

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

# REPORT

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ON

CONTINGENCIES FUND

FOR THE YEAR ENDED  
30 JUNE, 2020

THE NATIONAL TREASURY

THE NATIONAL ASSEMBLY  
PAPERS LAID

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OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

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## THE NATIONAL TREASURY

### Financial Statements for Contingencies Fund Account

For the Financial Year ended 30<sup>th</sup> June 2020

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
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The National Treasury  
Financial Statements for the Contingencies Fund  
For the Financial Year ended 30<sup>th</sup> June 2020

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## **1. NATIONAL TREASURY INFORMATION AND MANAGEMENT**

### **Background Information**

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

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

### **Mandate of the National Treasury**

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

- Formulate, implement and monitor macro-economic policies for expenditure and revenue;
- Manage the level and composition of national public;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

### **Role of the National Treasury in the Devolved System of Government**

The National Treasury is mandated by law to:

- Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- Issue guidelines on the preparation of county development planning;
- Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
- Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- Build capacity of County Governments on public finance management matters for efficient, effective and transparent financial management as well as planning, monitoring and evaluation and;
- Administer the Equalization Fund.

### Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Ag. Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
10.	Director, Public Procurement Department	Mr. Eric Korir
11.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
12.	Internal Auditor General	Mr. Alfayo Mogaka
13.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
14.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
15.	Director, Financial Management Information System	Mr. Stanley Kamanguya
16.	Ag. Director, Public Private Partnership Unit	Mrs. Veronica Okoth
17.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michel Kagika, EBS
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy and Risk Management	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Senior Deputy Director of Administration	Mr. Boniface Simba, OGW
24.	Head, Accounts Division	Mr. Nemwel M. Motanya
25.	Head, Finance	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Aggrey kituyi
27.	Head, Internal Audit Unit	Mr. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mrs. Lynn Nyongesa
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
31.	Head, Public Communications	Mr. Robert Chepkwony
32.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
33.	Director, Government Clearing Agency	Mr. Felix Ateng
34.	Head of Exchequer operations	Jane W N Macharia
35.	Director, Digital Payments	Nicholas Wambugu

### Fiduciary Oversight Arrangements

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include, Internal Audit Unit, Audit Committees, Project Implementation Committee, liaison officers for Parliamentary Activities, Development partner oversight, Top Management and Senior Management Committees, Budget Implementation Steering Committee, Budget Implementation Technical Committee, Budget Implementation Ministerial Committee, Monitoring and Evaluation and Public Financial Management Sector Working Group

The National Treasury  
Financial Statements for the Contingencies Fund  
For the Financial Year ended 30<sup>th</sup> June 2020

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**The National Treasury Headquarters**

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

**The National Treasury Contacts**

Telephone: (254)020-2252299  
Email: [info@treasury.go.ke](mailto:info@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

**The National Treasury Bankers**

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

**Independent Auditors**

Office of The 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

## II. FOREWORD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. Key achievements during the period under review are as follows:

- A framework for processing of tax exemptions and waivers was developed. The framework will help in managing the tax expenditures.
- A Draft Sovereign Wealth Fund Bill and Policy that establishes a framework for managing revenues from minerals, oil and gas was developed and submitted to the AG for legal drafting.
- To enhance revenue collection, the Finance Act, 2019 was developed and enacted by Parliament. In addition, the current Income Tax Act was reviewed and a new Income Tax Bill developed and submitted to parliament.
- The Tax Procedures Act, 2015 (TPA) was also amended through the Finance Act to simplify declaration and remittances by taxpayers.
- The National Treasury issued a MAKiba bond tranche Public Debt and Borrowing Policy which was approved by Cabinet to provides for guidance on debt management

The emerging issues that have impacted the operations of the National Treasury include;

- The outbreak of COVID-19 pandemic affected achievement of targets.
- The global political landscape such the Brexit affected attainment of some of the targets.
- Some of the challenges the National Treasury faced while implementing the 2019/20 budget include:-
- Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
- Low absorption of Official Development Assistance (ODA).
- Inadequate staff capacity in some key technical Departments.
- To surmount the above challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry undertook the following: -
- Domestic borrowing to plug the financing gap created by non-performing revenue.
- Expenditure reduction strategies such as austerity measures and a ban on new projects to ensure available money is used in completing old projects.
- Enhanced the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
- Promoted the Public Private Partnership initiatives to finance government capital projects.
- Engaged other developments partners for concessional loans and grants as well as pursued strategies to finance government projects.



