

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 03 DEC 2024

DAY.

Tuesday

**OF**

TABLED  
BY:

Majority Whip

Hon. Silvanus Oso

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THE TABLE:

Irene Nduku

**THE AUDITOR-GENERAL**

**ON**

**PROVIDENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

**THE NATIONAL TREASURY**



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**PENSION FUND NAME: PROVIDENT FUND**

**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

**FUND IDENTIFICATION NUMBER: 903**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE, 2024**

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

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## **Acronyms and Glossary of Terms**

AGPO:	Access to Government Procurement Opportunities
A-in-A	Appropriations in Aid
BETA:	Bottom-Up Economic Transformation Agenda
CARB:	County Allocation of Revenue Bill
CCF:	Climate Change Fund
CGS:	Credit Guarantee Scheme
CSD:	Central Securities Depository
DORB:	Division of Revenue Bill
IPSAS:	International Public Sector Accounting Standards (IPSAS)
IRMF:	Institutional Risk Management Framework
KRA:	Key Result Areas
MCDAs:	Ministries, Counties, Departments and Agencies
MDAs:	Ministries, Departments and Agencies
MSME:	Micro, Small and Medium Enterprises
NIFC:	Nairobi International Financial Centre
NHIF:	National Hospital Insurance Fund
NSSF:	National Social Security Fund
PFM:	Public Finance Management
PSSS:	Public Service Superannuation Scheme
RK-FINFA:	Rural Kenya Financial Inclusion Facility
RTPs:	Restrictive Trade Practices
SACCOs:	Saving and Credit Cooperative Organizations
SAGAs:	Semi-Autonomous Government Agencies
VFM:	Value for Money

## **2. THE NATIONAL TREASURY INFORMATION AND MANAGEMENT**

### **a) Background Information**

The National Treasury was established vide the Executive Order No. 1 of 2023. The basis for establishment of the National Treasury is found in Article 225 (1) 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 Economic Planning, who is responsible for the general policy and strategic direction of the Ministry.

#### **Vision**

“Excellence in economic and public finance management, and development planning for Kenya’s socio-economic transformation”.

#### **Mission**

“To provide leadership in prudent economic and public finance management and development planning through formulation, implementation and monitoring of policies for Kenya’s inclusive growth”.

#### **Core Values**

The National Treasury is guided by the following **STRICT** core values:

Stakeholder participation;

Transparency and accountability;

Results oriented;

Integrity;

Customer focus;

Teamwork and commitment;

#### **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 Order No.2 of 2023. The National Treasury exercises its mandate in consistency with any other legislation as developed or reviewed by Parliament from time to time.

The core functions of the National Treasury as derived from the above legal provisions include;

- i. Overall Economic Policy Management;
- ii. Management of Public Finance;
- iii. Formulation of National Budget;
- iv. Public Debt Management;
- v. Formulation and Maintenance of Government Accounting Standards;
- vi. Bilateral and Multilateral Financial Relations;
- vii. Capital Markets Policy;
- viii. Oversight over Revenue Collection;
- ix. Competition Policy Management; National Pensions Policy Management;
- x. Insurance Policy and Regulation;
- xi. Public Procurement and Disposal Policy;

- xii. Public Investment Policy and Oversight;
- xiii. Development and Enforcement of Financial Governance Standards;
- xiv. Financial Sector Analysis and Management including SACCOs, NSSF and NHIF;
- xv. Financial Institutions Oversight;
- xvi. Management of National and County Governments Financial Management System and Standards;
- xvii. Development of Kenya as an International Financial Centre;
- xviii. Anti-Money Laundering Policy;
- xix. Custodian of National Government Assets and Properties; and
- xx. Secretariat to Intergovernmental Budget and Economic Council.

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

The National Treasury is mandated by law to: -

- i. Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- ii. Issue guidelines on the preparation of county development planning;
- iii. Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- iv. Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
- v. Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- vi. 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
- vii. Administer the Equalization Fund.

### **(b) Key Management**

The National Treasury's day-to-day management is bestowed on following key offices.

#### **Office of the Principal Secretary**

The Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the Accounting Officer and Authorized Officer. In addition, the Principal Secretary is charged with the responsibility of advising the Cabinet Secretary on policy, technical and administrative functions in the National Treasury.

#### **Organizational Structure of the National Treasury**

The National Treasury is organized into five (5) technical Directorates headed by Directors General and one (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. In addition, the National

Treasury has two independent departments namely Public Procurement and Internal Auditor General, headed by Directors and a Public Finance Management Secretariat headed by a Programme Coordinator. The Directorates and Departments are as follows:

**Directorate of Budget, Fiscal and Economic Affairs**

The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

- (a) Budget Department;
- (b) Macro and Fiscal Affairs Department;
- (c) Financial and Sectoral Affairs Department; and
- (d) Inter-Governmental Fiscal Relations Department.

**Directorate of Accounting Services and Quality Assurance**

The Directorate is headed by a Director General reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

- (a) Government Accounting Services;
- (b) Information Financial Management Systems (IFMIS);
- (c) National Sub-County Treasuries; and
- (d) Government Digital Payments Unit.

**Directorate of Public Investment and Portfolio Management**

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following five (5) Technical Departments each headed by a Director:

- (a) Government Investment and Public Enterprises;
- (b) National Assets and Liabilities Management;
- (c) Parastatal Reforms;
- (d) Pensions Department; and
- (e) Public Investment Management.

**Directorate of Public Debt Management Office**

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

- (a) Resource Mobilization (Front Office);
- (b) Debt Policy, Strategy and Risk Management (Middle Office);
- (c) Debt Recording and Settlement (Back Office).

**Directorate of Public Private Partnership**

The Directorate is headed by a Director General, reporting to the Principal Secretary on matters relating to Public Private Partnership.

**Directorate of Administrative and Support Services (Common Shared Services)**

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into ten (10) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

- (a) Accounting;

- (b) Finance;
- (c) Human Resource Management and Development;
- (d) Central Planning and Project Monitoring;
- (e) Supply Chain Management;
- (f) Legal;
- (g) Public Communications;
- (h) General Administration;
- (i) Internal Audit; and
- (j) ICT.

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Chris Kiptoo, CBS
2.	Principal Administrative Secretary	Mr. Samson Wangusi, OGW
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet
6.	Director General, PDMO	Dr. Haron Sirma, EBS
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Ronald Inyangara
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Samuel Kiptorus
13.	Ag. Internal Auditor General	Ms. Jane Micheni
14.	Director, Government Accounting Services Department	Mr. Jona Wala
15.	Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Ag. Director, Integrated Financial Management Information System	Mr. Mboni Kyallo
17.	Director, National Assets and Liability Management	Mr. Geoffrey Malombe
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Parastatal Reforms	Dr. Karen Kandie, DBA
21.	Ag. Director, Public Investment Management Unit	Mr. Jonah Ourumoi
22.	Ag. Director, Resource Mobilization Department	Mr. David Komen
23.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
24.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
25.	Director Administration	Mr. Elijah Song'ony
26.	Director Accounting Service/Head, Accounts Division	Mr. George K. Gichuru
27.	Head, Finance Unit	Mr. Ambrose Ogango
28.	Senior Deputy Director/Head, SCMU	Mr. Caleb Ogot
29.	Deputy Internal Auditor General/Head, Internal Audit Unit	Ms. Lucy Mugwe
30.	Principal State Counsel, Legal Unit	Ms. Faith Pesa

31.	Director, Human Resource Management and Development	Mr. Benson Giuthua
32.	Director, Information Communication and Technology	Ms. Lynn Nyongesa
33.	Director, Central Planning and Project Monitoring Department	Mr. John Olela
34.	Director, Public Communications Unit	Mr. Godfrey Isiya
35.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Joel Bett
36.	Senior Deputy Accountant General/ Pensions Department	Mr. Francis L. Amuyunzu

**(d) 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:

**i. Audit Committees**

In line with the Public Finance Management Act, the National Treasury has established a Ministerial Audit Committee comprising five members, three of whom are independent. The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

Further, the National Treasury established an audit committee comprising of officers from all departments of the Ministry, under the chairmanship of the Senior Chief Finance Officer. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee prepares responses to all audit queries for presentation to the relevant committees of parliament.

**i. Public Finance Management Committees**

**Budget Implementation Steering Committee**

In order to effectively monitor the implementation of the National Government budget implementation, the National Treasury has established a steering Committee chaired by the Cabinet Secretary, National Treasury and Economic Planning. The Principal Secretaries for the National Treasury and State Department for Economic Planning provide general oversight in the Budget implementation.

**Budget Implementation Technical Committee**

The Committee is chaired by the Principal Administrative Secretary and comprises the Directors General and various Heads of Department. The Committee is responsible for monitoring the actual implementation of the identified measures and programmes and reporting detailed progress on the same regularly.

**Budget Implementation Ministerial Committee**

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising of officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of budget and the planned programmes and activities and advises the management accordingly.

**ii. Top Management Committee**

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Senior Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Ad hoc Committees to handle specific assignments in the Financial Year 2023/24.

**iii. Other oversight activities**

Other fiduciary oversight arrangements include the following committees with specific objectives:-

**Project Implementation Committee**

To monitor the implementation of the Government's Infrastructure Projects, the National Treasury has established a Project Steering Committee Comprising Principal Secretaries from implementing Ministries and appointed a technical committee comprising officers from the technical departments of the Ministry. The Committees review and analyse the progress made by ministries in the implementation of domestically and externally funded projects and advises accordingly.

**Parliamentary Activities**

In order to effectively manage the parliamentary activities relating to the Ministry, the National Treasury has established a committee and designated a liaison officer to coordinate the activities under the Office of the Cabinet Secretary.

**Development Partner Oversight**

To effectively manage Official Development Assistance to the Government, the National Treasury has, under the Public Debt Management, a department responsible for all matters relating to Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

**Public Financial Management Sector Working Group**

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

**The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC)**

The National Treasury undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC) is a dedicated technical committee which was established by PS/NT on 28<sup>th</sup> May, 2024 to mainstream PM&E practices within the National Treasury and ensure effective oversight and evaluation of fiscal policies, budgetary allocations, and public investments. The Committee is mandated to enhance the efficiency, transparency, and accountability of the planning, budgeting, financial management, and M&E practices within the National Treasury. It aims to provide systematic oversight, evaluation, and evidence-based recommendations for functional and operational efficiency and realization of intended strategic outcomes.

**The National Treasury Headquarters**

P.O. Box 30007- 00100,  
Treasury Building,  
Harambee, Avenue  
**NAIROBI, KENYA**

**The National Treasury Contacts**

Telephone: (254)020-2252299  
Email: [Communication@treasury.go.ke](mailto:Communication@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**

Auditor General  
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**

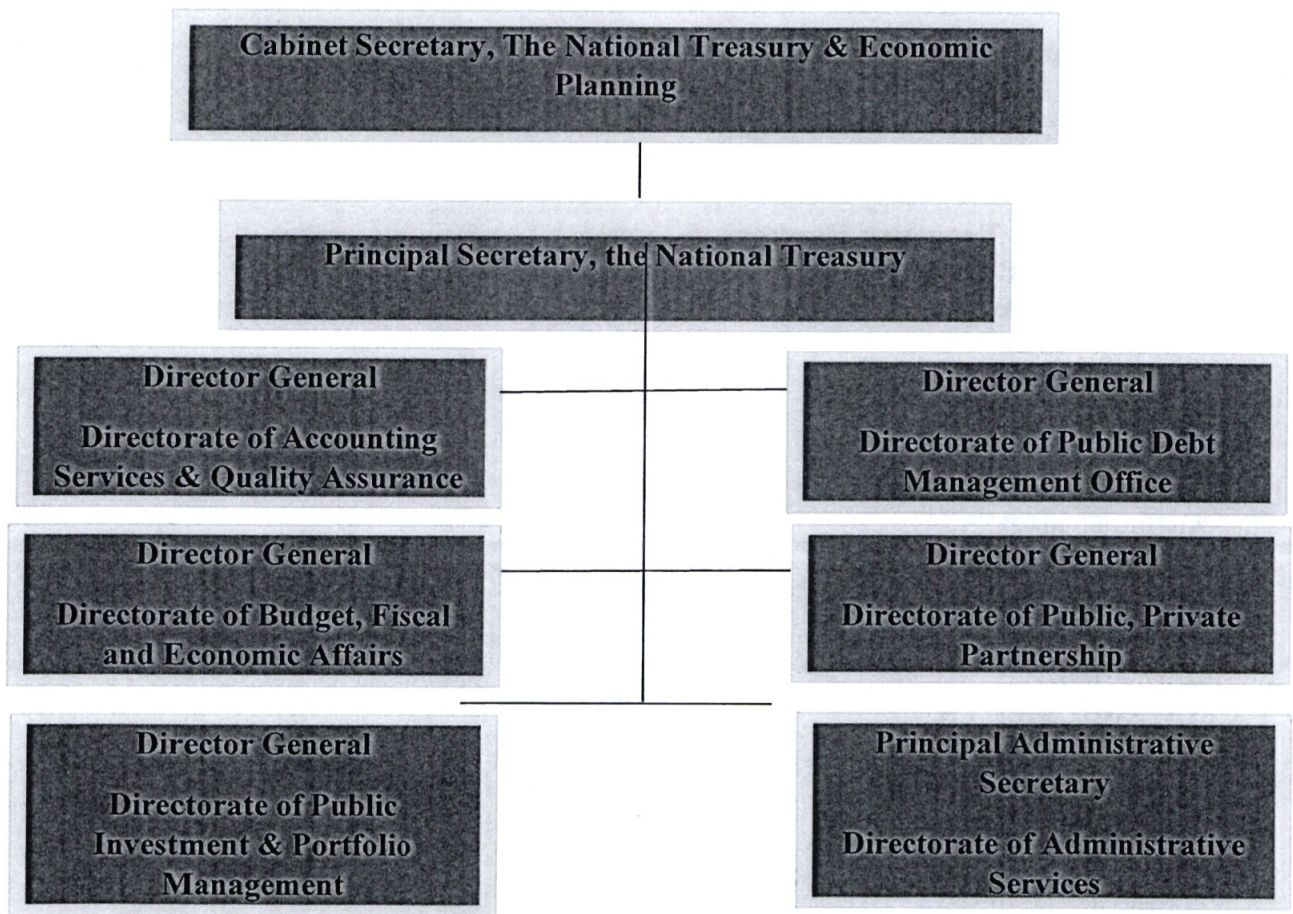
### 3. STATEMENT OF GOVERNANCE

#### i. Brief of Key Leadership Structure

The National Treasury and Economic Planning is divided into two entities: The National Treasury and State Department for Economic Planning. It is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

At the top management level, the National Treasury is headed by the Principal Secretary who is the accounting officer and is responsible to the Cabinet Secretary in the performance of his duties. The National Treasury has six Directorates headed by Directors General and a Principal Administrative Secretary who is responsible for Administration and Support Services.

