  A report on Assets and Liabilities of both levels of government	1	1	Developed an analysis of the county budget cycle for the FY 2020/21 report  The Identification, Verification, Validation and Transfer of Assets and Liabilities of: i. Defunct Local Authorities in Kenya to respective county governments on basis and development of liquidation options for settlement of liabilities of defunct Local Authorities. (The exercise was effected vide Gazette Notice No. 2701 of 24th March, 2017, and subsequently Gazette Notice No. 4370 of 11th May, 2018. The Consolidated Report can be accessed through this link: <a href="https://igtrc.go.ke/download/consolidated-report-on-assets-and-liabilities-of-the-defunct-local-authorities-2018/">https://igtrc.go.ke/download/consolidated-report-on-assets-and-liabilities-of-the-defunct-local-authorities-2018/</a> )  ii. Devolved Units of National Government. (The Consolidated report is ready but awaits approval by the IBEC.)		

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)	
	4. Established CBEFs and their effectiveness.	No. of CBEFs established	47	46				
		Monitor effectiveness of 47 CBEFs and their strengthening from Northern frontier counties	14	-	Not done due to inadequate funding offered by UNDP.			
		Application of a monitoring & evaluation tool on effectiveness	1	1	Tool was developed and reviewed to incorporate the Gender aspect			
	5. Data base on Natural Resources	No. of Capacity building trainings of the county government on natural resources	1	3		Migori, Kisii and Nakuru County Governments' natural resource reports		
		No. of Recommendation Reports on revenue enhancement from Natural resources	1	3		Migori, Kisii and Nakuru County Governments' natural resource reports		
		No. of Finance bills reviewed	47	11				
	6. Enhanced revenue sources	No. of County Revenue Administration assessment conducted	2	2		Undertook revenue administration assessments, disseminated the report and supported the developed of action plans for Isiolo, Turkana, Lamu and Samburu, Tana River and Kajiado		
		Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments	1	1		Developed a comprehensive own source revenue potential and tax gap study of county governments		
		Gender-responsive revenue administration assessment tool	1	1		Developed gender-responsive revenue administration assessment tool		
		County Natural Resource capacity gap report	1	1		CRA participated in the development of the proposed framework for Sharing Mineral Royalty Revenues between National government, County Governments and Communities		

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)
Sub programme 4: Transitional Equalization	7. Framework developed for processing PFM reports	No. of counties supported with technical assistance on natural resource policy formulation/reforms	5	3	3 counties supported, Migori, Kisii and Nakuru		
		No. of Policy Recommendations on Fiscal Responsibility	-	1	Developed draft framework for the assessment of county performance on fiscal responsibility		
		No. of Policies on financing and financial management developed	1	1	Developed draft County Creditworthiness Initiative manual		
		No. of counties rated under the CCI	3	3			
	8. Mechanisms developed on Financing and financial management of county government.	Champion adoption of Integrated County Management System ICRMS (%)	100	60	Multi-Agency Taskforce assessed 16 revenue management systems in use in 22 counties as well as E-Citizen system and KRA system currently under development. The Technical report with final recommendation on the best evaluated County ICRMS system was forward to the ICRMS Multi-agency taskforce comprising cabinet secretaries, COG (governors), Chair Person of Constitutional commission and independent office for adoption. Was finalized and launched in FY 2021/22		
		OSR Potential Study Report (%)	-	-			
	9. OSR Potential Study	No. of productive revenue sources defined	2	1			
	10. OSR Performance Review Reports	Quarterly PFM analytical review Reports	4	4			
	11. County Govt's Tariffs and Pricing Model	Recommendations on Revenue raising laws and Tariff policies	-	-	Recommendation given to the 47 county governments on Revenue raising laws.		
		A model tariffs and pricing policy	1	1			
	12. Integrated Data Management System	Data portal to 47 counties (%)	100	-			
	1. Marginalization Lab Established	Annual Report on status of marginalization in Kenya	-	-	Draft Report on social economic inequalities developed		21,812,596

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)
	2. Master Plan on de-marginalization of communities	Baseline report on each county's development status (%)	1	-	Commission plans to engage stakeholders to validate the report before publication Activity cancelled due to budgetary constraints.		
		Kenya inequality report 2020	1	1	The report on the Status of Social-economic Inequalities has been developed and validated by stakeholders. The report is awaiting publishing and launching		
		Impact assessment report on implementation of projects under the first & second policies identifying marginalized areas	1	-	First policy on Marginalization not fully implemented due to the dissolution of the Board following a court ruling in 2019.  Commission, jointly with the other stakeholders developed new regulations to operationalize the Equalization Fund as directed by the Courts in 2019.  The regulations were approved by Parliament in May 2021		
	3. Policy identifying marginalized areas	Third Policy identifying marginalized areas	1	-	The Commission has visited all the 14 marginalized counties to review implementation of the First policy.  A draft report on implementation of projects across the 14 counties has been done.  Drafting of the Third Policy identifying marginalised areas is ongoing		
					Finalisation of the third policy was delayed to put room for finalisation of implementation of the first policy and commencement of implementation of the Second Policy.		

Sub Programme	Key Outputs	Key Performance Indicators	Target 2021/22	Achievements	Status	GoK Revised Budget (Kshs.)	GoK Actual Expenditure (Kshs.)
		Publish and publicized the Third policy identifying marginalized areas	1	-	Scheduled to be done in the next financial year		
	4. Impact assessment of Equalization Fund	Report on impact of Equalization Fund	-	-	Not done due to incomplete implementation of the First policy due to court orders; and non-implementation of the Second policy.  The regulations to operationalize disbursement of the Funds were gazetted and the Equalisation Fund Advisory Board established and inducted.		
	5. Equalization Fund Board framework	Draft Equalization Fund Board Framework	-	-			
	6. Social Responsibility on marginalized communities	Report	1	-	A visit to the Salt Mining firms was undertaken by the Commission and a report prepared on the impact of the CSR activities prepared.		
<b>TOTAL REVISED BUDGET/EXPENDITURE FY 2021/2022</b>						<b>446,026,463</b>	<b>434,045,374</b>

## 3.2 Corporate Governance Statement

The Commission is guided in the performance of its governance functions by the Constitution of Kenya, the Commission on Revenue Allocation Act and other relevant legislative instruments. As a Constitutional Commission, CRA is responsible for ensuring that the democratic values and principles enshrined in the Constitution, including a high standard of professional ethics are promoted and attained. The Commission is responsible for overseeing its strategic direction and operational policies and the effective implementation of its functions.

The Commission has continued to lead the organization in an effective manner by ensuring the implementation of good corporate governance through its governance structures. The Commission continues to operate through its six Committees which assist in discharging its mandate, responsibilities and obligations. The Committees are namely:

1. Division and Allocation of Revenue Committee
2. Public Financial Management Committee
3. Revenue Enhancement Committee
4. Stakeholder Management and Marginalization Committee
5. Finance and Administration Committee
6. Audit, Corporate Governance and Risk Management Committee

The Commission continuously assesses its governance operating model to ensure that robust and proper systems, processes are in place to support the Commission and Secretariat to drive change, set strategic direction and formulate high-level goals and policies. The Commission Secretary/ CEO heads the Secretariat and has continued to provide leadership to the implementation of the Commission's strategies and as Accounting Officer oversees the financial and administrative functions of the Commission through laid down systems and processes.

During the year the Commission continued to deal with the effects of the global challenges brought about by the COVID-19 pandemic. This pandemic disrupted the working environment and necessitated the adoption of new ways of carrying out the Commission's activities as the Commission adopted the work from home modality. The Commission adopted and maintained the Public Health protocols issued by the Government and engaged technology to ensure smooth flow of activities, continuous engagements and holding of regular meetings.

During the period under review, the Commission held five Full Commission Meetings.

As part of enhancing the systems and processes towards good corporate governance practices, the Commission procured an E-Board management system towards the tail-end of the year under review that will go a long way to help the Commission lead and govern effectively and operate efficiently.

## 3.3 Management Discussion and Analysis

### 3.3.1 GoK Funding

The Commission prepares a programme based budget under one programme and four sub-programmes namely:

#### Program:

Inter government revenue and financial matters.

#### Sub – Programmes:

Sub Programme 1 – General Administration and Planning

Sub Programme 2 – Equitable Sharing of Revenue

Sub Programme 3 – Public Financial Management

Sub Programme 4 – Transitional Equalization and Stakeholder Engagement

In the reporting year, the Commission had various deliverables as highlighted under section VI above on CRA's performance against predetermined targets.