**Hon, Amb, Ukur Yatani, EGH**  
**Cabinet Secretary, National Treasury and Planning**

## **1. CONTINGENCY FUND INFORMATION AND MANAGEMENT**

### **1.1 Establishment of the Fund**

The Contingencies Fund is established pursuant to Article 208 of the Constitution of Kenya and requires it to be operated in accordance with an Act of Parliament. The Fund is set up for purposes of meeting an urgent and unforeseen need for expenditure for which there is no other authority.

As per section 19 of the PFM Act, 2012, the Contingency Fund shall consist of monies appropriated from the Consolidated Fund by an appropriation Act in any financial year. Section 20 (2) of the PFM Act, 2012, specifies that the permanent capital of the Contingencies Fund shall not exceed ten billion shillings (Kshs 10 billion) or such other amount as may be prescribed by the Cabinet Secretary with the approval of Parliament.

### **1.2 Administration and reporting arrangements of the Fund**

The Cabinet Secretary, National Treasury has been designated to administer the Contingencies Fund pursuant to Section 20 of the PFM Act, 2012 and further requires the Cabinet Secretary, National Treasury to keep the Contingencies Fund in a separate account, maintained at the Central Bank of Kenya and to pay into that account all monies appropriated to the Contingencies Fund by an appropriation Act. The Cabinet Secretary may make advances from the Contingencies Fund if satisfied that an urgent and unforeseen need for expenditure has arisen for which there is no specific legislative authority pursuant to Section 21 of the PFM Act, 2012.

Further, Section 50 of the PFM Regulations (National Government), 2015 requires an Accounting Officer to, before applying for financing from the Contingencies Fund, ascertain that there are no savings within his or her vote and the need meets the criteria set under Section 21 of the Act. The Cabinet Secretary shall then, consider the request and assess and may approve it or reject it.

The National Treasury is required to prepare and submit to the Auditor-General financial statements for that year in respect of the Contingencies Fund not later than three months after the end of each financial year pursuant to Section 23 of PFM Act, 2012.

### **1.3 Operation in financial year 2019/2020**

There were no advances nor refunds during the financial year 2019/2020.

## 2. STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that Entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.


The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Contingencies Fund report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on 30<sup>th</sup> June, 2020. 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 status of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.


The Accounting Officer accepts responsibility for the Contingency Fund report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of the Contingency Fund performance during the financial year ended 30<sup>th</sup> June, 2019. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for Contingency Fund, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

The Accounting Officer confirms that the Contingency Fund has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

### Approval of the Financial Statements

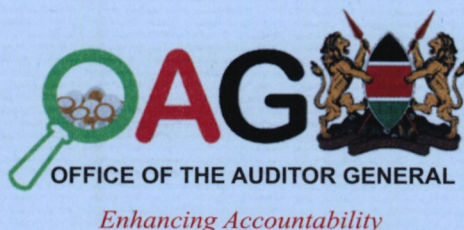
The financial statements for the Contingencies Fund was approved and signed on <sup>20<sup>th</sup> December</sup>..... 2020 by the following:

Signature:   
Julius Muia, PhD, CBS  
Principal Secretary  
The National Treasury

Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury

# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON CONTINGENCIES FUND FOR THE YEAR ENDED 30 JUNE, 2020 - THE NATIONAL TREASURY**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of Contingencies Fund set out on pages 1 to 7, which comprise the statement of assets and liabilities as at 30 June, 2020, and statement of receipts and payments, statement of cash flows and the comparative of budget versus actual performance 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, the financial position of Contingencies Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash 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 Contingencies Fund 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, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services basis of accounting

unless Management is aware of the intention to terminate the Fund 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.