#### The National Treasury Leadership Structure



#### ii. Management Committees Established and Their Roles

The National Treasury has appointed managements committees to monitor the implementation of programmes, projects and report on their performance. They include:

##### Top Management Committee

Top Management Committee comprises of Cabinet Secretary, Principal Secretary and Directors General. The Committee receives reports from departments, build consensus on

National Treasury responds to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner.

**iii. The Audit Committee**

In line with the Public Finance Management Act, the National Treasury has established a Ministerial Audit Committee comprising of the Chairperson and four members, of which three are independent. The members were appointed on 15<sup>th</sup> December, 2022.

The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations. The Committee is active and meets on a quarterly basis to deliberate on their functions.

**iv. Risk Management, compliance, conflict of interest**

The National Treasury appointed risk champions who have been trained. The processes of developing a risk management framework have commenced.

**v. Recent Trainings and development in governance for those in key leadership**

The National Treasury supported those in key leadership positions to attend leadership and strategic management courses at the Kenya school of Government and other reputable international institutions.

**vi. Public participation activities**

The National Treasury underscores the importance for public participation as provided for under the Constitution of Kenya and Public Finance Management (PFM) Act, 2012 by giving Kenyans opportunities to interrogate proposed amendments to the PFM Act, 2012 and make submissions on their views for consideration in policy making and implementation so as to strengthen and deepen good governance. The National Treasury carried out Public Sector Hearings for the Proposed Budget for the FY 2022/23 and the medium term by holding both physical meetings and virtual hearings. In addition, it carried out five (5) public participations in all regions in the country on the proposed Privatization Bill, 2023. The National Treasury provided an opportunity to all Kenyans across the country to interrogate the Public Finance Management Act 2012 Amendments that aimed at aligning the debt anchor to international best practices.

**vii. Compliance with laws and regulations**

The National Treasury complies with the Constitution of Kenya, all applicable laws and regulations in line with acceptable national and international standards as well as its internal policies.

In order to enhance compliance to existing legislations and regulations, the National Treasury, through the Legal Unit has lined up a series of interventions to be progressively implemented. To begin with, in the FY 2023/24, the National Treasury being a data recipient and a data controller, initiated efforts to ensure compliance to the Data Protection Act 2019 and the right to privacy as per Article 31 of the Constitution. The effort entailed undertaking a precursor training on data protection for auditees. The training benefited thirty-six (36) the National Treasury staff as part of the steps for comprehensive legal and regulatory compliance audit.

The next step will involve undertaking legal and regulatory compliance of the Public Finance Management and Regulations in the FY 2024/25 and thereafter compliance audit.

#### 4. STATEMENT BY THE CABINET SECRETARY

In accordance with Section 12 of the Public Finance Management Act, 2012, the National Treasury is responsible for coordinating the country's economic and financial management. Overall, the National Treasury has continued to maintain a policy environment that is conducive to economic growth and development of the country.

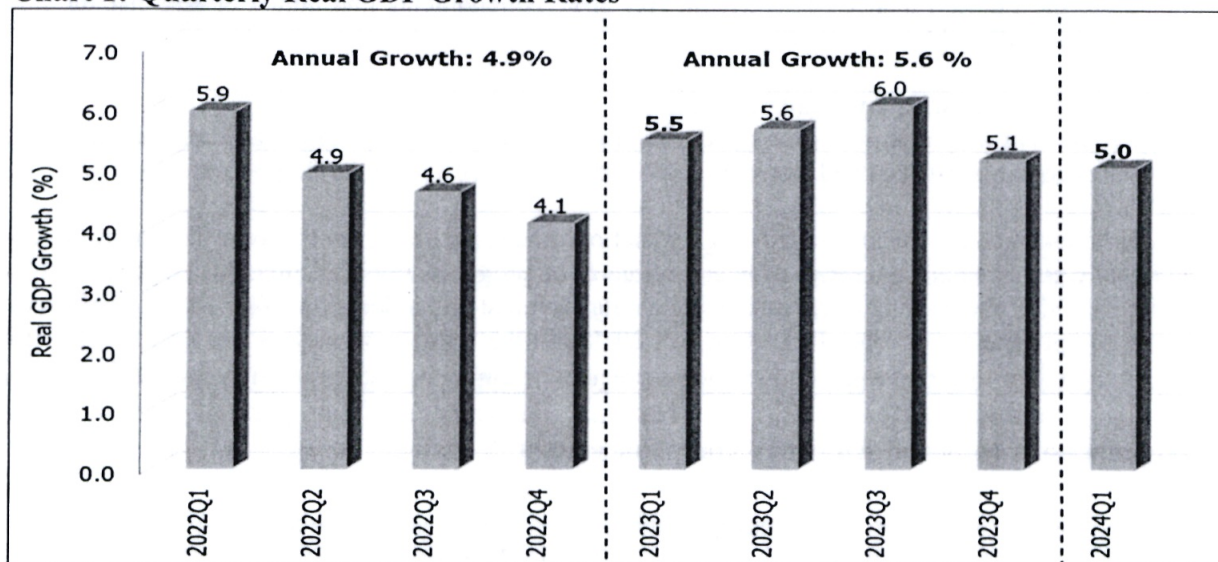
The FY 2023/24 marked the second year following the transition from the previous administration to the current one. The FY 2023/24 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures and reprioritizations of activities.

##### Economic Growth

The economy grew by 5.6 percent in 2023 up from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth in 2023 is above the pre-pandemic average of 4.7 percent per year for the period between 2011-2019. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. However, manufacturing and wholesale and retail trade subsectors slowed down.

This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023 (Chart 1). The growth is largely driven by strong growth in agriculture supported by favorable weather conditions and government interventions. Additionally, services sector remained resilient with real estate, financial & insurance, ICT and accommodation & food services supporting the growth.

**Chart 1: Quarterly Real GDP Growth Rates**



Source of Data: Kenya National Bureau of Statistics

**The primary sector** grew by 5.0 percent in the first quarter of 2024 compared to a growth of 5.3 percent in the first quarter of 2023. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter of 2024 compared to a growth of 6.4 percent in a similar quarter in 2023(**Table 1**). The performance of the sector was attributed to favorable weather conditions as well as government interventions that led to enhanced production. The performance was evident in the significant increase in production of tea, milk and sugarcane during the quarter under review. However, the sector's performance was somewhat curtailed by decline in exports of coffee, fruit and cut flowers.

**Mining and quarrying sub-sector** contracted by 14.8 percent in the first quarter of 2024 compared to a contraction of 11.0 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium, soda Ash and gemstone.

**Industrial sector** performance remained subdued, with growth of the sector slowing down to 1.1 percent in the first quarter of 2024 from a growth of 2.5 percent in a similar quarter of 2023. This was mainly on account of a decline in activities in all its sub-sectors i.e. the manufacturing, electricity & water supply and construction subsectors.

**Manufacturing sub-sector** expanded by 1.3 percent in the first quarter of 2024 compared to 1.7 percent growth in the corresponding quarter of 2023. In the manufacture of food products, growth was supported by tea and dairy processing despite the decline in soft drink production. In the manufacture of non-food products, cement production declined. Electricity and water supply sub-sector also recorded a decelerated growth of 2.4 percent in the first quarter of 2024 compared to a growth of 3.7 percent in the corresponding quarter of 2023. The sector's growth was supported by an increase in hydroelectric power generation and a decrease in thermal power generation.

**Activities in the construction sub-sector** registered a decelerated growth of 0.1 percent, down from the 3.0 percent growth recorded in the first quarter of 2023. The slowdown was reflected in the decline in the volume of cement consumption and imported bitumen. However, the volume of iron and steel imported increased during the review period.

The **activities in the services sector** continued to sustain strong growth momentum in the first quarter of 2024 and grew by 6.2 percent compared to a growth of 6.5 percent in a similar period in 2023. The performance was largely characterized by significant growths in: accommodation and food service; financial and insurance; information and communication; real estate and wholesale and retail trade sub-sectors. Accommodation and food service activities sustained the growth momentum that started in the 2022 recovery from the effects of COVID-19 pandemic even though this growth was slower compared to the corresponding quarter of 2023. The sub-sector grew by 28.0 percent compared to a growth of 47.1 percent recorded in the first quarter of 2023. The growth was evidenced by a significant increase in the number of visitor arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA).

**Financial and insurance sub-sector** sector grew by 7.0 percent in the first quarter of 2024 compared to 5.9 percent in the corresponding quarter of 2023 while information and communication subsector grew by 7.8 percent compared to a growth of 9.5 percent, over the

same period. Growth in the information and communication sub-sector was supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs).

**Activities in Transportation and Storage sub-sector** slowed down to a growth of 3.8 percent in the first quarter of 2024 compared to a growth of 6.6 percent in a corresponding period in 2023. The growth in the sector was mainly supported by increased activities in Mombasa Port throughout and an increase in the number of international passenger arrivals and departures. However, growth in the sector was curtailed by a decline in the number of passengers transported via Standard Gauge Railway (SGR). Consumption of light diesel which is a key input to land transportation also declined during the period.

**Table 1: Sectoral Real GDP Growth rate (Percent)**

Sectors	Annual Growth Rates		Quarterly Growth Rates	
	2022	2023	2023 Q1	2024 Q1
<b>1. Primary Industry</b>	<b>(0.8)</b>	<b>5.6</b>	<b>5.3</b>	<b>5.0</b>
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	6.1
1.2 Mining and Quarrying	9.3	(6.5)	(11.0)	(14.8)
<b>2. Secondary Sector (Industry)</b>	<b>3.5</b>	<b>2.5</b>	<b>2.5</b>	<b>1.1</b>
2.1. Manufacturing	2.6	2.0	1.7	1.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.4
2.3. Construction	4.1	3.0	3.0	0.1
<b>3. Tertiary sector (Services)</b>	<b>6.6</b>	<b>6.8</b>	<b>6.5</b>	<b>6.2</b>
3.1. Wholesale and Retail trade	3.5	2.7	2.9	4.9
3.2. Accomodation and Restaurant	26.8	33.6	47.1	28.0
3.3. Transport and Storage	5.8	6.2	6.6	3.8
3.4. Information and Communication	9.0	9.3	9.5	7.8
3.5. Financial and Insurance	12.0	10.1	5.9	7.0
3.6. Public Administration	5.1	4.6	7.6	5.8
3.7. Others	5.3	6.1	5.7	5.9
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.9
Real Estate	4.5	7.3	7.3	6.6
Education	5.2	3.1	2.0	4.0
Health	3.4	4.9	5.1	5.5
Taxes less subsidies	6.7	2.2	3.0	4.7
<b>Real GDP</b>	<b>4.9</b>	<b>5.6</b>	<b>5.5</b>	<b>5.0</b>

**Source of Data: Kenya National Bureau of Statistics**

The Government undertook reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year.

In the FY 2023/24, the fiscal balance (on commitment basis and excluding grants) amounted to KSh.952.9 billion (5.9 percent of GDP) against a targeted deficit of KSh. 963.5 billion (6.0 percent of GDP). The fiscal balance (on a commitment basis and including grants) stood at 5.8 percent of GDP against a target deficit of 5.7 percent of GDP.

Total revenue collection by the end of June 2024, amounted to KSh. 2,702.7 billion against a target of KSh. 2,907.5 billion. The revenue was below target by KSh. 204.9 billion on account of shortfalls recorded in both ordinary revenue and ministerial A-I-A. Total revenue inclusive of the ministerial A-I-A grew by 14.5 percent, an increase from a growth of 7.3 percent recorded in June 2023. Ordinary revenue collection was KSh.2,288.9 billion against a target of KSh.2,576.8 billion, KSh.287.8 billion below the target.

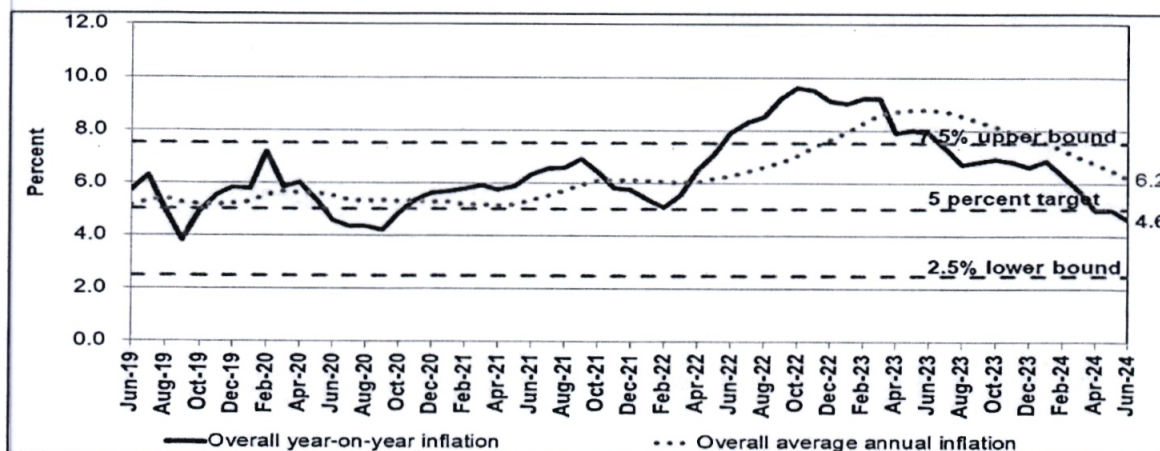
The ministerial A-I-A collected was below target by KSh.57.1 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs' A.I.A through the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh.66.1 billion against a target of KSh.66.5 billion.

The total expenditure and net lending for the period under review amounted to KSh.3,655.6 billion, against a target of KSh.3,971.5 billion. The resultant under expenditure of KSh.215.5 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target equitable share transfers to the County Governments. Recurrent expenditure for National Government amounted to KSh.2,644.6 billion (excluding KSh. 59.7 billion for Parliament and Judiciary) against a target of KSh.2,716.9 billion leading to a below target expenditure of KSh.72.7 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operation and Maintenance (O&M) and pension payments.