Further, with regard to facilitation of our activities, the Commission was allocated an approved budget of Kshs. 485.6 million which was later revised downwards through budget cuts of Kshs. 39.6 million in both the first and second supplementary budgets. The Commission's final revised budget for the reporting period was Kshs. 446 million.

The Commission managed to execute its mandate accordingly despite the budgetary constraints which called for downscaling of most expenditure items and other critical activities. Further, the Challenges of the recovery from the Covid 19 pandemic also affected execution of some other activities.

Given the Commission's revised budget of Kshs. 446 million, we managed to absorb Kshs. 434 million being 97% (2020/21: 98%) absorption rate of the budget.

### 3.3.2 Donor Funding

The Commission was allocated an indirect donor funding of **Kshs. 19,560,633** from United Nations Development Partners (UNDP), Public Financial Management Reforms (PFMR) and United Nations Women.

#### **United Nations Development Partners (UNDP)**

In the reporting year, the Commission continued with implementation of activities earlier supported by UNDP of up to **Kshs. 5,242,000**. The Commission utilized **Kshs. 2,633,876** being an absorption rate of **50%** of the funding compared to **53%** absorption rate in FY 2020/21. The funding was in support of the Commission's mandate inline with building capacity of counties in Public Financial Management. The three main activities included:

- i. Dissemination of revenue administration assessment report to Kajiado County.
- ii. Design, Printing and Launch of the Third Edition of the County Fact Sheets.
- iii. Automation of the County Budget and Economic Forum (CBEF) tool.

The Commission managed to undertake activities i and ii above as at June 30, 2022.

### **Public Financial Management Reforms (PFMR)**

The Public Financial Management reform secretariat developed the government of Kenya's Public Finance Management reform strategic plan for the period 2018-2023. The Commission had a role of delivering on two result areas:

- i. Result area one - Sustainable and predictable fiscal space to deliver government programs
- ii. Result area six - Effective management of public resources in Education Institutions, Health and other service facilities.

During the financial year 2021/22, the Commission sought to implement the activities of result area six by developing a model tariff and pricing policy for county governments. The Commission was allocated a budget of **Kshs. 8,333,333** and it spent **Kshs. 7,946,437.56** hence an absorption rate of **95%**. Given the limited resources, the commission was able to develop a draft model tariff and pricing policy. It is expected that the model policy will be completed in the financial year 2022/23.

### **United Nations Women**

The Commission partnered with UN Women on August 4th, 2021 to deliver on; mainstreaming gender in county plans, budgets, revenue administration and enforcement. The project sought to strengthen citizen participation in planning and budgeting processes through CBEF and mainstream gender in revenue administration and enforcement. The expected outcome was to increase budgetary allocation for gender equality and women empowerment in the FY 2022/23 at the county level. The two project outputs were:

- i. Gender-responsive planning and budgeting through enhanced County Budget Economic Forums
- ii. Gender-responsive revenue administration and enhanced enforcement.

In order to achieve the two projects, the Commission undertook the following;

- i. Capacity strengthening of CBEFs through peer to peer learning targeting FCDC counties (Kilifi, Manderu, Turkana, Wajir, Kwale, Garissa, West Pokot, Marsabit, Tana River, Samburu, Isiolo, and Lamu) and capacity strengthening of CBEFs in West Pokot, Narok and Kajiado Counties.
- ii. Reviewed the revenue administration and enforcement framework of Tana River, Marsabit, Busia and West Pokot; disseminate the revenue administration and enforcement framework assessment report and develop gender-responsive action plans based on the assessment reports, and monitor the implementation of gender-responsive action plans on revenue administration and enforcement in Lamu and Samburu and make relevant recommendations.

## Project Implementation

To Implement this project the Commission was allocated a budget of **Kshs 5,985,300** to run for a period of one year from August 2021 to July 2022. As at June 30th, 2022, the Commission had implemented:

- i. Revenue administration and enforcement Framework assessment for Tana River County
- ii. CBEFs Peer-To-Peer Learning Workshop in Kajiado County
- iii. Dissemination of Tana River County Revenue Administration and enforcement report
- iv. Narok CBEF Workshop in Nakuru
- v. Joint Review Mission to County Government of Turkana

In implementing the above-mentioned activities the Commission spent a total of **Kshs 998,280** on airtime, conference and domestic travel hence an absorption rate of **17%**. The low absorption rate was mainly due to the delayed request to have the donor support incorporated in the government budgeting cycle which adversely affected expenditure.

## 3.4 Environmental and Sustainability Reporting

### a) Sustainability Strategy And Profile

The Commission was established under Article 215 with its functions spelled out in Article 216. The Commission espouses the principles relating to public finance, bill of rights, national values as well as principles of good governance, to an extent that they apply to Public Financial Management (PFM). The Commission plays a significant role in promoting and advancing accountability, development, service delivery and equity through its activities and policy recommendations.

The Commission on Revenue Allocation was established to provide an objective and independent framework for equitable sharing of revenue raised by The National Government at the following levels:

1. Between the National and County Governments
2. Among County Governments.

The Commission successfully developed the first, second and third basis formula hence support the devolution process in Kenya which is a model for developing countries. It has since sustained its operations using annual Exchequer allocations. Further, it supplements the Government of Kenya funding with donor support from time to time besides prioritizing expenditure on need basis and in line with its constitutional mandate.

### b) Environmental Performance

Environmental performance at the Commission is guided by the Environmental Management and Coordination Act, which informed the establishment of National Environmental Management Authority (NEMA) whose mandate is to support Institutions on environmental matters. CRA as an independent Commission complies with this Act and supports NEMA in meeting its core mandate.

### c) Employee Welfare

The Commission on Revenue Allocation values its employees and has initiated various programs to enhance this aspect. To this end, employee welfare is highly regarded and hence it has instituted programs that are monetary and some in kind to achieve this initiative.

The key objective is to improve their welfare benefits such as medical, access to loans, provision of orthopaedic seats in order to manage the effects of long hours of sitting at the workstations. The Commission has established an independent contributory employee association where staff welfare funds are kept for support whenever one is bereaved or has lost a member of immediate family. This has gone a long way in ensuring staff get support in this endeavour.

### d) Market Place Practices

The Commission as an Independent body, provides services to the Kenyan people as provided by the CoK (2010) and submits its recommendations to Parliament and other stakeholders. Despite being an Independent body it still adheres to the legal provisions in budgeting and procurement as provided by the Public Procurement and Asset Disposal Act, 2020.

The Commission further adheres to best practices in recruitment and selection which has enabled it to attract and retain best staff in recent times, with high qualifications and experience in their professional lines.

As it practices equity and fairness in the allocation of national cake similarly it uses the same principles in ensuring that there is fairness in the supply chain.

#### **e) Community Engagements**

The Commission through its public participation programs on the formulae has an opportunity to engage with communities in the 47 counties and especially in far flung and remote parts of the country. These engagements are through public discussions on issues related to the funds to be allocated to the counties and their views are collated for adoption in future. Furthermore, surveys are carried out on performance indices that shows the overall growth of the counties in terms of population, land size, among other parameters of resource allocation.

## 3.5 Commissioners Report and Statement of their Responsibilities

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

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Commission;
- (v) Selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

### Results

The results of the Commission for the year ended June 30, 2022 are set out on page 1 to 18.

### Commissioners

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

### Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with

Article 229 of the Constitution of Kenya, Section 81(4a) of the Public Finance Management Act, 2012 and Section 35 of the Public Audit Act, 2015.

**Approval of the Financial Statements**

The Commission’s financial statements were approved by the Commission on August 29th, 2022 and signed on its behalf by the Commission Secretary and Chairperson.



**CPA James Katule  
COMMISSION SECRETARY/CEO**



**Dr. Jane Kiringai  
CHAIRPERSON**

## 3.6 Report of the Auditor General

We have audited the accompanying (consolidated) financial statements of the *Commission on Revenue Allocation for the year ended June 30, 2022*, which of financial performance;

- (i) a statement of financial position;
- (ii) a statement of changes in net assets;
- (iii) a statement of cash flows;
- (iv) a statement of comparison of budget and actual amounts and
- (v) a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The *Commission's* Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial audit procedures that are appropriate in the circumstances an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have and appropriate to provide a basis for our audit opinion, the accompanying financial statements present fairly, in all materia.

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COMMISSION ON REVENUE ALLOCATION**

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

# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
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NAIROBI

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

### 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Commission on Revenue Allocation set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and

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*Report of the Auditor-General on Commission on Revenue Allocation for the year ended 30 June, 2022*

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

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

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Commission on Revenue Allocation 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.