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

Those charged with governance are responsible for overseeing the Fund financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the sustainability of services 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 Fund'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 Fund 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 Contingencies Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**


**09 April, 2021**


**3. RECEIPTS AND PAYMENT STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

		<b>FY 2019/2020</b>	<b>FY 2018/2019</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Opening balance</b>		<b>7,000,000,000</b>	<b>5,950,000,000</b>
<b>Receipts</b>			
Refund from MDAs	<b>10.1</b>	-	1,050,000,000
<b>Available Fund</b>		<b>7,000,000,000</b>	<b>7,000,000,000</b>
<b>Transfers from the Contingencies Fund</b>			
Advance to MDAs	<b>10.2</b>	-	-
<b>Total transfers</b>		<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>10.3</b>	<b>7,000,000,000</b>	<b>7,000,000,000</b>

There were no advances nor refunds during 2019/2020 financial year.

The notes on pages 5 to 6 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 20<sup>th</sup> December 2020 by the following:

Signature:   
 Julius Muia, PhD, CBS  
 Principal Secretary  
 The National Treasury


Signature:   
 FCPA Bernard Ndungu, MBS  
 Director General, Accounting  
 Services & Quality Assurance  
 The National Treasury


**4. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2020**

	Note	FY 2019/2020 Kshs	FY 2018/2019 Kshs
<b>Financial Assets</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	10.3	7,000,000,000	7,000,000,000
<b>Total Cash and Cash Equivalents</b>		<b>7,000,000,000</b>	<b>7,000,000,000</b>
<b>Accounts Receivables</b>			
Outstanding Imprests		-	-
<b>Total Financial Assets</b>		<b>7,000,000,000</b>	<b>7,000,000,000</b>
<b>Financial Liabilities</b>			
Accounts Payables – Deposits and Retentions		-	-
<b>Net Financial Assets</b>		<b>-</b>	<b>-</b>
<b>Represented By</b>			
<b>Fund Balance B/Fwd</b>		<b>7,000,000,000</b>	<b>5,950,000,000</b>
Surplus/Deficit for the year		-	1,050,000,000
<b>Net Financial Position</b>		<b>7,000,000,000</b>	<b>7,000,000,000</b>

There were no advances nor refunds during 2019/2020 financial year.

The notes on pages 5 to 6 form an integral part of these financial statements. This statement has been reviewed and approved on 20th December 2020 by the following:

Signature:   
 Julius Muia, PhD, CBS  
 Principal Secretary  
 The National Treasury


Signature:   
 FCPA Bernard Ndungu, MBS  
 Director General, Accounting  
 Services & Quality Assurance  
 The National Treasury


**5. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

	<b>FY 2019/2020</b>	<b>FY 2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Receipts for Operating Income</b>		
Refund from MDAs	-	-
<b>Payments and advances</b>		
Advance to MDAs	-	-
<b>Net Cash Flow from Operating Activities</b>	-	-
<b>Cash flow from Investing Activities</b>	-	-
<b>Cash flow from Borrowing Activities</b>	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	-	<b>1,050,000,000</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,000,000,000</b>	<b>5,950,000,000</b>
<b>Cash and Cash Equivalent at the end of the Year</b>	<b>7,000,000,000</b>	<b>7,000,000,000</b>

There were no advances nor refunds during 2019/2020 financial year.