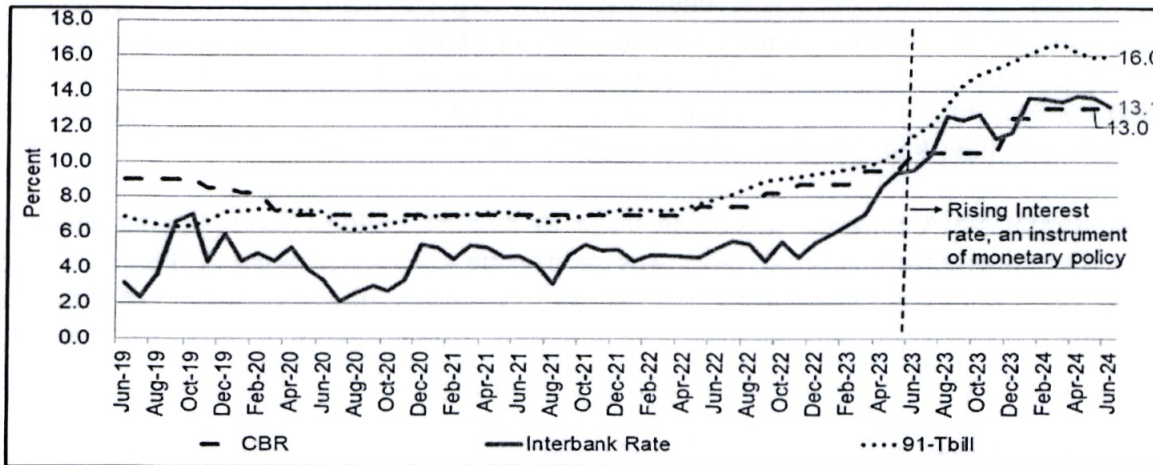
### Inflation

The overall year-on-year inflation is under control and within the Government target range of  $5 \pm 2.5$  percent. Inflation declined to 4.6 percent in June 2024 from 7.9 percent in June 2023, due to easing of food and energy prices (**Chart 2**). The appreciating Shilling produced a strong pass-through effect of lowering domestic prices supported by a tight monetary policy stance. Additionally, interventions by Government in providing subsidized fertilizer and seeds continue to lower the cost of food production, and revitalize agricultural production.

**Chart 2: Inflation Development**



**Chart 3: Short-Term Interest Rates**



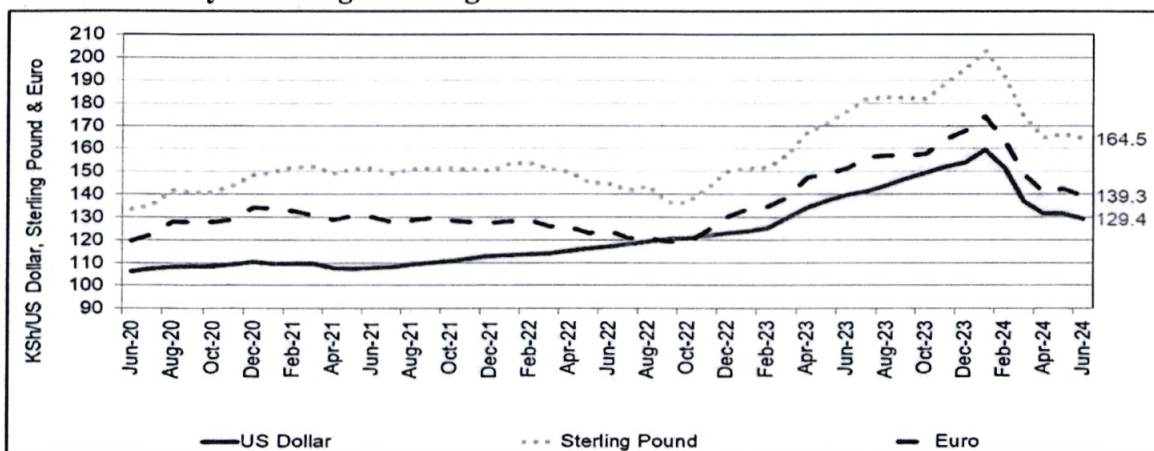
Source of Data: Central Bank of Kenya

**Exchange Rates**

The Kenya Shilling exchange rate has stabilized against major international currencies. By end June 2024, the exchange rate against the US dollar was KSh.129.4 compared to KSh.160.8 by end January 2024, an appreciation of 19.0 percent. Against the Euro, the Kenya shilling also strengthened by 20.1 percent to exchange at KSh.139.3 by end June 2024 compared to KSh.174.3 by end January 2024 while against the Sterling Pound the Kenyan Shilling strengthened by 18.9 percent to exchange at KSh.164.5 compared to KSh.202.9, over the same period (Chart 4a).

Through the repayment of the 2024 Eurobond, the Government successfully removed the investor uncertainty and market perception improved significantly. The appreciation and stability of the exchange rate has created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. This appreciation has helped to reduce debt service costs, improve performance of domestic borrowing and stabilize interest rates.

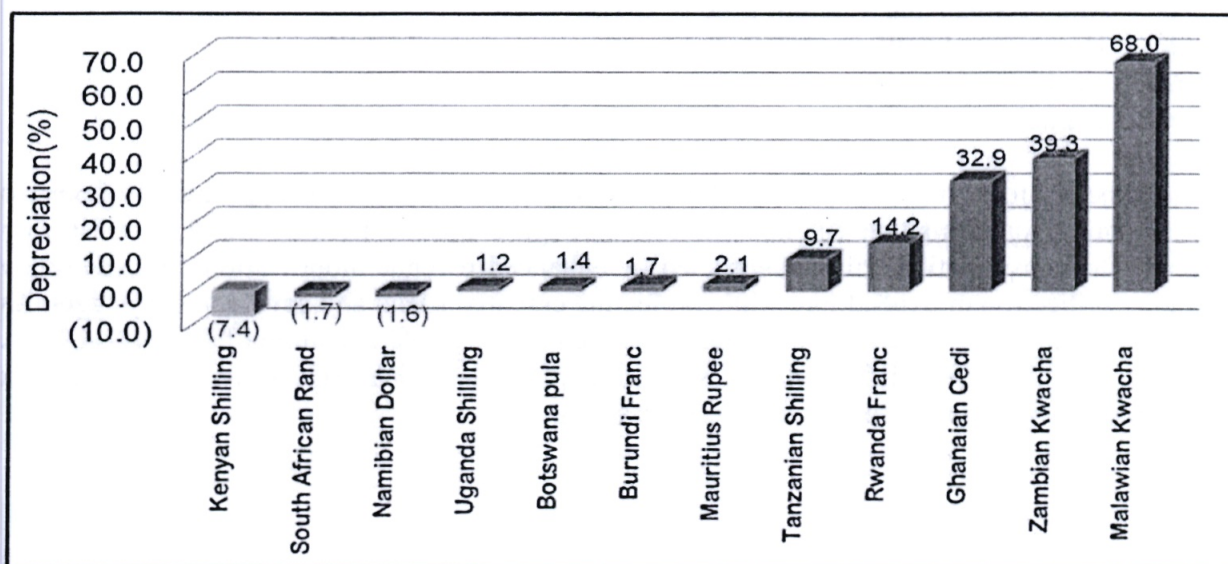
**Chart 4a: Kenya Shilling Exchange Rate**



Source of Data: Central Bank of Kenya

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low amid high demand for the US dollar in the international markets. The Kenya Shilling strengthened against the US Dollar at a rate of 7.4 percent in the 12 months to June 2024 compared to depreciations of 19.1 percent in the 12 months to June 2023 (Chart 4(b)). The stability of the Kenyan Shilling was supported by resilient remittances, adequate foreign exchange reserves and strong exports receipts. Majority of other Sub-Saharan Africa Currencies depreciated during the same period, particularly: Rwanda Franc, Ghanaian Cedi, Zambian Kwacha and Malawian Kwacha had double-digit depreciation rates (chart 4b).

**Chart 4b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June 2023 to June 2024)**



Source of Data: National Central Banks

### Pending Bills

The total outstanding national government pending bills as at 30<sup>th</sup> June, 2024 amounted to KSh.516.3 billion. These comprise of KSh.379.8 billion (73.6 percent) and KSh.136.5 billion (26.4 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (71.5 percent) belong to Contractor/Development Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of the historical ones.

The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. This is being undertaken through the Pending Bills Verification Committee Gazetted in September 2023. In the FY 2024/25 all MDAs are expected to clear all the expenditure carryovers from FY 2023/24 as a first charge before payment of commitments in the current financial year.

### **Bottom-Up Economic Transformation Agenda (BETA)**

MDAs will continue to be required to prioritize allocations towards the achievement of the BETA priorities while addressing the policy, legal, regulatory, and governance issues as a matter of priority to ensure optimal use of resources in execution of the planned interventions. BETA is geared towards economic turn around and inclusive growth and aims to increase investments in at least five sectors with high potential impact on the economy as well as household welfare.

These include: -

- i. Agricultural Transformation;
- ii. Micro, Small and Medium Enterprise (MSME);
- iii. Housing and Settlement;
- iv. Health care: and
- v. Digital superhighway and Creative Industry.

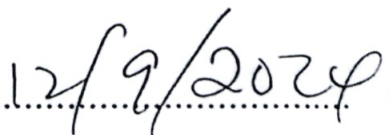
Fiscal policy for f/yr 2024/2025 and the medium-term budget aims to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation will be supported by enhanced revenue mobilization, rationalization and prioritization of expenditure while protecting essential social and development budget. As part of the process, the Government has embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that will further strengthen tax revenue mobilization efforts over the medium term.

Signature.....

HON. CPA JOHN MBADI, EGH

CABINET SECRETARY

THE NATIONAL TREASURY AND ECONOMIC PLANNING

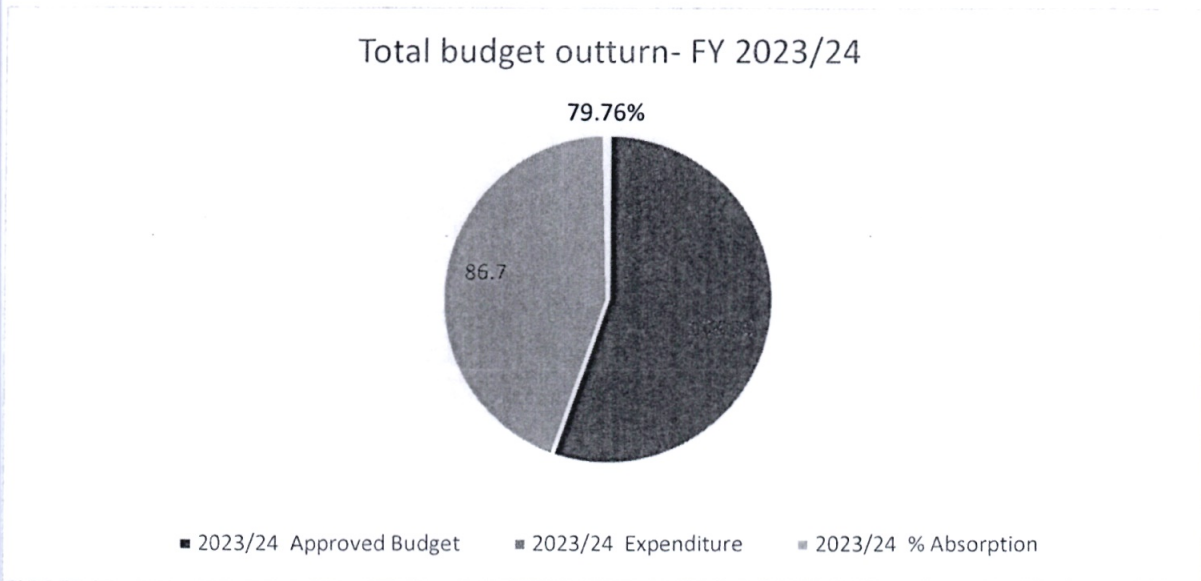
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## 5. STATEMENT BY THE PRINCIPAL SECRETARY

### Budget performance

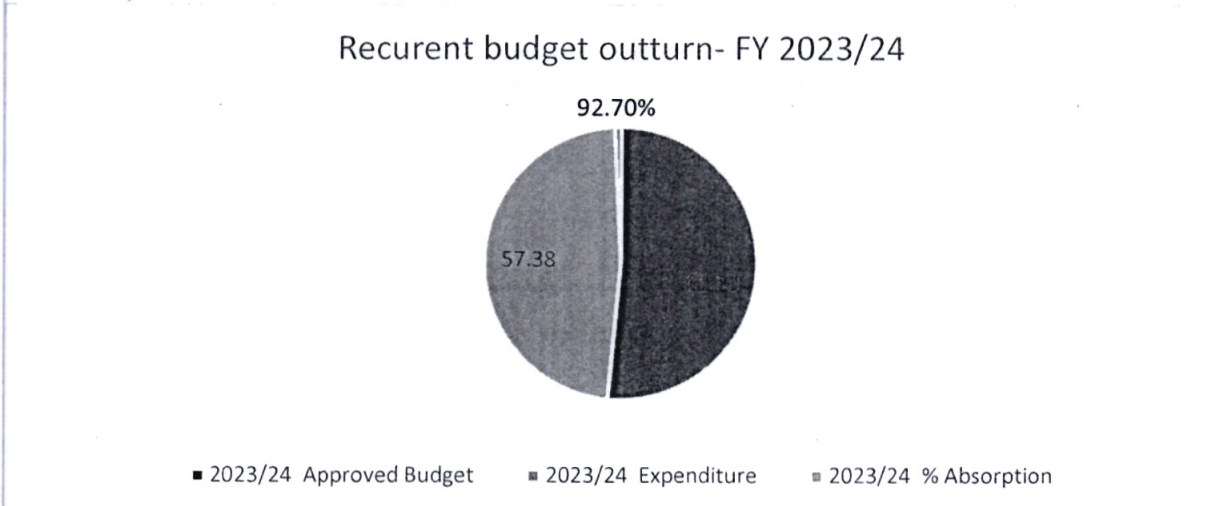
The National Treasury expenditure for the FY 2023/24 stood at KSh.86.7 billion against an approved budget of KSh.108.7 billion translating to an overall absorption rate of 79.76 percent as demonstrated in the pie chart below. This translates to an improvement of 10.33 percent from 69.43 63% recorded in the financial year 2022/23. Chart 2 below presents the National Treasury total budget execution for the FY 2023/24.

**Chart 2: Total Allocation against Total Expenditure (KSh. Billions)**



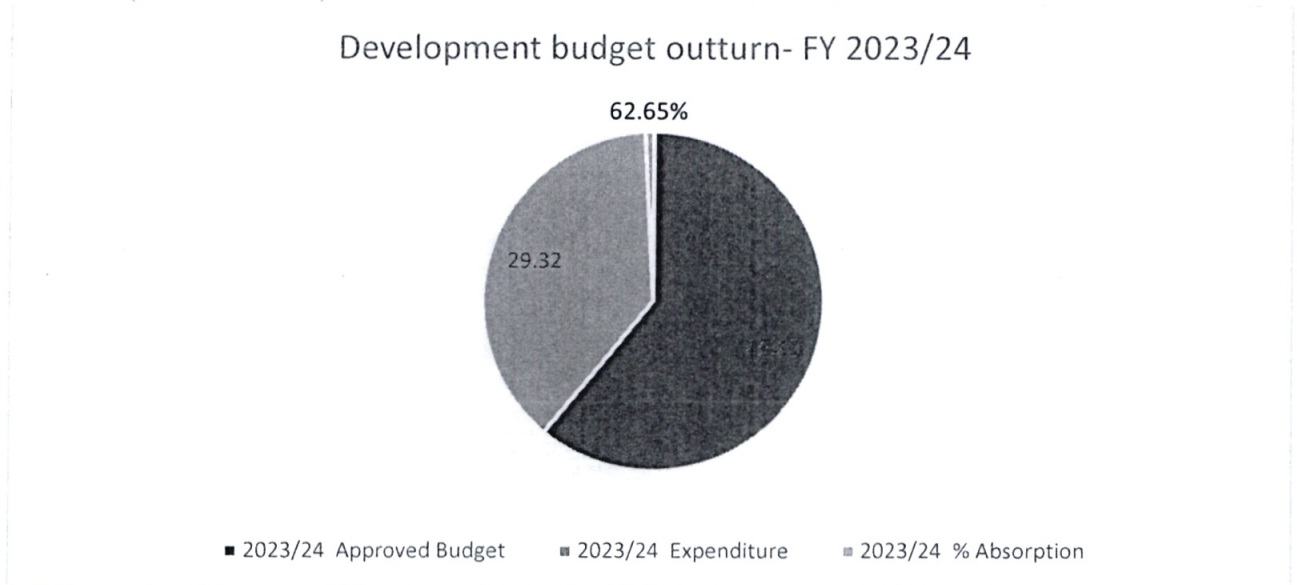
When disaggregated by recurrent and development expenditure, the budget execution indicates that recurrent expenditure stood at KSh.57.38 billion in the FY 2023/24 against an allocation of KSh. 61.90 billion translating to 92.70 % absorption rate as shown in Chart 3 below. This was an improvement from the absorption rate of 78.05 recorded in FY 2022/23.