### **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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Irregular Promotions of Staff Based on an Unapproved Salary Structure**

As previously reported, the Commission on Revenue Allocation (CRA) implemented a new salary structure in 2020/2021 financial year and accorded direct promotion to fourteen (14) staff members without the necessary approval from the Salaries and Remuneration Commission (SRC). This was contrary to Article 230 Clause 4(b) of the Constitution of Kenya which provides that the power and function of SRC shall be to advise the National and County Governments on the remuneration and benefits of all other public officers.

Although Management explained that the CRA had sought approval from The National Treasury on the structural reorganization of the budget which was granted, The National Treasury had advised that the changes in salary structure be approved by SRC. Although, the CRA sought for the advisory opinion on structural reorganization and staffing from SRC, it went ahead and implemented the unapproved structure before receiving the advisory. CRA claimed that SRC was only to provide advisory services and that they were at liberty to accept or reject the advisory.

Management also indicated that review and development of a new Strategic Plan of the Commission will align the current approved organization and salary structures with the results of the Job Evaluation undertaken by the Salaries and Remuneration Commission for 2021/2022-2024/2025 remuneration review cycle. This is aimed at realizing the most updated and optimum structures for the Commission. However, the SRC advisory opinion on structural reorganization and staffing was not provided for audit review.

In the circumstances, Management was in breach of the law.

## **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 Commissioners**

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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing Commission's ability to continue to sustain its 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 abolish the Commission or to 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.

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	Restated 2020-2021
<b>REVENUE</b>			
		Kshs	Kshs
<b>Revenue from Non-Exchange transactions</b>			
<b>Transfer from other Governments</b>			
Cheque Transfers	4.a	432,844,908	314,593,440
Donor Funding and other Income	4.b	11,578,594	30,382,848
<b>Transfer from Ministries</b>			
Ministry of ICT (MICT)-in kind	4.d	-	1,404,946
		<b>444,423,502</b>	<b>346,381,234</b>
<b>Revenue from Exchange Transactions</b>			
Other Incomes	4.c	45,000	
Sale of goods	4.e	-	8,840
<b>Total revenue</b>		<b>444,468,502</b>	<b>346,390,074</b>
<b>EXPENDITURE</b>			
Employee Benefits	5	196,004,252	190,087,159
Commissioner's Expenses (Board)	6	18,062,477	10,453,471
Depreciation & amortization	7	22,794,645	18,480,441
Repairs & maintenance	8	8,060,609	3,730,729
General expenses	9	148,666,564	82,830,547
General expenses funded by A.I.A	9	11,818,658	23,470,018
Finance costs	10	62,109	68,891
<b>Total expenses</b>		<b>405,469,314</b>	<b>329,121,255</b>
<b>OTHER GAINS / (LOSSES)</b>			
Gain on write off	14.a.	27,970	-
<b>Surplus / (Deficit) for the Period</b>		<b>39,027,157</b>	<b>17,268,818</b>
Contribution to National Treasury	9.a.	338,442	3,244
Balance of unutilised A.I.A		-	6,912,830
<b>Surplus for the Year</b>		<b>38,688,715</b>	<b>10,352,744</b>

Notes set out on page 7 to 19 form an integral part of the Financial Statements

  
James Katule

COMMISSION SECRETARY/CEO  
30/08/2022

  
CPA Maureen Junge  
FINANCE MANAGER  
ICPAK No. 9883

  
Dr. Jane Kiringai  
CHAIRPERSON

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 Commission'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 Commission 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 Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gatundu, CBS  
AUDITOR-GENERAL

Nairobi

04 January, 2023

## XII. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2022


	Note	2021-2022	Restated 2020-2021
		Kshs	Kshs
<b>REVENUE</b>			
<b>Revenue from Non-Exchange transactions</b>			
<b>i Transfer from other Governments</b>			
Exchequer Transfers	4.a	432,844,908	314,593,440
Donor Funding and other Income	4.b	11,578,594	30,382,848
<b>ii Transfer from Ministries</b>			
Ministry of ICT (MICT)-in kind	4.d	-	1,404,946
		<b>444,423,502</b>	<b>346,381,234</b>
<b>Revenue from Exchange Transactions</b>			
Other Incomes	4.c	45,000	
Sale of goods	4.e	-	8,840
<b>Total revenue</b>		<b>444,468,502</b>	<b>346,390,074</b>
<b>EXPENDITURE</b>			
Employee Benefits	5	196,004,252	190,087,159
Commissioner's Expenses (Board)	6	18,062,477	10,453,471
Depreciation & amortization	7	22,794,645	18,480,441
Repairs & maintenance	8	8,060,609	3,730,729
General expenses	9	148,666,564	82,830,547
General expenses funded by A.I.A	9	11,818,658	23,470,018
Finance costs	10	62,109	68,891
<b>Total expenses</b>		<b>405,469,314</b>	<b>329,121,255</b>
<b>OTHER GAINS / (LOSSES)</b>			
Gain on write off	14.a.	27,970	-
<b>Surplus / (Deficit) for the Period</b>		<b>39,027,157</b>	<b>17,268,818</b>
Remission to National Treasury	9.a.	338,442	3,244
Refund of unutilised A.I.A		-	6,912,830
<b>Net Surplus for the Year</b>		<b>38,688,715</b>	<b>10,352,744</b>

The notes set out on page 7 to 19 form an integral part of the Financial Statements

  
CPA James Katule

COMMISSION SECRETARY/CEO  
Date: 29/08/2022

  
CPA Maureen Junge  
FINANCE MANAGER  
ICPAK No. 9883  
Date : 29/08/2022


  
Dr. Jane Kiringai  
CHAIRPERSON  
Date : 29/08/2022

### XIII. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2021-2022 Kshs	Restated 2020-2021 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	581,188	839,406
Receivables from non-exchange transactions	12.a & c	40,781,511	42,251,095
		<b>41,362,699</b>	<b>43,090,501</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	69,466,610	25,262,279
Intangible assets	14	6,536,174	1,499,484
Mortgage Fund	15.a.	143,923,446	129,546,946
Car Loan Fund	15.b.	28,268,000	18,775,000
Covid 19 Fund	15.c.	2,771,315	5,130,000
		<b>250,965,545</b>	<b>180,213,709</b>
<b>TOTAL ASSETS</b>		<b>292,328,244</b>	<b>223,304,210</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	3,743,890	7,380,571
		<b>3,743,890</b>	<b>7,380,571</b>
<b>TOTAL LIABILITIES</b>		<b>3,743,890</b>	<b>7,380,571</b>
<b>NET ASSETS</b>		<b>288,584,354</b>	<b>215,923,639</b>
<b>Represented by:</b>			
Accumulated surplus		254,612,354	215,923,639
Revaluation Surplus	14.a.	33,972,000	
<b>TOTAL NET ASSETS &amp; LIABILITIES</b>		<b>288,584,354</b>	<b>215,923,639</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Commission by:

  
CPA James Katule  
COMMISSION  
SECRETARY/CEO

Date : 29/08/2022

  
CPA Maureen Junge  
FINANCE MANAGER /  
ICPAK No. 9883

Date : 29/08/2022

  
Dr. Jane Kiringai  
CHAIRPERSON

Date : 29/08/2022

**XIV. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2022**

Particulars	Notes	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
As at July 1, 2020			205,570,895	205,570,895
Revaluation Gain				-
Surplus/Deficit for the year			10,352,744	10,352,744
As at June 30, 2021		0	215,923,639	215,923,639
As at July 1, 2021		0	215,923,639	215,923,639
Revaluation Gain	14.a.	33,972,000		33,972,000
Surplus/Deficit for the year			38,688,715	38,688,715
As at June 30, 2022		33,972,000	254,612,354	288,584,354

## a) BY PROGRAMMES AND SB-PROGRAMMES (Exchequer and A.I.A)

No.	Particulars	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Absorption
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>SP1</b>	General Administration and Planning (GoK)	407,742,466	(22,589,554)	385,152,912	377,108,692	8,044,220	<b>98%</b>
	General Administration and Planning (A.I.A)		45,000	45,000		45,000	<b>0%</b>
<b>SP2</b>	Equitable Sharing of Revenue	31,010,000	(11,000,000)	20,010,000	18,884,209	1,125,791	<b>94%</b>
<b>SP3</b>	Public Financial Management (GoK)	21,050,954	(2,000,000)	19,050,954	16,930,613	2,120,341	<b>89%</b>
	Public Financial Management (A.I.A)		19,560,633	19,560,633	11,578,594	7,982,039	<b>59%</b>
<b>SP4</b>	Transitional Equalization and SM	25,812,596	(4,000,000)	21,812,596	21,121,860	690,736	<b>97%</b>
	<b>Total expenditure</b>	<b>485,616,016</b>	<b>(19,983,920)</b>	<b>465,632,096</b>	<b>445,623,968</b>	<b>20,008,128</b>	<b>96%</b>