The notes on pages 5 to 6 form an integral part of these financial statements. This statement has been reviewed and approved on 20<sup>th</sup> December 2020 by the following:

Signature:   
 Julius Muia, PhD, CBS  
 Principal Secretary  
 The National Treasury

Signature:   
 FCPA Bernard Ndungu, MBS  
 Director General, Accounting  
 Services & Quality Assurance  
 The National Treasury

## 6. COMPARISON OF BUDGET VERSUS ACTUAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

The following statement summarizes the outturn against budget:

	<b>Original Estimates</b>	<b>Adjustments</b>	<b>Revised Estimates</b>	<b>2019/2020</b>	<b>Deviations</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Receipts</b>					
The National Treasury	5,000,000,000.00	(5,000,000,000.00)	-	-	-
<b>Sub-total</b>	<b>5,000,000,000.00</b>	<b>(5,000,000,000.00)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>					
Transfer to MDAs	-	-	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Fund did not receive any amount during the financial year 2019/2020 by way of a budgetary provision and allocation under the National Treasury development budget. No amount was advanced to any Ministry or Departmental Agencies during the financial year 2019/2020.

## **7. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Basis of preparation**

The financial statements of the Contingencies Fund has been prepared in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) Cash based standard as prescribed by the Public Sector Accounting Standard Board (PSASB) in Kenya.

### **b) Reporting entity**

The Cabinet Secretary, National Treasury has been designated as the Administrator of the Contingencies Fund, pursuant to Section 20 of the PFM Act, 2012. Accordingly, the reporting entity is the National Treasury.

### **c) Receipts**

Receipts consist of monies appropriated from the Consolidated Fund by an appropriation Act in any financial year. Receipts are recognized when cash is received in the Contingencies Fund.

### **d) Payments and transfers**

Pursuant to Section 21 of the PFM Act, 2012, the Cabinet Secretary may make advances from the Contingencies Fund if satisfied that an urgent and unforeseen need for expenditure has arisen for which there is no specific legislative authority. Section 50 of the PFM (National Government) regulations, 2015 requires an accounting officer to, before applying for financing from the Contingencies Fund, ascertain that there are no savings within his or her vote and the need meets the criteria set under section 21 of the Act. The Cabinet Secretary shall then, consider the request and assess and may approve it or reject it.

Payment is recognized when actual cash is paid out of the Contingencies Fund.

### **e) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand, bank balances, un-surrendered imprests and short term deposits in money market instruments.

### **f) Presentation Currency**

The financial statements are reported in Kenya Shillings, being the currency of legal tender in Kenya.

## 8. NOTES TO THE ACCOUNTS

### 8.1 Receipts

The Contingency Fund did not receive any funds during the financial year 2019/2020.

### 8.2 Advances from the Contingency Fund to MDAs

There were no advances from the Fund in 2019/2020 financial year however the advance for 2018/2019 financial year is analyzed below:

Date	Payee	Purpose	2019/2020	2018/2019
			Amount KShs.	Amount KShs.
<b>State Department for Interior</b>				
31.05.2018	Kenya Red cross	Country Wide Flood Response	-	1,000,000,000.00
11.06.2018	Flood Victims	Support of Flood Victims	-	18,070,000.00
28.06.2018	Murang'a County Commissioner	Cash Release to Families affected by Landslide	-	31,930,000.00
	<b>Total Payments</b>		-	<b>1,050,000,000.00</b>

### 8.3 Closing Balance

The closing balance as at 30<sup>th</sup> June 2020 amounted to Kshs 7.0 billion which is the same as at 30<sup>th</sup> June 2019 reflected in the bank account of the Fund:


Description	2019/2020	2018/2019
	Kshs	Kshs
Bank Account No. 1000183233	7,000,000,000	7,000,000,000
<b>Total Receipts</b>	<b>7,000,000,000</b>	<b>7,000,000,000</b>


**9. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS**

There were no noted and outstanding audit matters issues during the previous audits as indicated on the table below.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Awaiting Audit report	N/A	N/A	N/A	N/A	N/A

There are no unsolved audit queries.

Signature:   
 Julius Muia, PhD, CBS  
 Principal Secretary  
 The National Treasury

Signature:   
 FCPA Bernard Ndungu, MBS  
 Director General, Accounting  
 Services & Quality Assurance  
 The National Treasury