**Chart 3: National Treasury recurrent budget execution for the FY 2023/24 (KSh. Billions)**



On the other hand, development expenditure absorption was KSh .29.32 billion against an allocation of KSh 46.80 billion recording an absorption rate of 62.65% as illustrated in Chart 4 below. The under absorption in development expenditure is attributed to exchequer challenges.

Chart 4: Presents the National Treasury development budget execution for the FY 2023/24 (KSh. Billions)

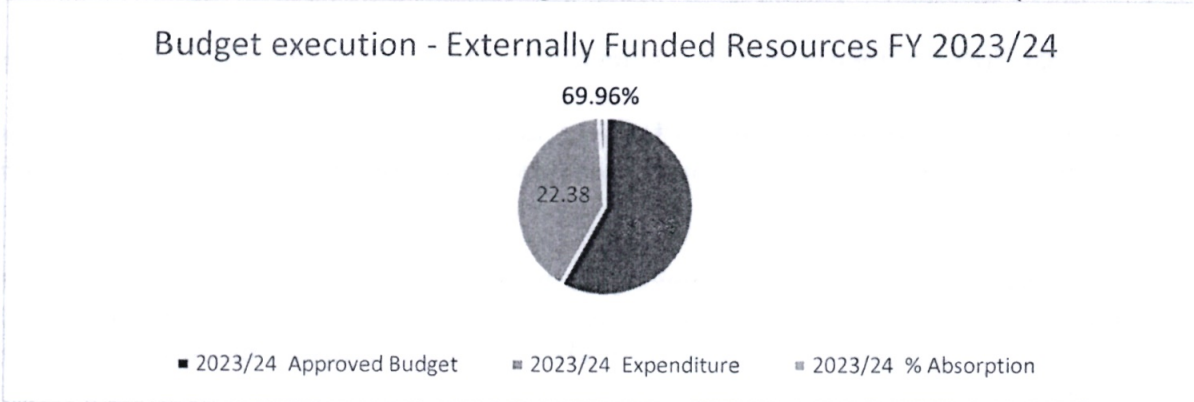


### Budget execution for externally funded resources for FY 2023/2024

The externally funded projects recorded an absorption of KSh. 22.38 billion against an allocation of KSh. 31.99 billion translating to an absorption rate of 69.96 per cent. This is a marked improvement from the 29.24%, recorded in 2022/23. The improvement is attributed to increased commitments by donors. However, differences in accounting periods between GoK and Donor continues to affect appropriate recording of absorption since budget outturn are characterised by reporting lags where expenditures may have occurred at the delivery source but not captured in the reporting system in real time as appropriate.

Chart 6 below presents the budget execution for externally funded resources for the FY 2023/24.

**Chart 6: Budget execution for externally funded resources for FY 2023/24 (KSh. Billions)**

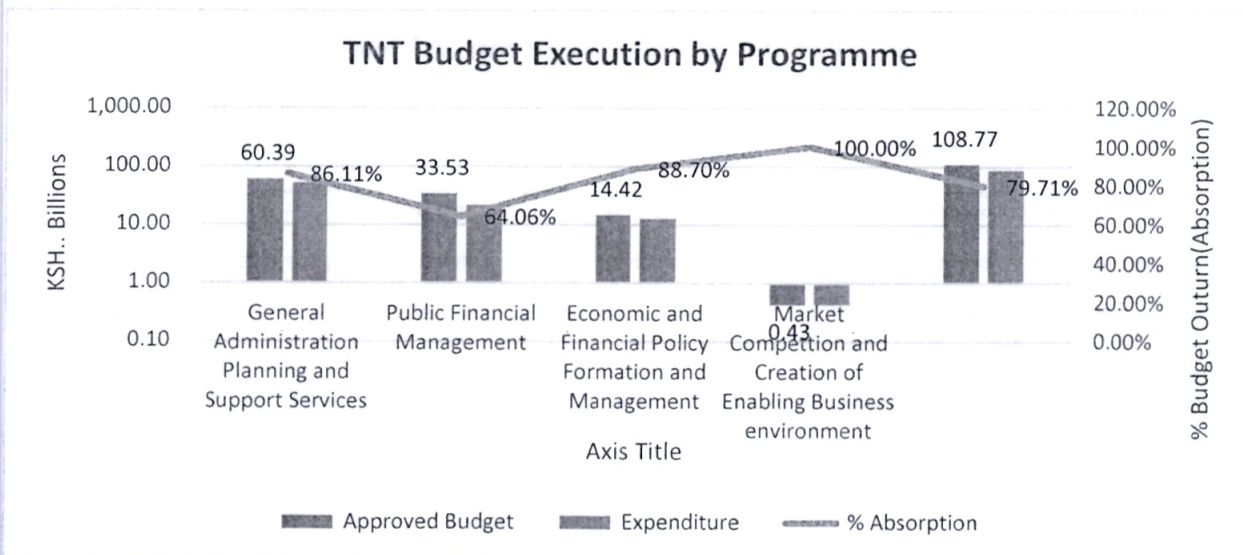


**Budget Execution by Programme**

The National Treasury implemented the 2023/24 budget within four economic programmes. These were: General Administration, Planning and Support Services; Public Financial Management; Economic and Financial Policy Formulation and Management; and Market Competition.

As demonstrated in the chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 100 percent followed by Economic and Financial Policy Formulation and Management at 88.70 percent, General Administration at 86.11 percent, Public Financial Management at 64.06 percent. Chart 7 below illustrates the National Treasury budget execution by programme for the FY 2023/24.

**Chart 7: Budget execution (KSh. Billions) and proportion (%) by Programme (KSh. Billions) for the FY 2023/24**



## Key Achievements under programmes

The National Treasury registered Key Achievements during the Financial Year 2023/2024. They include:

- i. **Under General Administration, Planning and Support Services programme**, the National Treasury leased 3,546 security vehicles for the National Police Service towards enhancing security;
- ii. **Under the Public Financial Management programme**, despite not meeting revenue targets in absolute terms, total revenue collection grew by 14.5 per cent an increase from a growth of 7.3 per cent recorded in June 2023. National Treasury mobilized a total of KSh.4.3 billion worth of private capital that reached financial closure under Public Private Partnerships; registered 21,335 AGPO Enterprises against a target of 20,000; digitized an additional 13,500 government services from 4,500 recorded in 2023; and conducted 240 Value for Money Audits;
- iii. **Under Economic and Financial Policy Formulation and Management programme**, the National Treasury developed the Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR) for County Governments. In addition, the National Treasury implemented measures to attract three (3) NIFC firms. These include (i) facilitating discussions with regulators to introduce large scale global insurance provider into the market, (ii) collaborating with the Department of Immigration to facilitate fast-tracked investor and work permit issuance and (iii) supporting a foreign incoming Venture Capital firm with business registration; and
- iv. **Under Market Competition and Creation of an Enabling Business Environment programme**, the National Treasury through Competition Authority of Kenya determined 93% of merger and acquisitions applications and concluded 95% of Cases of Deterrence of Abuse of Buyer Power. With respect to access to justice, the National Treasury through the Competitional Tribunal determined 100% of Appeals on Competition.

### Highlights of Bottom-UP Economic Transformation Agenda achievements for the 2023/24 Financial Year

No.	BETA Milestone Achieved	2022	2023	% Change	Comments
(a)	Established the Financial Inclusion Fund (Hustler Fund) under the Section 24 (4) of the PFM Act.	-	-	-	The fund will enhance financial access to Micro and Small Enterprises at affordable rates
(b)	Support of Government-to-Government framework for Importation of Petroleum	-	-	-	Provided the Letter of Support to facilitate the implementation of importation of Petroleum through the Government to Government (G-to-G) arrangement with the Government of the United Arab Emirates (UAE). This was aimed at easing the pressure on the monthly demand for USD.
(c)	Ensuring sustainability of State Corporations	-	-	-	Prepared the Privatization Bill, 2023 which is aimed at encouraging more participation of the private sector in the economy. Ownership Regulations have been developed to guide management of commercial state corporations.

## **Emerging Issues**

The emerging issues that impacted on the operations the National Treasury include: -

- i. Technological advancement in the ICT sector present opportunities to leverage ICT innovations in the conduct of business as well as risks relating to governance and data security. As the financial systems increasingly go digital, there is the associated risks with cyber-attacks;
- ii. The proliferation of fake news on social media platforms, which have a wider audience and faster response time sometimes portrayed the National Treasury in a negative manner;
- iii. Green Finance: with climate change concerns, there is the pressing need to integrate environmental, social, and governance (ESG) considerations into fiscal policies and investments;
- iv. Development of Sector specific Project Appraisal Manuals continues to be a priority to guide sector specific analysis. The National Treasury is required to develop over 40 sector specific appraisal manuals to guide the over 40 sectors on the nuanced appraisal process; and
- v. Debt sustainability concerns. Ensuring that debt levels remain sustainable while funding essential services is a critical challenge that continues to face the National Treasury.

## **Challenges**

Some of the challenges the National Treasury faced while implementing the 2023/24 budget include:-

- i. Resource Constraint persisted and affected implementation of budgets;
- ii. The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes. In the FY 2023/24, the National Treasury faced a total revenue collection shortfall of KSh. 204.9 billion on account of shortfalls in both ordinary revenue and ministerial A-I-A;
- iii. Shortage of Key Technical Staff continues to affect operational efficiency in the core mandate:
  - (a) Despite recruitment of staff across certain cadres, the National Treasury continues to experience staff shortage across all cadres against authorized establishment. As indicated in the operational performance on human resource, the current staff capacity is at 58% This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives; and

- (b) Operating environment is manifested, among others, by shortage of office space especially for key technical staff and, Inadequate resourcing of the Monitoring and Evaluation function.

To manage the above emerging issues and challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry undertook the following: -

- i. Raised domestic resources to support implementation of various ongoing programme through development of diverse methods for domestic resource mobilization;
- ii. Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions; and
- iii. Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

### **Recommendations**

In order to address the challenges and emerging issues, the following measures should be undertaken: -

- i. Sustain efforts for effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of the Bottom-Up Economic Transformation Agenda and emerging Government priorities. Key in this respect is the need for adequate resourcing of Kenya Revenue Authority to deploy innovative tax administration for efficient and optimal collection of taxes.  
  
In addition, the National Treasury should leverage on the digitization of all critical Government processes with a view to bringing convenience to citizens and raising revenue efficiently for Government services that are paid for electronically;
- ii. Reforms in Public Financial Management and taxation should be sustained to enable the National Treasury expand the fiscal space and enhance absorption capacity. This includes reforming institutions and restructuring of parastatals to wean some from reliance on exchequer;
- iii. Strengthening Tax Administration, The National Treasury should enhance KRA's capacity to leverage technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System). These policy strategies will expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position;
- iv. Continued implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- v. Strengthening Monitoring and Evaluation Framework and capacity through automation of the Planning and M&E processes;

- vi. Continued leveraging on ICT to ensure timely delivery of targets and foster efficiency; and
- vii. Implementing the recommendations arising from the 2023/24 project rationalization review to achieve optimal project portfolio and increase fiscal space.

Going forward the National Treasury, will support the Government's priority on scaling up efforts on policy interventions and structural reforms under BETA so as to navigate the global turbulence, accelerate economic recovery, and address overarching development challenges namely creating jobs, eradicating poverty and mitigating climate change. As part of the efforts, the National Treasury will accelerate investments in: (i) reforming markets (ii) domestic resource mobilization and application of those resources to development projects; (iv) reform and restructure of State-Owned Entities and (v) digitization of government services.

Signature .....



Date .....10/9/24.....