## b) BY ECONOMIC CLASIFICATION (Exchequer and A.I.A)

No.	Particulars	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Absorption
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>1</b>	Salary and Allowance	228,150,000	(44,565,889)	183,584,111	179,648,687	3,935,424	98%
<b>2</b>	Operations and Maintenance (GoK)	120,714,800	16,378,870	137,093,670	133,803,748	3,289,922	98%
	Operations and Maintenance (A.I.A)		45,000	45,000	-	45,000	0%
<b>3</b>	Capital Expenditure	58,877,666	5,597,465	64,475,131	63,656,257	818,874	99%
<b>4</b>	Technical Sub-Programmes (GoK)	77,873,550	(17,000,000)	60,873,550	56,936,682	3,936,868	94%
	Technical Sub-Programmes (GoK)		19,560,633	19,560,633	11,578,594	7,982,039	59%

Total expenditure		485,616,016	(19,983,920)	465,632,096	445,623,968	20,008,128	96%
<b>c) SUMMARISED BUDGET (Exchequer and A.I.A)</b>							
No.	Particulars	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Absorption
		Kshs	Kshs	Kshs	Kshs	Kshs	
<b>1</b>	Exchequer (GoK Funding)	485,616,016	(39,589,553)	446,026,463	434,045,374	11,981,089	97%
<b>2</b>	Appropriation In Aid (A.I.A)		19,605,633	19,605,633	11,578,594	8,027,039	59%
	<b>Total expenditure</b>	<b>485,616,016</b>	<b>(19,983,920)</b>	<b>465,632,096</b>	<b>445,623,968</b>	<b>20,008,128</b>	<b>96%</b>

### General Information

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

### Statement of Compliance and Basis of Preparation – IPSAS 1

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

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

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

### Summary of Significant Accounting Policies

#### (i) Revenue from Non-Exchange Transactions – IPSAS 23

##### Exchequer Allocations

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

##### Donor Funding

The Commission received indirect donor funding of **Kshs. 19,560,633** from United Nations Development Partners (UNDP), Public Financial Management Reforms (PFMR) and UN Women. A detailed report is provided under Section VIII on management discussion and analysis

#### (ii) Revenue from Exchange Transactions – IPSAS 9

##### Sale of Newspapers

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

### **(iii) Non-Current Assets**

#### **Property, Plant and Equipment – IPSAS 17**

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

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

#### **Revaluation of Motor Vehicles**

The Commission undertook a revaluation of its fully depreciated vehicles which were still in usable condition. The Revaluation was done for a total of 15 vehicles with a cost of **Kshs. 108,355,969** all of which had been fully depreciated to a Net Book Value of zero. Through the exercise the Commission realised a revaluation surplus of **Kshs. 33,972,000**

#### **Mortgage and Car Loan Fund Accounts**

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

#### **Fringe Benefit Tax**

Fringe Benefit Tax was introduced by the new provisions under section 12B of the Income Tax Act. It is payable by the Commission in respect of loans provided to staff at an interest rate lower than the market rate. The taxable value of Fringe Benefit tax is determined as;

- (a) (Market Int rate for the month – Interest charged to employees) x Loan amount
- (b) Fringe benefit Tax payable by the Commission = (a) x 30%

The prescribed rates of interest are published by the Commissioner of Tax on a quarterly basis. In the reporting year the interests were published as 7%, 7%, 7% and 7% for Q1, Q2, Q3 and Q4 respectively

#### **Covid 19 Fund Account**

The Commission established a Covid 19 Fund with capital outlay of **Kshs. 5,130,000**. The fund was initially administered by CIC Insurance but has since been transferred to Jubilee Insurance (Current medical insurance service provider). The purpose of this fund is to offer assistance to both Commissioners and Staff in lessening the costly medical burden whenever a need arises. This fund is administered independently from the normal staff medical scheme.

As at the close of the FY 2021/22, the Commission had utilised **Kshs. 2,358,685** (46%) hence a roll over of **Kshs. 2,771,315**. On cancellation of the fund, any surpluses will be transferred back to the Commission.

#### **(iv) Intangible Assets – IPSAS 31**

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

#### **(v) Annual Depreciation & Amortization Rates**

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

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

#### **(vi) Provisions – IPSAS 19**

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

#### **(vii) Employee Benefits – IPSAS 2**

##### **Retirement Benefit Plans**

The Commission operates a private retirement benefit scheme with Jubilee Insurance, currently transferred to APA Life Insurance and administered by ICEA for all its permanent and pensionable employees. Further an amount equivalent to 20% and 31% of basic is set aside as pension and gratuity for all permanent and contractual employees respectively. Additionally, all the employees are members of the statutory National Social Security Fund (NSSF)

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

#### **(viii) Related Parties – IPSAS 20**

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

#### **(ix) Public Sector Combinations – IPSAS 40**

The standard which has been applicable since January 2019 covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is however not relevant to the Commission.

### **Financial Instruments – IPSAS 41 *(The standard is not relevant to the Commission)***

This standard is applicable from 1st January 2022. Its objective 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.

### **(x) Social Benefit – IPSAS 42**

Applicable: 1st January 2022

The objective of this standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided helps users of these financial statements and general purpose financial reports assess:

- (a) The nature of such social benefits provided by the entity;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

The standard is relevant to the Commission and was earlier adopted as per not 3 (vii) above

### **(xi) Cash and Cash Equivalents**

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

### **(xii) Pending Bills**

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

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>4</b>	<b>Transfers from other Governments</b>		
<b>(a)</b>	<b>Operational Grant (Exchequer Transfers)</b>		
	1st Quarter Exchequer	95,020,972	44,711,193
	2nd Quarter Exchequer	121,733,042	90,866,513
	3rd Quarter Exchequer	88,075,683	73,298,594
	4th Quarter Exchequer	128,015,212	105,717,140
		<b>432,844,908</b>	<b>314,593,440</b>
<b>(b)</b>	<b>Other Grants (Donor funding)</b>		
	United Nation Development Partners (UNDP)	2,633,876	14,795,050
	Public Financial Management Reforms (PFMR)	7,946,438	15,587,798
	UN Women	998,280	
		<b>11,578,594</b>	<b>30,382,848</b>
<b>(c)</b>	<b>Other Income</b>		
	Insurance refund on medical claim	45,000	
		<b>45,000</b>	<b>-</b>
<b>(d)</b>	<b>Transfer from Ministries</b>		
	Ministry of ICT (MICT)-in kind	-	1,404,946
		<b>-</b>	<b>1,404,946</b>
<b>(e)</b>	<b>Sale of Goods</b>		
	Sale of Newspapers/Assets	-	8,840
		<b>-</b>	<b>8,840</b>
<b>5</b>	<b>Employee costs</b>		
	Basic salaries	111,952,158	104,902,985
	Casual Labour	435,620	501,786
	Acting Allowance	564,446	165,537
	House Allowance	21,202,053	21,019,000
	Special Duty	2,076,000	2,408,000
	Top up for seconded staff	987,072	814,900
	Responsibility Allowance	2,259,222	3,400,000
	Transport Allowance	9,685,785	9,563,500
	Security Allowance	-	535,000
	Leave Allowance	1,415,000	1,390,000
	Telephone Allowance	3,306,677	3,385,000
	Pension contribution		19,485,839
		20,084,654	
	Gratuity	1,155,525	1,974,826
	Medical Insurance	18,680,711	18,702,142
	Group Life Insurance	1,193,060	981,991
	WIBA	1,006,269	856,653
		<b>196,004,252</b>	<b>190,087,159</b>

<b>6</b>	<b>Commissioner's Expenses</b>		
	Telephone Allowance	1,440,000	1,440,000
	Leave Allowance	400,000	400,000
	Security Allowance	3,840,000	7,680,000
	Domestic Travel costs	4,607,800	244,200
	Pre-feasibility studies and Research	280,800	
	Foreign Travel Costs	5,854,468	-
	Hospitality and Conference	1,363,200	386,841
	Training Expenses	91,000	
	Medical Insurance (Ex Gratia)	35,209	102,430
	Club Membership	150,000	200,000
		<b>18,062,477</b>	<b>10,453,471</b>