**DR. CHRIS KIPTOO, CBS**

**PRINCIPAL SECRETARY/NATIONAL TREASURY**

## **6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2022/23**

### **Introduction**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives. The key development objectives of the National Treasury's 2018-2022 Strategic Plan are to:-

- (a) Strengthen organization capacity for quality service delivery;
- (b) Enhance mobilization, allocation and utilization of public resources;
- (c) Ensure stable and sustainable macro-economic environment; and
- (d) Ensure market structures that encourage competition and orderly conduct of business;

### **Progress on Attainment of Strategic Development Objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made Specific, Measurable, Achievable, Realistic and Time-bound (**SMART**) and converted into development outcomes. Attendant indicators were identified for tracking progress and performance measurement: Below is the progress implementation of the stated objectives: -

**Table 1:**

<b>PROGRAMME</b>	<b>SUB-PROGRAMME</b>	<b>Delivery Unit</b>	<b>Key Output</b>	<b>Key Performance Indicator</b>	<b>Annual Target</b>	<b>Actual at June</b>
<b>Programme 1: General Administration, Planning and Support Services</b>	<b>SP 1 Administration Services</b>	Administration	Security Vehicles Leased	Security Vehicles leased	4,023	
		State Corporations Appeals Tribunal (SCAT)	Appeals against the surcharge decisions of Inspectorate of State Corporations determined	% of appeal cases determined	100	100
	<b>SP 2 Human Resources Management Services</b>	State Corporations Appeals Tribunal (SCAT)	Reviewed State Corporations Act		1	0

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
	<b>SP 3 Financial Services</b>	Public Service Super Annuation Scheme (PSSS)	Public Servants enrolled onto PSSS	% level of eligible Public Servants enrolled onto PSSS	100	100	0	The eligible public servants are on boarded in real time and existing ones maintained through remittances of contributions to the PSSS
		Pensions Department	Pensions claims paid	No of days taken to process pension claims	60	60	0	Target Achieved
		Kenya Revenue Authority	Ordinary revenue collected	Ordinary revenue as a percentage of GDP	18	10.4	-7.6	All revenue categories recorded below target performance with income tax recording the highest shortfall of 50.9 billion on account of below target collection in both PAYE of 25.8 billion and other income tax of 25.1 billion.
		Institute of Certified Financial Investment Analyst	Income from member services and consulting activities	At least Kshs.4,500,000 or 500,000 per month	July -March	Kshs 21,090,604 from training and new members' registration	19,590,604.00	The institute had a positive return on trainings and workshop forums due to aggressive marketing hence the surpassed target
			ICFA Members Recruited	At least 40 new members (jointly with Member Services Team)	July -March	60 members have been approved	20	Target surpassed due to additional recruitment drive efforts
	<b>SP. 4 ICT Services</b>	Information, Communication and Technology Unit	National Assets and Liabilities System developed	% level of development of the National Assets and Liabilities Management System	50	50	0	The target was to develop the asset management Module which has been finalized. The Liabilities Management Module is scheduled for the FY 2024/25
<b>Programme 2: Public Financial Management</b>	<b>SP. 1 Resource Mobilization</b>	Resource Mobilization Department	Resources mobilized from development partners	Externally mobilized resources as a % of fiscal gap	40	46.17	6.17	The extra mobilization was occasioned by underperformance in domestic revenue which meant that to cover up for the fiscal gap,

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
								additional external financing was warranted
				External mobilized resources disbursed as a % of resources budgeted	100	77	-23	The disbursement is based on milestones achieved by the implementing agencies, evidenced by submission of interim payment certificates as well as disbursement linked performance whereupon.
		Debt Policy, Strategy and Risk Management Department	M-Akiba, sovereign and benchmark Bonds	No. of Sovereign Green bonds issued	1	0	-1	Market conditions were not favorable
				No. of benchmark bonds issued	7	6	-1	3 new benchmark bonds issued and 3 early issued were re-opened to new investors.
			Annual Borrowing Plan	No of Annual Borrowing Plans	1	1	0	Target achieved
		Debt recording and settlement Department	Mature serviceable public debt serviced	% Of mature serviceable public debt serviced	100	100	0	Target achieved
			Annual Public Debt Management Performance report	No. of developed Annual Public Debt Management performance report	1	1	0	Target achieved
			Published External Public Debt Stock & Register on the TNT website	No. of Published External Public Debt Stock & Register on the TNT website	1	1	0	Target Achieved
		PPP Unit	Private capital unlocked for investments in PPP Projects	Amount mobilized in KShs. (Billion)	50	4.3	-45.7	KSh. 4 billion was raised against a target of KSh. 50 billion. The KSh. 4.3 billion relates to development of 3,069 residential units for the Kenya Defense Forces under a 15 year Build and Transfer (BT) Model. The project achieved financial close in May 2024 and construction began in June 2024.

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
								The shortfall against the target was occasioned by financial close of three (3) projects with a combined value of KSh. 147 billion which had been projected to achieve financial close during the period under review. The 3 projects are Lot 32 of the Road Annuity Programme which was terminated by the contracting Authority, 35MW Orpower 22 Geothermal Power Plant and Equipment, Operation and Maintenance of Port Assets in Lamu and Mombasa.
		Global Fund	Adults and children provided with Anti-Retroviral Therapy	Number of Adults and Children Receiving ART	1.2	1.2	0	Target achieved
			ACT Treatment	No. of People receiving ACT (Millions)	6	6	0	The total number of confirmed malaria cases annually is about 6 million. The number of doses of ACT distributed to ensure continuous supply at facility is 7 million doses annually. On a quarter about 1.5 million doses are expected to be issued to facilities.
			TB patients treated and tested for HIV	% of TB patients treated and tested for HIV	100	97	-3	Underachievement relates to the fact that testing is voluntary, some of the patients diagnosed with TB when requested to be tested for HIV declined
	<b>SP 2 .Budget Formulation Coordination</b>	Directorate of Budget, Fiscal	Annual National Budget	Annual national budget presented to Parliament by 30th April	1	1	0	Target Achieved

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks	
	<b>and Management</b>	&Economic Affairs	Budget Review and Outlook Paper	Budget Review and Outlook Paper	1	1	0	Target Achieved	
			Budget Policy Statement	Budget Policy Statement	1	1	0	Target Achieved	
			Annual Appropriation Bill	Annual Appropriation Bill	1	1	0	Target Achieved	
			Supplementary Appropriation Bills	Supplementary Appropriation Bills	2	2	0	Target achieved	
			Finance Bill	Finance Bill	1	1	0	Target Achieved	
	<b>SP 3. Audit Services</b>	Internal Audit Department	Value for Money Audits conducted	No. of VFM Audits reports	268	240	-28	Budget cuts	
			Government Entities capacity built on IRMF	No. of Government Entities capacity built on IRMF	32	36	4	Target surpassed due to more requests from MDAs to be trained	
			Audit Committees Capacity Built.	No. of Audit Committees Capacity Built.	24	26	2	Target surpassed due to more requests from County Governments to be trained	
	<b>SP Accounting Services</b>	4. Accounting Services Department	Consolidated Financial Statements	No. of Consolidated Financial Statements	1	1	0	Target achieved	
			officers trained on International Public Sector Accounting Standards (IPSAS)	No. of Officers trained on International Public Sector Accounting Standards (IPSAS)	2000	2100	100	Target surpassed	
			National Sub-County Treasuries	Site inspection of National Sub-County Treasuries undertaken	No. of inspection reports	80	28	-52	Target not achieved due lack of funding
			IFMIS Department	PFM users trained on IFMIS in financial reporting	No. of PFM users trained	2,000	2,100	100	Target surpassed
			Government Digital Payments Unit	Government Payments Digitized	No. of additional Government Payments Digitized	3,500	17,000	13,500	Target surpassed due to prioritization of digitalization of Govt services and improved compliance by MDAs

PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Public Sector Accounting Standards Board	Guidelines for IPSAS 41,42,43,44,45,46 developed	No.of guidelines developed	6	4	-2	The underperformance due to the fact that the development of the remaining guidelines was contingent upon the approval of transition to accrual accounting which came in 4th quarter, therefore the same has been earmarked for 1st quarter of FY 2024/25
	Accountants from the OAG, Parliament, and Judiciary on requisites for transition to accrual accounting sensitized		No.of Accountants sensitized	200	600	400	The overachievement was due to enhanced need for all accountants to embrace transition to accrual accounting	
	Model internal control framework for County Government entities developed		Model Developed	1	1	0	Target achieved	
	Training Accountants from Teachers Training Colleges (TTCs).		No. of Accountants sensitized	50	600	550	The overachievement was due to enhanced need for all accountants to embrace transition to accrual accounting	
	Internal Auditors and Risk Practitioners in Public sector on Global Internal Audit sensitized		No. of Auditors sensitized	200	580	380	Target on track	
	Financial Reporting Templates for County Government on Accrual Accounting developed		No. of Templates Developed	9	9	0	Target Achieved.	

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
			Audit committee members of Public Sector Audit Committees (Sensitization of Governing bodies and Senior Management) sensitized	No. of Audit committee and senior management trained	200	400	200	The overachievement was due to enhanced need for all accountants to embrace transition to accrual accounting
			County visit to check compliance with financial reporting standards	No. of Counties visited to monitor compliance with standards	12	4	-8	Underperformance due to refocusing from county visits to compliance surveys
			Financial Reporting (FiRe) Awards Evaluation and Gala Dinners conducted	% of Entities Financial Report evaluated.	1	1	0	All eight hundred and thirty three(833)Financial Reports Submitted and Evaluated.
			Reviewed Guidelines on National and County Governments Audit Committee	Reviewed National and County Governments Audit committee guidelines	2	2	0	Target Achieved.
			Public Sector Internal Control guidelines developed	No. of Guidelines developed	1	1	0	Target Achieved.
	SP 5. Supply Chain Management Services (SCMs)	Public Procurement Department	AGPO enterprises registered	No. of AGPO enterprises registered	20000	21335	1335	Target surpassed due to enhanced targeted sensitization
AGPO beneficiaries trained on Government Procurement Opportunities			No. of AGPO beneficiaries trained on Government Procurement Opportunities	2000	2235	235	Target overachieved due to partnerships with other Government Institutions to train more beneficiaries.	
Public Procurement		Market Price Index survey conducted	No. of MPI survey reports published	4	0	-4	Target not achieved due to budget constraints	

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks	
		Regulatory Authority (PPRA)	MCDAs monitored on Compliance with PPADA 2015	No. of MCDAs monitored on Compliance with PPADA 2015	200	2087	1887	Overachievement attributed to leveraging technology to undertake audits based on information posted on Public Procurement Information Portal and site visits undertaken only for select projects under implementation	
			Public Procurement disputes resolved	% Of cases resolved within 21 days	100	100	0	Target achieved	
			Supply chain professionals certified in the public sector	% of supply chain professionals certified in the public sector	60	44	-16	Underperformance due to inadequate enforcement of compliance by Regulatory entities and employers	
	<b>SP. 6 Public Financial Management Reforms</b>	PFMR Secretariat	Skills and capacity in PFM	No. of officers trained on Public Finance Management	8,000	8,150	150	Annual target surpassed	
				PFM Reforms Strategy Developed		1	1	0	Target achieved
				Develop Implementing Agencies Work Plans		1	1	0	Target achieved
				Cumulative % of PFM reforms implemented (102 reform interventions)		20	17	-3	The underperformance due to delay in approval of some legislations by Parliament and inadequate funding. These have rolled over to the FY 2024/25
	<b>SP. 7 Government Investment and Assets</b>	Government Investment and Public Enterprises	Budget for State Corporations Reviewed	% of State Corporations Budgets reviewed	100	100	0	All relevant budgets for SC reviewed	
				3 years report on Assessment of Investment in State corporation & Government-linked Corporations	No of assessment Report	1	1	0	Target Achieved. Report prepared and sent to Parliament as required

The National Treasury & Economic Planning  
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PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Unclaimed Financial Assets Authority	Unclaimed financial assets reunified with the rightful owners	Cash assets Remitted in KSh. (million)	4500	3,800	-700	The underachievement was due to the fact that there was no moratorium granted (amnesty for non-remittance) during the financial year unlike the year FY 2022/2023 when the CS National Treasury had granted Amnesty via the Finance Bill 2022 for filing remittances without being penalized for noncompliance.
	Unit of shares remitted (non-cash assets) in Million			300	407	107	Overachievement due Compliance Audits and aggressive awareness on holders of unclaimed assets	
	Reunification rate, in %			5	6	1	Reunification is an ongoing improvement supported by enhanced reunification clinics, Huduma Service Centre and National Government Administrative Officers (NGAO) partnership, Unclaimed Financial Assets Management System (UFAM) systems and customized relationship management	

PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Privatization Commission	Privatized government owned entities	No. of Government owned entities privatized	4	0	-4	No approved transaction has been completed; however, the following is the progress: • Draft Share Sale Documentation is in place for the following entities: (a) International Hotels Kenya Limited (Hilton) (b) Kenya Hotel Properties Limited (c) Mountain Lodge Limited (d) KWA Holding E.A Limited •Draft Expression of Interest (EOI) has been prepared for International Hotels (Kenya) Limited.
				No. of entities approved for inclusion in the privatization programme	7	0	-7	Following the operationalization of the Privatization Act, 2023 on 27th October 2023, the assessment function was transferred to the National Treasury. The CS NT published Privatization Programme on 27th November 2023. However, the high court issued a conservatory order that suspended implementation of section 21(1) of the Privatization Act

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Kenya Trade Network Agency	Cargo dwelling time at ports of entry reduced	No. of days taken to clear goods at the ports of entry	3	3	0	Target achieved
Programme 3: Economic and Financial Policy Formulation and Management	SP 3.1.1 Fiscal Policy Formulation, Development and Management	Macro and Fiscal Affairs	Stable Average annual inflation rates maintained	Inflation rate (%)	5 +/-2.5	0.046	0.7	Target within policy range.
			Strong Official foreign reserves	Months of import cover	5.5	4	-1.5	Target not met due to high demand for forex.
			Fiscal deficit as a % of GDP including grant	% of fiscal deficit	4.4	5.6	-1.2	Target not achieved due to revenue underperformance.
		Inter-Governmental Fiscal Relations	County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB) prepared.	County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	2	2	0	Target achieved
			Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR)	No. of Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR)	1	1	0	Framework developed and awaiting Cabinet Approval
		Nairobi International Financial Centre Authority	Nairobi International Financial Centre (NIFC) guidelines and regulations prepared	No. of Guidelines and regulations prepared	1	1	0	Target achieved
			Investments and Regional Financial Institutions certified	No. of Certified NIFC firms	4	3	-1	Three firms certified

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Financial and Sectoral Affairs	Climate Change Fund (CCF) established in counties	No. of counties with CCF	2	1	-1	Apart from Nairobi County, CCF has been established in all the 46 Counties.
	SP3.2 Debt Management	Debt Policy, Strategy and Risk Management Department	Sustainable Public Debt	Public Debt at ≤ KSh. 10 trillion	10	65 % of GDP (10.56 trln)	1.12	Under achievement was due to depreciation of the Kenyan Shilling against Foreign Currencies.
		Financial and Sectoral Affairs	Capital injected into Credit Guarantee Scheme (CGS)	Value in KShs. (Billions)	5	3	-2	The 3 billion allocated is still pending awaiting the corporation of the CGS as a company. Documents for establishment of the CGC are with the Cabinet.
Programme 4: Market Competition and Creation of Enabling Business Environment	SP 4.1 Elimination of Restrictive Trade Practices	Competition Authority of Kenya	Consumer complaints on Competition investigated	% of consumer complaints on competition investigated	100	57	-43	Target not achieved due to complexity of the cases and budget cuts
			Merger and acquisitions applications determined	% applications/ cases determined/ concluded	100	93	-7	Target not achieved due to budget cuts
			Cases of Deterrence of Abuse of Buyer Power concluded	Cases concluded as a % of total investigations	95	62	-33	Target not achieved due to complexity of the cases.
			Cases on restrictive trade practices investigated and finalized	% of cases on restrictive trade practices investigated and finalized	100	42	-58	Target not achieved due to inadequate funding
	SP.4.2 Access to Justice	Competition Tribunal	Appeals on Competition Determined	% of Appeals on Competition Determined	100	100	0	Target achieved

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

### 7.1. Report on Operational and financial performance of the organization for the last three-to-five-year period

#### 7.1.1. Operational Performance

Operational performance is examined from two main indicators. These are: (i) performance contract management (ii) human resource staff capacity.

##### 7.1.1.1. Performance Contract Management

In the Financial Year 2019/2020, the National Treasury and Economic Planning was ranked as the best performing Ministry with a Composite Score of 3.0209. This means that TNT&P achieved but not fully all its set PC targets resulting to a score of between 70 – 100% which translates to Good Performance.

In the Financial Year 2020/ 21, the National Treasury and Planning was ranked 5<sup>th</sup> in the Top Five Performing Ministries with an Average Composite Score of 3.2124 which is a good performance. There was a decline in performance compared to that of 2019/2020 whereby TNT&P was ranked the best performing Ministry with a Composite Score of 3.0209.

In the FY 2021/2022 the National Treasury and Economic Planning retained a ranking of position 5 with a composite score of 3.1173 representing 'good performance'. The composite score was an improvement from the 3.2124 recorded in 2020/21.

The results for the 2022/23 have not been published, hence the composite score of 3.3158 is provisional following moderated evaluation in September 2023.

A summary of performance contract indicators for two years and ranking for the last five years are given in tables 2 and 3 respectively below.

**Table 2. Performance in various indicators over the last two evaluation periods**

PC Area	Score FY 2021/22	Score FY 2022/23 (provisional) <sup>1</sup>
Overall Composite Score	3.1173	3.3158
Financial Stewardship	0.2550	0.3219
Service Delivery	0.3096	0.3112
Core Mandate	1.9344	1.9930
Implementation of Presidential Directives	0.0600	0.0683
Access to Government Procurement Opportunities	0.0402	0.1042
Promotion of Local Content in Procurement	0.0470	0.0591
Cross-cutting issues	0.4667	0.4581

<sup>1</sup> The results for the FY 2022/23 has not been formally published

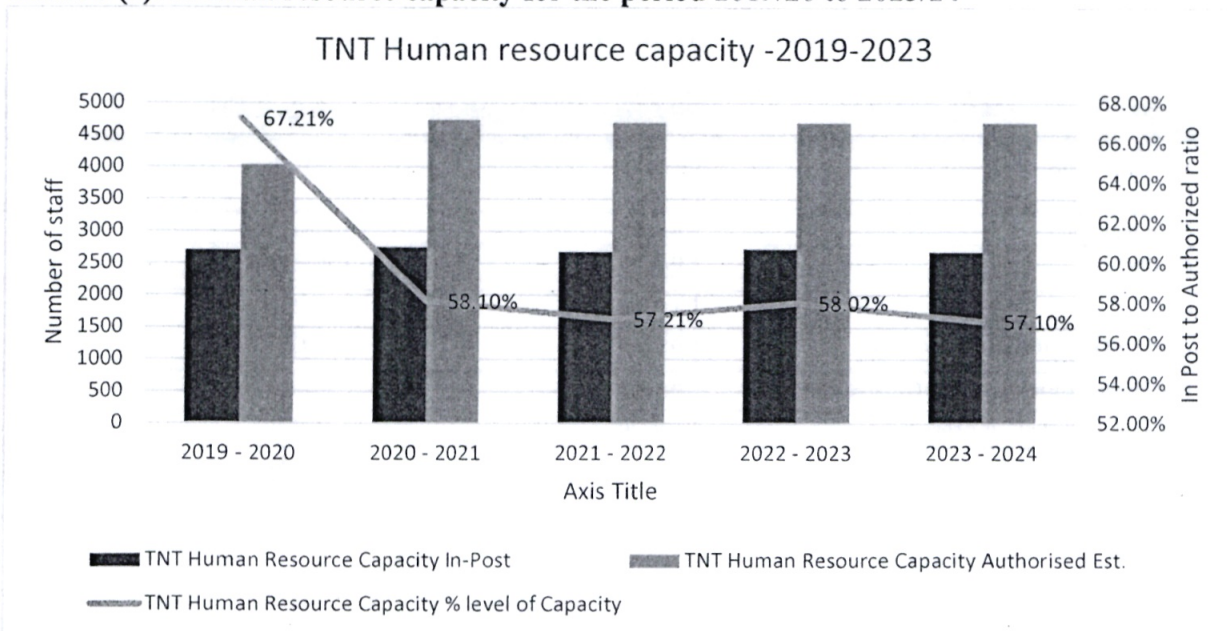
**Table 3: Summary of performance of the National Treasury and Economic Planning in ranking of Ministries Departments and Agencies over five Financial Years**

2018/19	2019/2020	2020/2021	2021/2022	2022/2023 (provisional)
Ministries were not ranked	Overall Score: 3.0209 Overall Rank: Position 1 Overall Grade: 70-100% Performance category: Good Core Mandate Score: 1.8089  Core Mandate Rank: Position 3	Overall Score: 3.2124 Overall Rank: Position 5 Overall Grade: 70-100% Performance category: Good Core Mandate Score: Not measured  Core Mandate Rank: Not ranked among the 5 best performing Ministries	Overall Score: 3.1173 Overall Rank: Position- 5  Overall Grade: 70-100% Performance category: Good  Core Mandate Score: 1.9344 Core Mandate Rank: Not ranked among the top five or the bottom 5	Overall Score: 3.3158 Overall Rank: Position – Note yet published  Overall Grade: 70-100% Performance category: Good  Core Mandate Score: 1.9930 Core Mandate Rank: Not yet published

**7.1.1.2. Human resource staff capacity.**

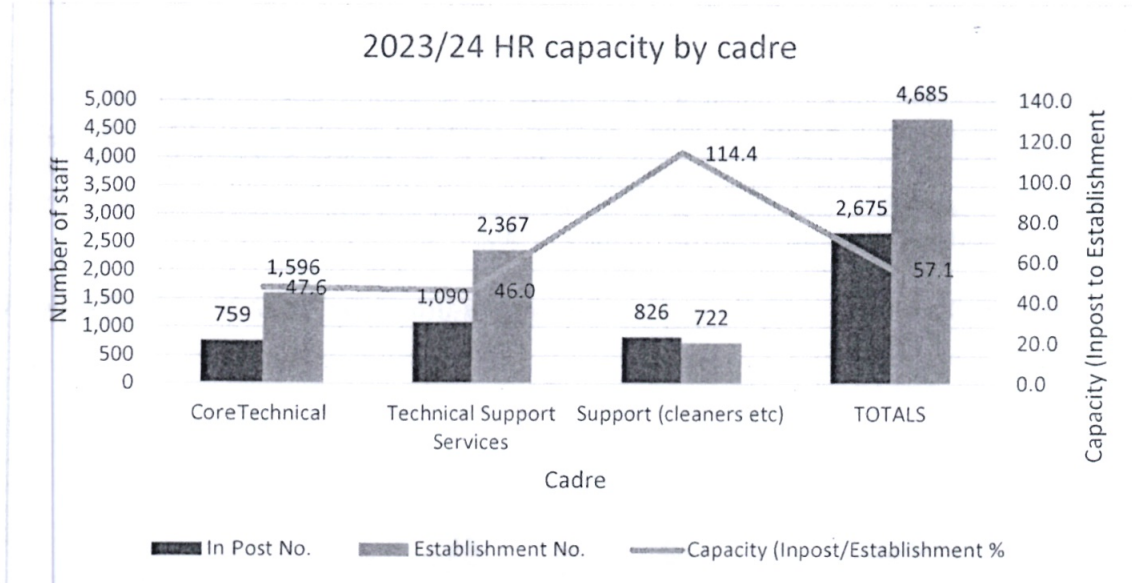
Human resource capacity is a component of operational efficiency in the National Treasury. In this regard, the National Treasury currently operates at 57.1 per cent staff capacity in relation to authorized establishment. This is a decline from staff operational capacity of 58% in 2022/23 and 67.21 percent in 2019/20. The decline in staff capacity is attributed to slow succession management in relation to increasing staff requirement as indicated by authorized establishment. Chart 8 below illustrates the current staff capacity against authorised establishment.

**Chart 8 (a): Human resource capacity for the period 2019/20 to 2023/24**

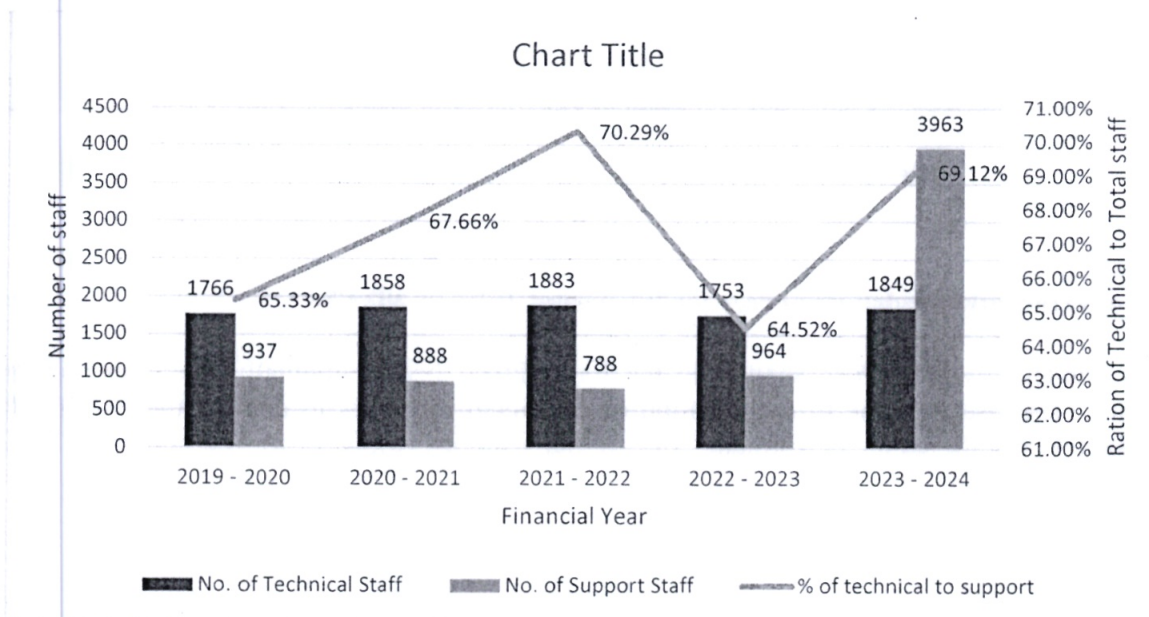


In terms of cadre, the National Treasury ratio of core technical to support staff currently stands at 39.6 per cent of in-post staff against a target of 70 per cent. Chart 8 (b) below illustrates the composition of the National Treasury staff disaggregated by technical and support cadre.

**Chart 8 (b): Human resource capacity for 2023/24 by cadre**



**Chart 9: The National Treasury staff composition (technical staff to total staff ration for the period 2019/20-2023/24)**



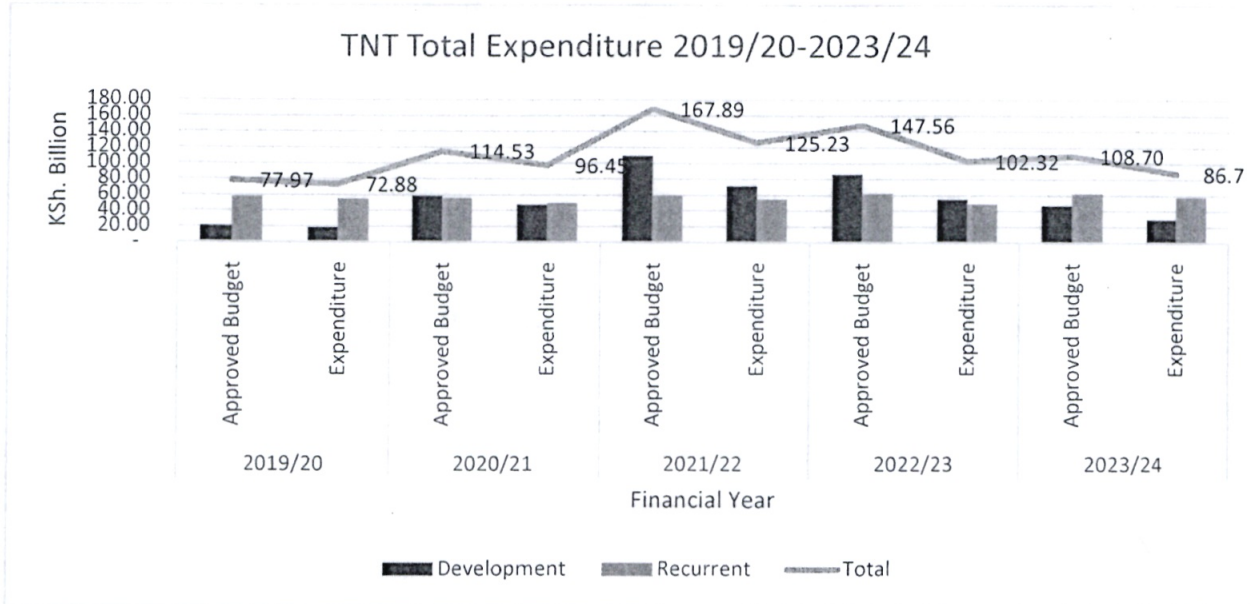
**7.1.2 Financial Performance**

Over the last five-year period, the National Treasury recorded mixed trend in performance in financial stewardship relating to absorption of GoK funds and externally funded resources as well as in A-in-A. **Charts 10, 11** and **12** below indicate the specific performance in the mentioned areas.

**Overall budget execution for the National Treasury for the period 2019/20- 2023/24**

Chart 10 illustrates the National Treasury financial performance in relation to expenditure for the period 2019/20- 2024/25. The allocations to the National Treasury recorded increasing trend with highest allocations recorded in the FY 2021/22. The increase in allocation in the FY 2021/22 is attributed to transferring of marine and transport functions to the National Treasury. These functions were transferred back to the Ministry of Transport and Infrastructure in the FY 2023/24.

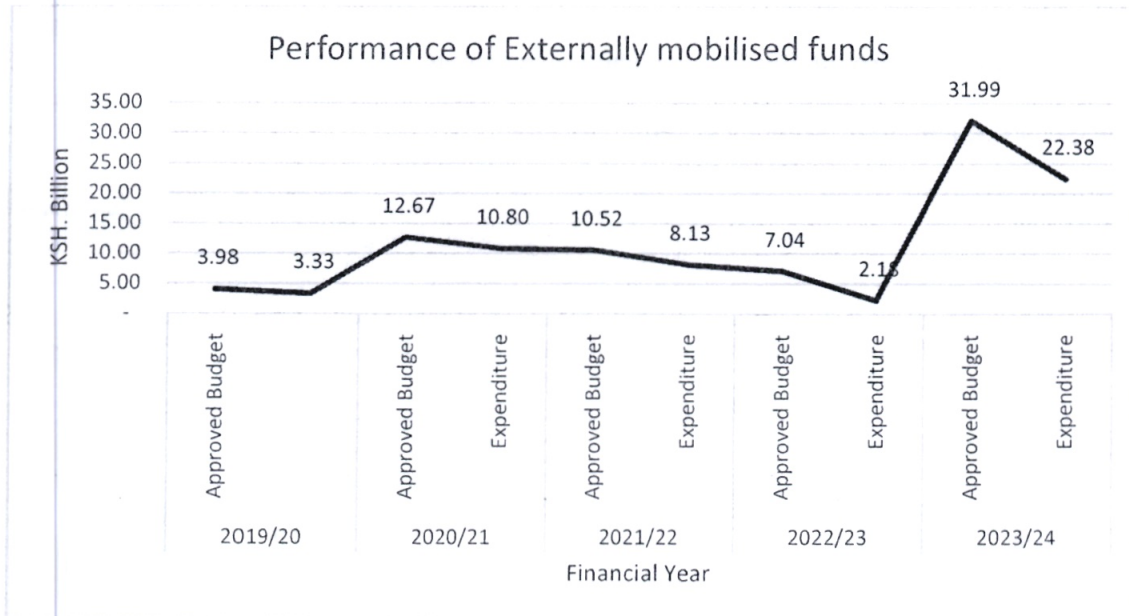
**Chart 10: The National Treasury total budget against expenditure for 2019/20- 2023/24 (KSh. Billions)**



**Performance of externally funded resources for the period 2019/20-2023/24**

The externally funded resources rose sharply in the FY 2020/21 before gradually decreasing in the subsequent years. The rise was due to mobilization of additional resources to combat the COVID 19 pandemic. **Chart 11** highlights the performance of externally funded resources for the period 2019/20-2023/24.