		<b>2021-2022</b>	<b>2020-2021</b>
<b>7</b>	<b>Depreciation &amp; Amortization</b>	<b>Kshs</b>	<b>Kshs</b>
	Refurbishment	692,266	1,967,340
	Furniture & Fittings	573,619	976,717
	Motor Vehicle	17,328,770	10,938,770
	Computer & Printers	2,776,668	2,798,274
	Office Equipment	300,100	517,853
	Intangible Assets	1,123,223	1,281,488
		<b>22,794,645</b>	<b>18,480,441</b>

<b>8</b>	<b>Repairs and maintenance</b>		
	Routine maintenance of Motor vehicles *	7,220,609	3,614,909
	Routine maintenance of Assets	840,000	115,820
		<b>8,060,609</b>	<b>3,730,729</b>

<b>9</b>	<b>General expenses</b>		
	Utilities Supplies -Electricity	1,919,972	1,773,293
	Utilities Supplies -Water	-	110,603
	Communication Supplies & Services	4,616,133	4,442,315
	Domestic Travel costs	21,011,413	2,249,650
	Pre-feasibility studies and Research	2,582,803	
	Foreign Travel Costs	7,298,821	-
	Printing Advertising & Information	6,624,936	2,190,219
	Rent Expenses	55,998,549	51,951,794
	Hire of Transport	63,114	1,095,963
	Training Expenses	8,042,478	173,800
	Catering Services	1,581,179	1,371,944
	Boards, Seminars & Conferences	15,951,088	2,678,200

Boards, Seminars & Conferences - Audit Committee	176,000	192,000
Insurance Costs (Motor Vehicle & Plant and Machinery)	3,669,527	2,602,565
Specialised Materials & Supplies–Library resources & Uniforms.	434,690	30,000
Office & General Expenses	3,932,196	980,267
Fuel oils and Lubricants	6,677,929	4,603,877
Security Guards	803,922	783,146
Cleaning Services	2,008,476	2,316,640
Membership fee, Dues and Subscriptions	533,152	429,620
Contracted Professional Services	526,732	1,500,000
Contracted Professional Services – Audit Fee OAG	464,000	464,000
Fringe Benefit Tax (Mortgage and Car Loan Schemes)	1,390,769	890,651
Expenditure on Covid Fund	2,358,685	
	<b>148,666,564</b>	<b>82,830,547</b>
<b>Expenses Funded by A.I.A</b>		
Boards, Seminars & Conferences (UNDP)	2,633,876	7,882,220
Boards, Seminars & Conferences (PFMR)	7,946,438	15,587,798
UN Women	998,280	-
Refund of unspent UNDP funding	240,064	-
	<b>11,818,658</b>	<b>23,470,018</b>
<b>Total General Expenses</b>	<b>160,485,222</b>	<b>106,300,565</b>
<b>9(a) Surplus Remission / Unspent A.I.A</b>		
<b>Refund to other Govt entities (NT)</b>	<b>338,442</b>	<b>3,244</b>
Unspent A.I.A - UNDP		6,912,830
<b>Sub – Total unspent A.I.A</b>	<b>338,442</b>	<b>6,912,830</b>
	338,442	6,916,074
	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>10 Finance Costs</b>		
Bank Charges	62,109	68,891
	<b>62,109</b>	<b>68,891</b>
<b>11 Cash and cash equivalents</b>		
CBK - 1000181281 (Recurrent A/c) - Exchequer	-	-
CBK - 1000181998 (Deposit A/c)	-	265,902
CBK – 1000182512 (Cash A/c)	-	-
Cash-on-hand (Petty Cash & office float)	581,188	573,503
	<b>581,188</b>	<b>839,405</b>

12	Receivables (Current Receivables)		
(a)	<b>Prepayments</b>		
	Medical Insurance	10,549,056	12,521,863
	Group Life	1,369,700	736,493
	WIBA	798,427	607,056
	Motor Vehicle	3,673,700	2,318,145
	Plant & Machinery		137,467
	Fuel		94,946
		<b>16,390,883</b>	<b>16,415,970</b>
(b)	<b>Deposit</b>		
	Rent	21,992,532	21,992,532
	Fuel	1,060,000	1,060,000
	Provision of Eline (Internet)	50,000	50,000
	Naivas Supermarket	100,000	100,000
		<b>23,202,532</b>	<b>23,202,532</b>

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

(c)	<b>Debtors</b>		
	Salary	64,663	64,663
	Outstanding Salary advances	1,105,483	2,558,624
	Outstanding Imprest from staff	17,950	
		<b>1,188,097</b>	<b>2,623,287</b>
(d)	<b>Credit Notes</b>		
	14 Riverside Mngt June 19 Payment	-	9,306
	<b>TOTAL Receivables</b>	<b>40,781,511</b>	<b>42,251,095</b>

13	Property, Plant and Equipment	Computers & Printers	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
		KShs	KShs	KShs	KShs	KShs
	<b>Cost or Valuation:</b>					
	<b>As at 30th June 2020</b>	<b>30,524,478</b>	<b>10,221,613</b>	<b>102,016,958</b>	<b>119,153,047</b>	<b>261,916,095</b>
	Additions during the year (Comps & Printers funded by PFMR)	1,404,946		58,000		1,462,946
	Disposal					
	<b>As at 30th June 2021</b>	<b>31,929,424</b>	<b>10,221,613</b>	<b>102,074,958</b>	<b>119,153,047</b>	<b>263,379,041</b>
	Additions	5,741,951	465,450	148,943	25,560,000	31,916,344
	Write off	(261,388)				(261,388)
	Adjustment of Cost for 15 vehicles revalued				(108,355,969)	(108,355,969)
	Revaluation				33,972,000	33,972,000
	<b>As at 30th June 2022</b>	<b>37,409,987</b>	<b>10,687,063</b>	<b>102,223,901</b>	<b>70,329,078</b>	<b>220,650,028</b>
	<b>Depreciation and Impairment</b>					
	<b>As at 30 June 2020</b>	<b>25,997,079</b>	<b>9,526,462</b>	<b>93,517,299</b>	<b>91,876,969</b>	<b>220,917,809</b>
	Depreciation	2,798,274	517,853	2,944,057	10,938,770	17,198,953
	Disposals/Write off					
	<b>As at 30 June 2021</b>	<b>28,795,353</b>	<b>10,044,314</b>	<b>96,461,356</b>	<b>102,815,738</b>	<b>238,116,762</b>
	Depreciation	2,776,668	300,100	1,265,885	17,328,770	21,671,422
	Disposal / Write off	(248,798)				(248,798)
	Adjustment of Accumulated depr for 15 vehicles revalued				(108,355,969)	(108,355,969)
	<b>At 30 June 2022</b>	<b>31,323,223</b>	<b>10,344,414</b>	<b>97,727,241</b>	<b>11,788,539</b>	<b>151,183,417</b>
	<b>Net Book Values</b>					
	<b>At 30 June 2022</b>	<b>6,086,763</b>	<b>342,648</b>	<b>4,496,660</b>	<b>58,540,539</b>	<b>69,466,610</b>
	<b>At 30 June 2021</b>	<b>3,134,071</b>	<b>177,298</b>	<b>5,613,602</b>	<b>16,337,308</b>	<b>25,262,279</b>

		2021-2022	2020-2021
		Kshs	Kshs
14	<b>Intangible assets - software</b>		
	<b><i>Cost or Valuation:</i></b>		
	<b>At 30 June 2020</b>	<b>14,260,261</b>	<b>12,045,981</b>
	Additions		2,214,280
	<b>At 30 June 2021</b>	<b>14,260,261</b>	<b>14,260,261</b>
	Additions	6,159,913	
	<b>At 30 June 2022</b>	<b>20,420,174</b>	<b>14,260,261</b>
	<b><i>Amortization and impairment</i></b>		
	<b>At 30 June 2020</b>	<b>11,479,289</b>	<b>10,114,449</b>
	Amortization	1,281,488	1,364,839
	<b>At 30 June 2021</b>	<b>12,760,777</b>	<b>11,479,289</b>
	Amortization	1,123,223	1,281,488
	Impairment loss		
	<b>At 30 June 2022</b>	<b>13,884,000</b>	<b>12,760,777</b>
	<b><i>Net Book Values</i></b>		
	<b>At 30 June 2022</b>	<b>6,536,175</b>	<b>1,499,484</b>
	<b>At 30 June 2021</b>	<b>1,499,484</b>	<b>2,780,973</b>
(a)	<b>Revaluation of Motor Vehicles</b>		
	<b><i>Cost or Valuation:</i></b>		
	<b>As at 1st July 2021</b>	<b>108,355,969</b>	-
	Accumulated depreciation	(108,355,969)	-
	<b>Net Book Value At 30 June 2022</b>	-	-
	Revalued amount	33,972,000	-
	<b>Surplus/gain on Revaluation</b>	<b>33,972,000</b>	-
(b)	<b>Write off of two Laptops</b>		
	<b><i>Cost or Valuation:</i></b>		
	<b>As at 1st July 2021</b>	<b>261,388</b>	-
	Accumulated depreciation	(248,798)	-
	<b>Net Book Value At 30 June 2022</b>	<b>12,590</b>	-
	Salvage Value	40,560	-
	<b>Gain / (Loss on write off)</b>	<b>27,970</b>	-
15 (a)	<b>Mortgage Account (Restricted Cash)</b>		
	<b>At 30 June 2021</b>		<b>117,403,126</b>
	Additions		12,143,820
	<b>At 30 June 2022*</b>		<b>129,546,946</b>
(b)	<b>Car Loan Account (Restricted Cash)</b>		
	<b>At 30 June 2021</b>		<b>11,275,000</b>
	Additions		7,500,000

	<b>At 30 June 2022 *</b>	<b>18,775,000</b>
<b>(c)</b>	<b>Covid 19 Fund (Restricted Cash)</b>	
	<b>At 30 June 2021</b>	<b>-</b>
	Additions	5,130,000
	Expenditure FY 2021/22	
	<b>At 30 June 2022</b>	<b>5,130,000</b>

Mortgage scheme is administered by KCB Bank Limited (KICC branch). The loans to staff are issued at 4% interest rate being; 3% Administration cost and 1% earnings to the revolving fund. Further, the Car Loan scheme is managed internally at 3% interest which is recouped back to the account.

Covid 19 Fund was established in FY 2020/21 for purposes of catering for staff expenses related to Covid 19. It is previously administered by CIC Insurance and in the reporting period it was administered by Jubilee Insurance Co. The expenditure on Covid fund for the reporting period did not affect the Budget/Vote book.

## 16. Trade and other payables from exchange transactions

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Gratuity	462,210	3,518,052
	Other Staff Payables	39,044	108,695
	Audit Fees	464,000	464,000
	Trade Payables (Suppliers Invoices) *	2,778,636	3,289,824
		<b>3,743,890</b>	<b>7,380,571</b>

## 17. Financial Risk Management

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

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

### (i) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Commission.

Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows; (a) Cash and short-term deposits are placed with well established financial institutions of high credit standing, (b) The Commission does not raise debtors in its ordinary course of business apart from those arising from related parties or members of staff which can easily be recovered.

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

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

- a) Cash and bank balances
- b) Prepayments
- c) Deposits
- d) Outstanding salary advances
- e) Outstanding Staff travel imprests.

## **(ii) Liquidity Risk**

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

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

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

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

## **18. Contingent liabilities /Assets**

### **Gratuity payment for Employees on Contract**

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

## **19. Comparatives**

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

## **20. Subsequent Events**

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30, 2022.

## **21. Significant Judgements and Sources of Information Uncertainty**

The preparation of the Commission's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Commission estimates accrued gratuity payable to contractual staff at end of their contract. Gratuity is based at 31% of their basic pay.

## 22. Estimates and Assumptions

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

## 23. Useful Lives and Residual Values

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

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

## 24. Provisions

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

## Annex I. Progress on Follow Up of Audit Recommendations

The Commission received Unqualified Audit opinion in financial year 2020/21. Three governance issues listed below were however raised on lawfulness and effectiveness in use of public resources.

Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
1746	Non-Compliance with the law on Fiscal Responsibility – Wage bill	Personnel emoluments in the current and previous years is approximated at 60% of the approved estimates. The Commission therefore is committed to continuously pursue the National Treasury and Parliament to consider increasing our annual budget allocation in order to settle this matter.	Finance Manager	Matter not resolved	Continuous
1747	Irregular promotion of staff based on an unapproved salary structure	The Commission undertook a legitimate process within its mandate and also sought the approval of both the National Treasury and Salaries and Remuneration Commission to promote its staff internally.	DCS / CEO	Matter still under review	N/A
1748	Irregular issuance of salary advance to Commissioners	The Commission revised its HR policy which clearly stipulates that Commissioners are not entitled to salary advances. In addition, the Commission has since managed to recover all outstanding advances from Commissioners.	DCS / CEO	Matter resolved	N/A



CPA James Katule  
**COMMISSION  
SECRETARY/CEO**

Date: 29/08/2022



CPA Maureen Junge  
**FINANCE MANAGER  
ICPAK No. 9883**

Date: 29/08/2022



Dr. Jane Kiringai  
**CHAIRPERSON**

Date: 29/08/2022

## Annex II. Analysis of Pending Accounts Payables (Kshs)

S/ No.	Item	Supplier	Description	Year	Closing Balance FY 20/21	PV No.	Paid In FY 21/22	Prior Year's Adjustment	Pending For FY 21/22	Closing Balance FY 21/22
	A	B	C	D	E	F	G	H	I	J=E-G+I
1	2210101	14 Riverside mgt	Electricity bill-June 21	20/21	17,854	7266	17,854			-
2	2210101	15 Riverside mgt	Electricity bill-March 22	21/22					194,115	194,115
3	2210101	15 Riverside mgt	Electricity bill-Bal May 22	21/22					12,152	12,152
4	2210201	Safaricom	2210101 Telephone Bill - June	20/21	1,166	6957	17,854	-	206,267	206,267
5	2210201	Safaricom	Telephone Bill - Bal for June 2022	21/22			1,166			-
6	2210301	Attic & Longrock tours and travel	2210201 Tickets to Lamu	20/21	124,700	6961/6963	124,700			-
7	2210503	Juska General Supplies	2210301 Newspapers - May 21	20/21	124,700	7012	124,700			-
8	2210603	Cape Holdings	2210503 Partial Rent Q4	20/21	6,340	250821	6,340			-
9	2210603	Cape Holdings	Balance for Q4 rent	21/22	220,149		6,340			-
10	2210801	Naivas Supermarket	2210603 Supplies - June 2021	20/21	220,149		220,149			-
					220,149	6952	220,149	-	553,548	553,548
					115,647		115,647			-

S/ No.	Item	Supplier	Description	Year	Closing Balance FY 20/21	PV No.	Paid In FY 21/22	Prior Year's Adjustment	Pending For FY 21/22	Closing Balance FY 21/22
11	2210801	Oliveira Restaurant	Supplies - May 2022	21/22					64,925	64,925
12	2210801	Oliveira Restaurant	Supplies - June 2022	21/22					113,495	113,495
13	2210802	Obina (CRA/COG Function)	2210801	20/21	115,647	7007	115,647	-	178,420	178,420
14	2210802	Kayamba Africa (CRA/COG Function)		20/21	116,000	7003	116,000			-
					75,400		75,400			-
			<b>2210802</b>		<b>191,400</b>		<b>191,400</b>	-	-	-
15	2211201	NOCK	Fuel Balance for May 22						147,005	147,005
16	2211201	NOCK	Fuel - Bill June 22						478,929	478,929
			2211201		-		-		625,934	625,934
17	2211305	Jepco Cleaning Services	Cleaning - Bal for June 2022	21/22					100,000	100,000
			<b>2211305</b>		<b>-</b>		<b>-</b>	-	<b>100,000</b>	<b>100,000</b>
18	2211310	Auditor General	Audit fee for 2020/21	20/21	464,000	7530	464,000			-
19	2211310	Paul Nyamodi & Co. Advocates	Legal Counsel	19/20	500,000					500,000
20	2211310	Dr. Linda Musumba & Co. Advocate	Legal Counsel	20/21	1,500,000	020921/051021	1,050,000			450,000
21	2211310	Auditor General	Audit fee for 2021/22	21/22					464,000	464,000
22	2211310	TeamsThatwin Consultants Ltd	Balance for provision of documentary services for the county fact sheets launch	21/22					100,092	100,092