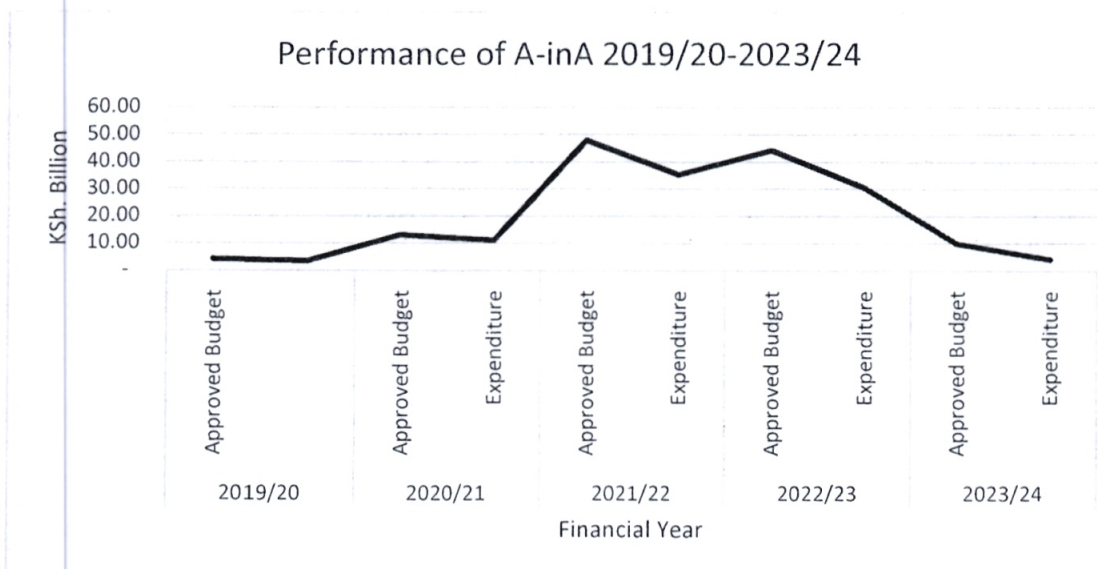
**Chart 11: the performance of externally funded resources for the period 2018/19-2022/23 (KSh. Billions)**



**Performance of Appropriation in Aid the period 2018/19-2022/23**

The National Treasury registered a sharp rise in A-in-A allocations in the FY year 2020/21. The rise in A-in-A relates to development partner financing towards interventions to combat COVID 19 pandemic. The decline in A-in-A in the FY 2023/24 is due to reduction in donor commitments under Global Fund Programme. Chart 12 below illustrates the trend in the performance of A-in-A for the period 2019/20 to 2023/24.

**Chart 12: Performance of A-in-A for the period 2018/19-2022/23 (KSh. Billions)**



**a. The National Treasury Key Projects/ Investments implemented or ongoing**

The Table below indicates a summary of 13 key projects for the National Treasury indicating project cost, source of funds, cumulative expenditure to date and project status.

**Table 3: Key projects implemented by the National Treasury**

No.	Project	Project Cost	Age in Years	Budgeted Amount	% of Completion	Comments
1.	1071110501 Special Global Fund - HIV NFM 3	24,705.00	2	9,932.74	50	Ongoing
2.	1071110601 Special Global Fund - Malaria NFM 3	8,653.00	2	2,526.26	12	Ongoing
3.	1071108302: Credit Guarantee Scheme	10,000.00	3	0.00	30	Ongoing
4.	1071108801: Operationalization of the Kenya Mortgage Refinance Company	10,170.00	3	2,070.01	25	Ongoing
5.	10711104401: Contingency Fund Transfers	30,000.00	4	1,200.00	23	Ongoing
6.	1071100101: Support to Public Financial Management (PFMR)	27,427.00	9	686.37	21	Ongoing
7.	1071108101: Kenya Affordable Housing Project	25,000.00	3	4,200.00	16	Ongoing
8.	1071102601: Equity and Subscriptions in International Financial Institutions	32,533.00	7	732.01	29	Ongoing
9.	1071108201: Kenya Financing Locally led Climate Action Programme	46,793.00	3	4,892.21	6	Ongoing
10.	1071111701 Supporting Access to Finance and Enterprise Recovery (SAFER)	11,912.40	1	3,060.00	1	Ongoing
11.	1072109200 Eastern Africa Regional Statistics Program-for-Results	13,700.35	1	1000.00	13	Ongoing
12.	1071113301 Rural Kenya Financial Inclusion Facility (RK-FINFA)	40,898.4	1	253	16	Ongoing

## 7.2. Future Developments and other information

In the next five (5) Year period, the National Treasury plans to implement the following Four (4) Key Result areas and attendant strategies as stipulated in the Strategic Plan for the period 2023-2027:

### 1. Stable and sustainable macroeconomic environment

Under this Key Result Area, the National Treasury plans to:

- i. Develop and implement macroeconomic and fiscal policies that support stable macroeconomic environment and stimulate economic recovery to 5.6 percent growth in FY 2027/28; boost the ratio of gross national savings to GDP to 13.3 percent in the FY 2027/28; increase the ratio of national investments to 18.6 percent GDP in the FY 2027/28;
- ii. Oversee implementation of monetary policy that targets to maintain inflation rate at 5 percent +/- 2.5 percent; low and stable lending interest rates; stable and competitive exchange rates; and strong official foreign exchange reserves;
- iii. Establish the Kenya Credit Guarantee Company to administer CGS – This will entail establishing a functional Credit Guarantee Company to administer Credit Guarantee Scheme (CGS);
- iv. Agricultural and Rural Financial Inclusion (RK- FINFA) – this will enhance access, efficiency and stability of agricultural and rural finance by smallholder farmers and agribusiness MSME;
- v. Implement the Green Financial Markets programme to enhance access to green finance and strengthen the enabling environment to attract green finance and investments needed to transition to a low-carbon, climate resilient and green economy;
- vi. The National Treasury has embarked to redesign the taxation instruments to make them more supportive to economic activity without distorting the market and eroding investment incentives. This will boost revenue collection and raise tax effort from the current 16.0 percent of GDP in FY 2023/24 to where it was previously, above 20 percent of GDP. This will be done through the implementation of the National Tax Policy and the Medium-Term Revenue Strategy for the period FY 2024/25 - 2026/27 that will provide a combination of tax administration and policy measures to enhance revenue mobilization; and
- vii. Operationalize Nairobi International Financial Centre (NIFC) to develop a more predictable, efficient and globally competitive financial environment

### 2. Resource mobilization for financing public expenditure

- i. Under this Key Result Area, the National Treasury plans to;
- ii. Broaden the tax base and enhance tax compliance;
- iii. Digitization of government payment services;
- iv. Mobilization of external and domestic resources;
- v. Diversification of borrowing sources;
- vi. Undertake periodical portfolio review, assessment and reporting;
- vii. Enhance public debt management efficiency and transparency;

- viii. Support contracting authorities in preparation of PPP projects and procurement of private investors;
- ix. Support contracting authorities in the management of PPPs in operation;
- x. Enhance mobilization of resources for the Project Facilitation Fund (PFF);
- xi. Establish and sustain relations with investors in PPPs;
- xii. Enhance PPP legal and regulatory framework;
- xiii. Enhance the capacity of County Governments on tax analysis and revenue forecasting; and
- xiv. Development of legal framework for County Government tax processes.

### **3. Policy, legal and institutional frameworks for development planning, budgeting, and intergovernmental and stakeholder relations**

Under this key Result Area, the National Treasury plans to:-

- i. Enhance uptake of government procurement opportunities by the marginalized groups;
- ii. Promote value for money in public procurement;
- iii. Enforce compliance on public sector accounting standards and other government regulations;
- iv. Support effective implementation and reporting of reform interventions in the PFM Reforms Strategy 2023-2028;
- v. Prepare and disseminate guidelines on PFM with County Governments;
- vi. Enhance compliance with PFM laws by County Governments;
- vii. Enhance compliance of all public sector entities with assets and liabilities policies and guidelines;
- viii. Prepare legislative proposals on sharing of resources between the two levels of governments and among the counties are in place;
- ix. Enhance the capacity of SCs in budgeting, performance contracting, financial reporting, and monitoring;
- x. Develop Public Investment Policy and Guidelines;
- xi. Digitalize and automate the budget process;
- xii. Improve efficiency and effectiveness in pensions administration and management;
- xiii. To strengthen transparency and accountability in public investment management; and
- xiv. Provide objective assurance on Management of resources in public sector entities.

### **4. Strengthened institutional capacity and internal business processes**

Under this Key Result Area; the National Treasury will implement the following;

- i. Scale up efforts to towards optimal staffing levels;
- ii. Undertake Employee capacity building and development;
- iii. Institutionalize knowledge management;
- iv. Restructure the Organizational for enhanced productivity;
- v. Enhancement of communication mechanism and brand identity; and
- vi. Enhance the efficiency and effectiveness of planning and project monitoring

## 8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The National Treasury's mandate is to formulate, implement and monitor prudent economic and financial policies at national and county levels of government. The core values include customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Guided by the above principles, we undertake the following: -

### 8.1 Sustainability Strategy and Profile

The Kenyan economy is unwinding from layers of negative and persistent shocks that had a structural effect on economic activities. These shocks include: the COVID-19 Pandemic and its ensuing effects; conflict in Eastern Europe, and Middle East; global oil supply cuts leading to elevated commodity prices such as petroleum products; and effects of climate change in the Country: the prolonged drought in 2021 to the floods in 2024.

These shocks escalated the cost of essential household commodities. They also pushed up fuel prices and led to a rapid depreciation of the Kenya Shilling exchange rate, piling pressure on public debt.

The focused interventions, structural reforms and policies of the Government over the last two years have started to yield some positive results namely: -

- i. Real GDP grew by 5.6% in 2023 up from 4.9% in 2022, a demonstration of resilience and the beginning of economic recovery. Growth momentum continued in 2024 with the economy expanding by 5.0 percent in the first quarter and projected at 5.5 percent by the end of the year;
- ii. Nominal GDP rose to 15.1 trillion in 2023 from Ksh 13.5 trillion in 2022; a 12% increase. Similarly, GDP per capita income increased to Ksh 293,229 in 2023 from Ksh 266,473 in 2022;
- iii. Total new jobs (both formal and informal) generated in the economy were 848.2 thousand in 2023. Of this, wage employment in the modern sector grew by 4.1% which translated to creation of 122.8 thousand new jobs;
- iv. Inflationary pressures that had remained above the 7.5% upper bound target since June 2022 have eased. Overall inflation declined to 4.3% in July 2024 from 4.6% in June 2024, thereby remaining below the mid-point of the target range. The pass-through effects of the strengthening exchange rate since February 2024, the tight monetary policy stance and interventions by Government in providing subsidized fertilizer and seeds have supported the easing of inflation;
- v. The Kenya Shilling exchange has strengthened against major international currencies, following the issuance of the US\$ 1.5 billion that de-risked the 2024 Eurobond and inflow of dollar liquidity to the Infrastructure Bond. By end July 2024, the Kenya Shilling strengthened against the US Dollar to exchange at an average of Ksh 129.8 in July 2024 from Ksh 160.8 in January 2024; and
- vi. The external sector remains strong. The current account deficit improved to 3.7% of GDP in the 12 months to June 2024 from 4.2% of GDP in a similar period of 2023. Remittances increased to USD 4,536 million in the 12 months to June 2024, and were 12.9% higher compared to a similar period in 2023. This increases forex inflows into the country, some going to investment while others support household consumption.

Official foreign exchange reserves at USD 8,462.7 million (4.6 months of import cover) by end June 2024, provide adequate buffers and gives market confidence.

In order to support the Government's Bottom-Up Economic Transformation Agenda (BETA), the National Treasury has implemented a growth responsive fiscal consolidation plan over the last two years designed to reduce debt vulnerabilities and rebuild fiscal buffers amid significant global and domestic challenges. Special focus has been placed on broadening the revenue base and containing non-priority expenditures while enhancing social safety nets with the support of our Development Partners.

In order to support debt sustainability and fiscal consolidation, the National Treasury has implemented the following measures:

- i. Developed a National Tax Policy that was approved by Parliament in December 2023 sets out broad parameters on tax policy and other tax related matters. The Policy provides broad guidelines for governing tax administration and the tax system in Kenya. More specifically, the policy provides a set of guidelines for taxation of income, goods and services and forms the basis for review of tax legislation, development and administration;
- ii. Developed a Medium-Term Revenue Strategy (MTRS) that was approved by Cabinet on 27<sup>th</sup> November 2023. The MTRS is aligned to the National Tax Policy and is expected to further strengthen tax revenue mobilization efforts to 20.0 percent of GDP over the medium term;
- iii. Focused on unlocking additional non-tax revenue (Appropriation-in-Aid) potential by Ministries, Departments and Agencies through the services they offer to the public;
- iv. Embarked on tax policy review through a number of tax studies that will support the development of a progressive tax system. The objective of the review was to develop an elaborate tax policy that will raise adequate revenue to finance recurrent as well as development budgets. Specifically, the review targets to:-
  - (a) Develop diverse methods to enlarge the tax base;
  - (b) Minimize the tax expenditures that amount to Ksh 396.9 billion or 2.9% of GDP as of 2022. Of the Ksh 396.9 billion, 63.1% is on VAT refunds on zero rated final consumer goods; and
  - (c) Create a tax system that is not only predictable to taxpayers but also yields predictable revenues to Government.
- v. Develop a tax system that support markets, production, consumption and investments;
- vi. Strengthened tax administration by the Kenya Revenue Authority for enhanced compliance through leveraging on technology to revolutionize tax processes, seal revenue loopholes and enhance the efficiency of tax system;
- vii. Established a Fiscal Risk Committee in December 2022 in order to improve coordination of fiscal risks analysis, quantification and mitigation in line with best practice; and

- viii. Successfully implementation of the Extended Fund Facility and the Extended Credit Facility (EFF/ECF) arrangements supported by the IMF. The program has strengthened Kenya's ability to navigate through the recent multiple shocks and safeguard debt sustainability.