S/ No.	Item	Supplier	Description	Year	Closing Balance FY 20/21	PV No.	Paid In FY 21/22	Prior Year's Adjustment	Pending For FY 21/22	Closing Balance FY 21/22
			<b>2211310</b>		<b>2,464,000</b>		<b>1,514,000</b>	-	<b>564,092</b>	<b>1,514,092</b>
<b>23</b>	2220101	Toyota Kenya Ltd	Repairs GKA841X	20/21	15,100	6948	15,100	-	-	-
<b>24</b>	2220101	Toyota Kenya Ltd	Repairs GKA842X	20/21	92,124	6959	92,124	-	-	-
<b>25</b>	2220101	Toyota Kenya Ltd	Repairs GKB040A	20/21	87,787	7100	81,410	6,377	-	-
<b>26</b>	2220101	Ctrack Kenya	Tracking for June 2021	20/21	43,500	7159	43,500	-	-	-
			<b>2220101</b>		<b>238,511</b>		<b>232,134</b>	<b>6,377</b>	<b>-</b>	<b>-</b>
		Staff Mortgage & Car Loan Expenses								
<b>27</b>	4110403	Mortgage Fringe Benefit Tax		20/21	373,434	6928	373,434	-	-	-
<b>28</b>	4110405	Staff Car Loan Fringe Benefit Tax		20/21	7,000	6928	7,000	-	-	-
<b>29</b>	4110403	Mortgage Fringe Benefit Tax		21/22					60,703	60,703
			4110403 & 4110405		380,434		380,434	-	60,703	60,703
		<b>TOTAL PENDING BILLS</b>			<b>3,760,201</b>		<b>2,803,824</b>	<b>6,377</b>	<b>2,292,636</b>	<b>3,242,636</b>

## Annex III. Analysis of Pending Staff Payables

S/No.	Item	Name	Description	Year	Closing Balance Fy20/21	Pv No. /tw	Amt Paid In Fy 21/22	Pending For Fy 21/22	Closing Balance Fy 21/22
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H=D-F+G</b>		
1	2110101	Edwin Ombaka	Leave Allowance	20/21	5,000				5,000
			<b>Salary &amp; Allowances</b>		<b>5,000</b>	-	-	-	<b>5,000</b>
2	2210302	Kelvin Kimanathi	Visit to Tana River	20/21	24,500	2336/1	24,500		-
3	2210302	Lineth Oyugi	Visit to Tana River	20/21	37,800	2331/1	37,800		-
			Domestic - 2210302		62,300		62,300		-
4	2210801	William Birech	Lunch -Proc & Finance Staff on 30/6/21	20/21	7,040	1414	7,040		-
			<b>Hospitality - 2210801</b>		<b>7,040</b>		<b>7,040</b>		-
5	2210910	Geoffrey Ntooki	Medical Claim	20/21	11,000	6907	11,000		-
6	2210910	Salvatory Okoth	Medical Claim	20/21	4,000	6908	4,000		-
7	2210910	Maureen Junge	Medical Claim	20/21	1,700	6909	1,700		-
8	2210910	William Birech	Joyce Funeral - Wreath	20/21	4,655	1422	4,655		-
			<b>Medical Claim-2210910</b>		<b>21,355</b>		<b>21,355</b>		-
9	2211201	Zaddock	Fuel - June 21	20/21	5,000	6905	5,000.00		-
10	2211201	Elizaphna Muriithi	Fuel - June 21	20/21	5,000	6906	5,000.00		-
11	2211201	Salvatory Okoth	Fuel - June 21	20/21	3,000	6904	3,000.00		-
			<b>Fuel - 2211201</b>		<b>13,000</b>		<b>13,000</b>		-
12	2211306	Peter Gachuba	Club Subscription	21/22		310522/4		34,044	34,044
			<b>Subscription - 2211306</b>		<b>-</b>		<b>-</b>	<b>34,044</b>	<b>34,044</b>
13	2710100	Emily Kimani	Accrued Gratuity	17/18	18,060	060921/1	18,060		-
14	2710100	Emily Kimani	Accrued Gratuity	18/19	504,611	060921/1	504,611		-
15	2710100	Emily Kimani	Accrued Gratuity	19/20	558,344	060921/1	558,344		-
16	2710100	Emily Kimani	Accrued Gratuity	20/21	588,196	060921/1	588,196		-

<b>17</b>	2710100	Dr. Moses Sichei	Accrued Gratuity	19/20	462,210	7508	462,210		-
<b>18</b>	2710100	Dr. Moses Sichei	Accrued Gratuity	20/21	1,386,630	7508	1,386,630		-
<b>19</b>	2710100	CPA James Katule	Accrued Gratuity	21/22				462,210	462,210
			Gratuity - 2710101		3,518,052		3,518,052	462,210	462,210
			<b>TOTAL COMMISSIONERS &amp; STAFF PAYABLES</b>		<b>3,626,747</b>		<b>3,621,747</b>	<b>496,254</b>	<b>501,254</b>

## Annex IV. Prior Year's Adjustment for FY 2021/22

Note	Particulars	Year	Item	PV	Audited	Revised	Difference	Reason	Action	Affected Statement	Effect on Financial Statements
	A	B	C	D	E	F	G=E-F				
<b>8 &amp; 16</b>	Motor Vehicle maintenance Expenditure and Trade payables	20/21	2220101	7100	3,621,286	3,614,909	6,377	Overstatement	Reduce Repairs and maintenance, Trade payables and increase surplus by 6,377	Financial Performance, Financial Position, Changes in Equity and Cash flow statement	Increased Net Assets and Surplus by 6,377
<b>15.a.</b>	Staff Mortgage Fund Account	20/21	41104-03		129,545,946	129,546,946	(1,000)	Understatement	Increase mortgage fund and reduce car loan fund by 1,000	Statement of Financial Position	Nil
<b>15.b.</b>	Staff Car Loan Fund Account	20/21	41104-05		18,776,000	18,775,000	1,000	Overstatement			
	<b>Total Adjustment</b>					<b>(A)</b>	<b>6,377</b>				
	<b>Note:</b>										
	<b>Audited Net Assets 20/21</b>					<b>(B)</b>	<b>215,917,262</b>				
	<b>Revised Net Assets 20/21 (Opening Bal)</b>					<b>C=(A + B)</b>	<b>215,923,639</b>				

## Annex V. Reconciliation on Budget, Accrued and Actual Amounts of Financial Statements

No.	Item	Details	Revised Estimates	Staff	Commissioners	Actual Accrued Recorded Expenditure	B/D Prepayments from 20/21	C/D Prepayments 21/22	Prior Year Adjustments	Accruals Paid in FY 21/22	Accruals for FY 21/22	Actual Cash Expenditure
	A	B	C	D	E	F	G	H	I	J	K	L=F+G+H+J-K
		<b>REVENUE</b>										
1	9910201	GoK Exchequer	446,026,462	432,844,908		432,844,908						432,844,908
		<b>EXPENDITURE</b>										
2	2110101	Basic Salaries - Civil Service	114,196,844	112,516,604		112,516,604						112,516,604
3	2110202	Casual Labour - Others	474,100	435,620		435,620						435,620
4	2110301	House Allowance	21,436,000	21,202,053		21,202,053						21,202,053
5	2110309	Special Duty Allowance	2,448,000	2,076,000		2,076,000						2,076,000
6	2110310	Top-up Allowance	1,097,572	987,072		987,072						987,072
7	2110312	Responsibility Allowance	2,380,000	2,259,222		2,259,222						2,259,222
8	2110314	Transport Allowance	9,844,000	9,685,785		9,685,785						9,685,785
9	2110316	Security Allowance	3,840,000		3,840,000	3,840,000						3,840,000
10	2110320	Leave Allowance	1,815,000	1,415,000	400,000	1,815,000						1,815,000
11	2110405	Telephone Allowance	4,805,677	3,306,677	1,440,000	4,746,677						4,746,677
12	2120103	Employer Contribution to Staff Pensions Scheme	21,246,918	20,084,654		20,084,654						20,084,654
		<b>Salary and Allowances</b>	<b>183,584,111</b>	<b>173,968,687</b>	<b>5,680,000</b>	<b>179,648,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,648,687</b>

No.	Item	Details	Revised Estimates	Staff	Commissioners	Actual Accrued Recorded Expenditure	B/D Prepayments from 20/21	C/D Prepayments 21/22	Prior Year Adjustments	Accruals Paid in FY 21/22	Accruals for FY 21/22	Actual Cash Expenditure
13	2210102	Gratuity - Civil Servants	4,211,400	1,155,525		1,155,525				3,518,052	462,210	4,211,367
14	2210901	Group Life	1,100,000	1,010,433		1,010,433	736,493	821,820				1,095,760
15	2210910	Medical Insurance & WIBA	19,000,000	20,417,487	35,209	20,452,696	13,128,919	11,347,483		21,355		18,692,615
		<b>Employee Benefits</b>	<b>24,311,400</b>	<b>22,583,445</b>	<b>35,209</b>	<b>22,618,654</b>	<b>13,865,413</b>	<b>12,169,303</b>	-	<b>3,539,407</b>	<b>462,210</b>	<b>23,999,742</b>
		<b>Salaries and Employees benefits</b>	<b>207,895,511</b>	<b>196,552,132</b>	<b>5,715,209</b>	<b>202,267,341</b>	<b>13,865,413</b>	<b>12,169,303</b>	-	<b>3,539,407</b>	<b>462,210</b>	<b>203,648,429</b>
16	2210101	Electricity	1,930,000	1,919,972		1,919,972				8,548	206,267	1,722,253
17	2210102	Water and Sewerage Charges	0			-						-
		<b>Utilities</b>	<b>1,930,000</b>	<b>1,919,972</b>	<b>-</b>	<b>1,919,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,548</b>	<b>206,267</b>	<b>1,722,253</b>
18	2210201	Telephone, Telex, Facsimile and Mobile Phone Services	1,055,100	1,057,573		1,057,573				1,166	3,672	1,055,067
19	2210202	Internet Connections	3,593,440	3,513,519		3,513,519						3,513,519
20	2210203	Courier & Postal Services	49,800	45,041		45,041						45,041
		<b>Communication</b>	<b>4,698,340</b>	<b>4,616,133</b>	<b>-</b>	<b>4,616,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,166</b>	<b>3,672</b>	<b>4,613,627</b>
21	2210301	Travel Costs (airlines, bus, railway, etc.)	2,652,200	2,442,660		2,442,660				124,700		2,567,360
22	2210302	Accommodation - Domestic Travel	24,945,239	17,910,453	4,607,800	22,518,253				62,300		22,580,553
23	2210303	Daily Subsistence Allowance	680,000	658,300		658,300						658,300
		Domestic Travel	28,277,439	21,011,413	4,607,800	25,619,213	-	-	-	187,000	-	25,806,213
						-						-

No.	Item	Details	Revised Estimates	Staff	Commissioners	Actual Accrued Recorded Expenditure	B/D Prepayments from 20/21	C/D Prepayments 21/22	Prior Year Adjustments	Accruals Paid in FY 21/22	Accruals for FY 21/22	Actual Cash Expenditure
<b>24</b>	3111401-403	Pre-feasibility studies and Research	3,300,000	2,582,803	280,800	2,863,603	-	-	-	-	-	2,863,603
		<b>Research</b>	<b>3,300,000</b>	<b>2,582,803</b>	<b>280,800</b>	<b>2,863,603</b>	-	-	-	-	-	<b>2,863,603</b>
<b>25</b>	2210401	Travel Costs (airlines, bus, railway, etc.)	4,200,000	4,134,489		4,134,489						4,134,489
<b>26</b>	2210403	Daily Subsistence Allowance	9,800,000	3,164,332	5,854,468	9,018,800						9,018,800
		<b>Foreign Travel</b>	<b>14,000,000</b>	<b>7,298,821</b>	<b>5,854,468</b>	<b>13,153,289</b>	-	-	-	-	-	<b>13,153,289</b>
						-						-
<b>27</b>	2210502	Publishing & Printing Services	5,687,000	5,684,336		5,684,336						5,684,336
<b>28</b>	2210503	Subscriptions to Newspapers, Magazines and Periodicals	760,000	606,600		606,600				6,340		612,940
<b>29</b>	2210504	Advertising	200,000			-						-
<b>30</b>	2210505	Trade Shows and Exhibitions	395,000	334,000		334,000						334,000
		<b>Printing and Advertising</b>	<b>7,042,000</b>	<b>6,624,936</b>	<b>-</b>	<b>6,624,936</b>	-	-	-	<b>6,340</b>	-	<b>6,631,276</b>
						-						-
<b>31</b>	2210603	Rents and Rates - Non-Residential	56,218,700	55,998,549		55,998,549				220,149	553,548	55,665,150
<b>32</b>	2210604	Hire of Transport, Equipment	70,000	63,114		63,114						63,114
		<b>Rentals of produced assets</b>	<b>56,288,700</b>	<b>56,061,663</b>	<b>-</b>	<b>56,061,663</b>	-	-	-	<b>220,149</b>	<b>553,548</b>	<b>55,728,264</b>
<b>33</b>	2210700	Training	8,352,500	8,042,478	91,000	8,133,478						8,133,478
		Training	8,352,500	8,042,478	91,000	8,133,478	-	-	-	-	-	8,133,478
<b>34</b>	2210801	Catering Services (receptions), Accommodation, Gifts, Food and Drinks	1,550,000	1,581,179		1,581,179				122,687	178,420	1,525,446



No.	Item	Details	Revised Estimates	Staff	Commissioners	Actual Accrued Recorded Expenditure	B/D Prepayments from 20/21	C/D Prepayments 21/22	Prior Year Adjustments	Accruals Paid in FY 21/22	Accruals for FY 21/22	Actual Cash Expenditure
44	2211301	Bank Charges	65,000	62,109		62,109						62,109
45	2211305	Contracted Cleaning Services	2,712,500	2,812,398		2,812,398				100,000		2,712,398
46	2211306	Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	877,908	533,152	150,000	683,152				34,044		649,108
47	2211310	Contracted Professional Services	2,809,000	990,732		990,732				1,514,000	564,092	1,940,640
		<b>Other operation Costs</b>	<b>6,464,408</b>	<b>4,398,391</b>	<b>150,000</b>	<b>4,548,391</b>	-	-	-	<b>1,514,000</b>	<b>698,136</b>	<b>5,364,255</b>
48	4110403	Housing loans Fringe Benefit tax Expense	1,183,500	748,224		870,769				373,434	60,703	1,183,500
49	4110405	Car loans Fringe Benefit tax Expense	527,000	642,545		520,000				7,000		527,000
		<b>Fringe Benefit Tax</b>	<b>1,710,500</b>	<b>1,390,769</b>	<b>-</b>	<b>1,390,769</b>	-	-	-	<b>380,434</b>	<b>60,703</b>	<b>1,710,500</b>
		<b>General Expenditure</b>	<b>167,014,670</b>	<b>146,369,988</b>	<b>12,347,268</b>	<b>158,717,256</b>	<b>2,550,558</b>	<b>3,673,700</b>	<b>-</b>	<b>2,644,724</b>	<b>2,326,680</b>	<b>160,158,442</b>
						-						-
47	2220101	Maintenance Expenses - Motor Vehicles	7,511,650	7,220,609		7,220,609			6,377	232,134		7,452,743
48	2220201	Maintenance of Plant, Machinery and Equipment (including lifts)	840,000	840,000		840,000						840,000
			<b>8,351,650</b>	<b>8,060,609</b>	<b>-</b>	<b>8,060,609</b>	<b>-</b>	<b>-</b>	<b>6,377</b>	<b>232,134</b>	<b>-</b>	<b>8,292,743</b>
49	3110302	Refurbishment of Non-Residential Buildings	100,000	99,943		99,943						99,943
50	3110701	Purchase of Motor Vehicles	25,560,000	25,560,000		25,560,000						25,560,000

No.	Item	Details	Revised Estimates	Staff	Commissioners	Actual Accrued Recorded Expenditure	B/D Prepayments from 20/21	C/D Prepayments 21/22	Prior Year Adjustments	Accruals Paid in FY 21/22	Accruals for FY 21/22	Actual Cash Expenditure
51	3111001	Purchase of Office Furniture and Fittings	70,000	49,000		49,000						49,000
52	3111002	Purchase of Computers, Printers and other IT Equipment	5,911,490	5,741,951		5,741,951						5,741,951
53	3111009	Purchase of other Office Equipment	486,000	465,450		465,450						465,450
54	3111112	Purchase of Software	6,767,641	6,159,913		6,159,913						6,159,913
55	4110403	Housing loans to public servants	14,376,500	14,376,500	-	14,376,500						14,376,500
56	4110405	Car loans to public servants	9,493,000	9,493,000	-	9,493,000						9,493,000
		<b>Capital Expenditure</b>	<b>62,764,631</b>	<b>61,945,757</b>	<b>-</b>	<b>61,945,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,945,757</b>
		<b>TOTAL EXPENDITURE</b>	<b>446,026,462</b>	<b>412,928,486</b>	<b>18,062,477</b>	<b>430,990,963</b>	<b>16,415,970</b>	<b>15,843,003</b>	<b>6,377</b>	<b>6,416,265</b>	<b>2,788,890</b>	<b>434,045,371</b>



COMMISSION ON REVENUE ALLOCATION

*Promoting an Equitable Society*

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