Implementation of these measures has yielded some positive dividends. Total revenue collection has grown by 23% from Ksh 2.2 trillion in FY 2021/22 to Ksh.2.7 trillion in FY 2023/24. Fiscal deficit including grants has declined from 6.2% of GDP in FY 2022/23 to 5.6% of GDP in FY 2023/24.

### **1.2 Environmental performance/climate change/mitigation of natural Disaster**

The National Treasury has constituted a committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability. The Committee has since developed a ministerial policy on the same in line with the National Policy on environmental management and participated in planting over 30,000 seedlings at Kessup Forest Station thus contributing towards the 10 percent tree cover initiative. Additionally, to ensure a conducive work environment, the National Treasury has contracted a company to manage cleaning and waste disposal services.

### **1.3 Employee welfare**

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a department established to handle Human Resources Management and Development. The Ministry has also established a Human Resource Management Advisory Committee and Departmental Training Committees that processes all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. Recruitment of officers is guided by the principles of the public service such as inclusivity among others.

In addition, a committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to attract and retain competent officers, the National Treasury conducted capacity building for the staff in various technical subjects and recruited officers at the entry grade to fill skills gaps and enhance human resource capacity.

During the review period, we implemented succession management plan by declaring vacant posts to be filled by the Public Service Commission at the higher levels. This is in preparation for the anticipated in the next two years arising from retirement of officers who will have attained the exits mandatory retirement age. Further, the National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

### **1.4 Operational Practices/Market place practices**

The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. This is undertaken mainly by the Competition Authority of Kenya, a State Corporation under the National Treasury. Further, to ensure fairness in the allocation of procurement contracts, the National Treasury ensures strict adherence to the provisions of the Public Procurement and Assets Disposal Act and its regulations.

### **1.5 Community Engagements**

Towards Corporate social responsibility, members of staff from the National Treasury participated in this year Annual Kaptagat Tree planting exercise which was graced by His Excellency the President in 1<sup>st</sup> July, 2023. The two-day exercise saw over 30,000 seedlings planted at Kessup Forest Station by the National Treasury staff, corporates and members of the community.

To mitigate technological hazards, terrorism, fire and natural disasters, the National Treasury engaged a professional security services firm contracted for purposes of enhancing security in the Ministry. The National Treasury continued to improve security within the building and its environs by use of CCTV cameras installed at the Treasury Building and at the entrances and maintained firefighting facilities at the premises in collaboration with the State Department for Public Works.

## 9. STATEMENT OF PENSIONS FUND MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Provident Fund Act, Cap 191(1951), require the Principal Secretary for the National Treasury to prepare financial statements in respect of that Provident Fund, which give a true and fair view of the state of affairs of the Provident Fund at the end of the financial year/period and the operating results of the Provident Fund for that year/period. The Principal Secretary for the National Treasury is also required to ensure that the Provident Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Provident Fund. The Principal Secretary is also responsible for safeguarding the assets of the Provident Fund.

The Provident Fund is governed by the **Provident Fund Act, Cap 191**, which established a contributory scheme for officers who served in the East African Service. The Fund operates as a savings and retirement initiative, aimed at providing financial security for employees during their retirement years. The primary **objective of the Provident Fund** is to facilitate the accumulation of retirement benefits for its contributors. It serves to ensure that participants receive financial support upon retirement.

The Fund's **Investment Portfolio** comprises the strategic investments in **Kenya Power and Lighting Company (KPLC)** and **East African Breweries Limited (EABL)**. While KPLC has not declared any dividends to ordinary shareholders from the fiscal year **2019/2020** through **2023/2024**, EABL has consistently provided dividends, contributing positively to the Fund's income. From the fiscal year **2014/2015** to **2022/2023**, the Fund has solely recorded income from investments, with **no beneficiaries** currently entitled to payouts.

The **winding-up of the Fund** was authorized by the National Assembly, and we are currently in the process of finalizing the necessary documentation for audit verification and submission of final accounts.

The Principal Secretary for the National Treasury is responsible for the preparation and presentation of the Provident Fund's financial statements, which give a true and fair view of the state of affairs of the Provident Fund for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Provident Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the National Treasury accept responsibility for the Provident Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Provident Fund Act, Cap 191(1951).

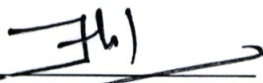
The Principal Secretary for the National Treasury is of the opinion that the Provident Fund financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2024, and of the Provident Fund's financial position as at that date. The Principal Secretary further confirm the completeness of the accounting records maintained for the Provident Fund, which have been relied upon in the preparation of the Provident Fund financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the National Treasury indicate that the Provident Fund has ceased its operation as a going concern and is in the process of winding up.

#### **Approval of the Pension Fund financial statements**

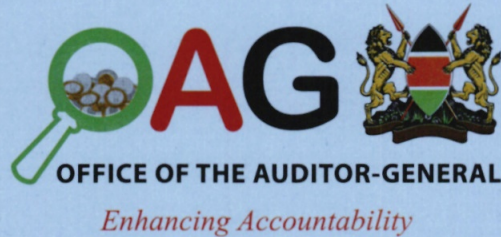
The Provident Fund financial statements were approved by the Accounting Officer for the National Treasury on 20/11, 2024 and signed by them.

  
\_\_\_\_\_  
**DR. CHRIS KIPTOO, CBS**  
**PRINCIPAL SECRETARY**

  
\_\_\_\_\_  
**FRANCIS L. AMUYUNZU**  
**ICPAK NO. 6175**  
**SENIOR DEPUTY ACCT. GENERAL**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE, 2024 – THE NATIONAL TREASURY**

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### **PREAMBLE**

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Provident Fund set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2024,

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*Report of the Auditor-General on Provident Fund for the year ended 30 June, 2024 – The National Treasury*

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Provident Fund as at 30 June, 2024 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 Qualified Opinion**

#### **Long Outstanding and Unsupported Other Pending Payables**

As previously reported, the statement of financial position reflects a balance of Kshs.9,715,111 in respect to other pending payables. As disclosed in Note 11 to the financial statements, this represented amounts due to National Government entities. However, the supporting documents or analysis for the balance were not provided for audit. The balance has remained outstanding for a long period of time.

In the circumstances, the accuracy and validity of the balance amounting to Kshs.9,715,111 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Provident Fund Management in accordance with ISSAI 130 on the 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 qualified opinion.

### **Emphasis of Matter**

#### **Delay in Winding Up the Fund**

As previously reported, the Provident Fund does not have any surviving beneficiaries as disclosed in Note 7 to the financial statements. However, The National Treasury formed a task force on the winding up of dormant funds which included the Provident Fund. Further, The National Treasury, in consultation with the Attorney General developed a Cabinet Memorandum on winding up of the dormant funds. This effort resulted to Revocation Orders which were approved by the Cabinet and subsequently The Provident Fund (repeal) Act, 2022 was assented on 24 February, 2022. Although the management explained that the winding-up process is actively in progress, the same is yet to be completed and has taken an unduly long time.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Information**

Management is responsible for the other information set out on page (ii) to (lii) which comprise of entity information and overall performance, statement of governance, statement of the Cabinet Secretary, statement of the Principal Secretary, management discussion and analysis, statement of performance against predetermined objectives, environmental and sustainability reporting and statement of management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Provident Fund financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and, accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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.

### **Idle Funds**

The statement of financial position reflects cash and cash equivalents of Kshs.1,029,530,738 (2022/2023 Kshs.1,008,788,200) being cash balance held at the Central Bank of Kenya. Further, and as disclosed at Note 7 to the financial statements, the Fund did not make any payment during the year as no member or beneficiary was surviving as at 30 June, 2024. It is not clear why the idle funds were not invested in interest bearing instruments. This may have led to a potential loss of interest estimated at Kshs.122,256,775 using the average Central Bank Rate of 11.875%. Although Management have indicated that The National Treasury had sought guidance from the Central Bank of Kenya on how to invest the funds, the matter had not been concluded as at the time of the audit in October, 2024.

In the circumstances, the effective use of the funds held in the bank could not be confirmed.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 the 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 controls, 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 the 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 (Accrual Basis) and for maintaining effective internal controls 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 and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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 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 comply 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 financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

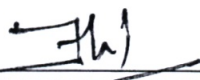
**25 November, 2024**

**11. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2024**

	Notes	2023/2024	2022/2023
		Kshs.	Kshs.
<b>Revenue</b>			
Dividend Income	6	20,742,538	82,948,693
Other receipts		-	-
<b>Total receipts</b>		<b>20,742,538</b>	<b>82,948,693</b>
<b>Expenses</b>			
Payments of Pensions	7	-	-
<b>Total expenses</b>			
<b>Other gains/losses</b>			
Gains/Loss on fair value of investments	8	<u>1,081,058,961</u>	=
<b>Surplus/(deficit) for the year</b>		<b><u>1,101,801,499</u></b>	<b><u>82,948,693</u></b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 20/11, 2024 and signed by:

  
 DR. CHRIS KIPTOO, CBS  
 PRINCIPAL SECRETARY

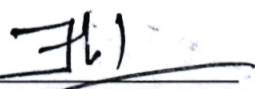
  
 FRANCIS L. AMUYUNZU  
 ICPAK NO. 6175  
 SENIOR DEPUTY ACCT. GENERAL

**12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**

	Notes	2023/2024	2022/2023
		Kshs.	Kshs.
<b>Assets</b>			
Cash and Cash equivalents	10	1,029,530,738	1,008,788,200
Receivables		-	-
<b>Total Current Assets</b>		<b>1,029,530,738</b>	<b>1,008,788,200</b>
<b>Non- current Assets</b>			
Investments	9	1,127,192,418	46,133,457
<b>Total Non- current Assets</b>		<b>1,127,192,418</b>	<b>46,133,457</b>
<b>Total Assets</b>		<b>2,156,723,156</b>	<b>1,054,921,657</b>
<b>Liabilities</b>			
Other Pending payables	11	9,715,111	9,715,111
<b>Total Liabilities</b>		<b>9,715,111</b>	<b>9,715,111</b>
<b>Net Assets</b>		<b><u>2,147,008,045</u></b>	<b><u>1,045,206,546</u></b>
<b>Represented by:</b>			
Accumulated surplus	12	2,100,874,588	994,638,981
Capital contribution	9	46,133,457	50,567,565
<b>Total Net Assets</b>		<b><u>2,147,008,045</u></b>	<b><u>1,045,206,546</u></b>
<b>Total Net Assets And Liabilities</b>		<b><u>2,147,008,045</u></b>	<b><u>1,045,206,546</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/11, 2024 and signed by:

  
 DR. CHRIS KIPTOO, CBS  
 PRINCIPAL SECRETARY

  
 FRANCIS L. AMUYUNZU  
 ICPAK NO. 6175  
 SENIOR DEPUTY ACCT. GENERAL


**13. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

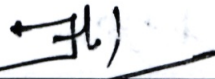
		Ordinary share capital	Retained Earning	Total
		Kshs.	Kshs.	Kshs.
As at 1 July, 2022		50,567,565	915,611,289	966,178,854
Surplus for the year			82,948,693	82,948,693
Adjustment			(3,921,000)	(3,921,000)
As at 30 June, 2023		50,567,565	994,638,982	1,045,206,547
Adjustment	Note	(4,434,108)	4,434,108	
As at 30 June, 2023 (Restated)		46,133,457	999,073,090	1,045,206,547
As at 1 July, 2023		46,133,457	999,073,090	1,045,206,547
Issue of new share capital				
Surplus for the year			1,101,801,498	1,101,801,498
Adjustment				
As at 30 June, 2024		46,133,457	2,100,874,588	2,147,008,045

**Note.**

Being adjustment on Share capital value as per the share certificate and investment.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/11, 2024 and signed by

  
 DR. CHRIS KIPTOO, CBS  
 PRINCIPAL SECRETARY

  
 FRANCIS L. AMUYUNZU  
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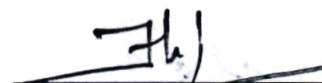
**14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

	Notes	2023/2024	2022/2023
		Kshs.	Kshs.
Receipts for operating income			
Dividend Income	6	20,742,538	82,948,693
Accounts receivable		-	-
Increase in Investments		-	-
Adjustment for non-cash changes		-	-
Cash flow from Investing Activities		-	-
Receipt received from the National Treasury		-	-
		-	-
<b>Net cash flows from operative activities</b>		<b>20,742,538</b>	<b>82,948,693</b>
<b>Net increase in cash and cash equivalents</b>		<b>20,742,538</b>	<b>82,948,693</b>
<b>Cash and cash equivalent at the beginning of the year</b>		<b><u>1,008,788,200</u></b>	<b><u>925,839,507</u></b>
<b>Cash and cash equivalent at the end of the year</b>		<b><u>1,029,530,738</u></b>	<b><u>1,008,788,200</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/11, 2024 and signed by:



**DR. CHRIS KIPTOO, CBS**  
**PRINCIPAL SECRETARY**



**FRANCIS L. AMUYUNZU**  
**ICPAK NO. 6175**  
**SENIOR DEPUTY ACCT. GENERAL**

**15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024**

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	% of utilization
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Dividend	74,044,784		74,044,784	20,742,538	(53,302,246)	28%
<b>Total income</b>	74,044,784		74,044,784	20,742,538	(53,302,246)	
<b>Expenses</b>						
Dependant Pension	Nil		Nil	-	-	
<b>Total Expenditure</b>	Nil		Nil	-	-	
<b>Surplus for the period</b>	74,044,784		74,044,784	20,742,538	(53,302,246)	

**Note**

The expected income is dividend from,


A) KPLC- the company declared nil dividend on ordinary share and preference dividend earned Kshs. 7,153/- during the period.

B) EABL paid Kshs.20, 735,385 dividend for the period.

The difference of Ksh. 53,302,246.00 was not realized KPLC did not declare dividend for the period

Expenditure is due to the surviving dependant but all are deceased.

  
 DR. CHRIS KIPTOO, CBS  
 PRINCIPAL SECRETARY

  
 FRANCIS L. AMUYUNZU  
 ICPAK NO. 6175  
 SENIOR DEPUTY ACCT. GENERAL

## 16. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Provident pension Fund is established by and derives its authority and accountability from Provident Fund Act Cap 191. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is dependant pension.

### 2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Provident Pension Fund.

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

### 3 ADOPTION OF NEW AND REVISED STANDARDS

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1 <sup>st</sup> January 2022:  The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.  IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
IPSAS 42: Social Benefits	Applicable: 1 <sup>st</sup> January 2022  The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol>

- iii. Early adoption of standards  
 The entity did not early – adopt any new or amended standards in year 2024.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the 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, deferred 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 flow to the entity and the fair value of the asset can be measured reliably.

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

##### **ii) Revenue from exchange transactions**

###### ***Rendering of services***

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

###### **Sale of goods**

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 the 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 entity.

###### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**Budget information**

The budget for FY 2023-2024 was approved by the Permanent Secretary.

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**c) Taxes (Continued)**

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **e) Property, plant and equipment**

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 property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

#### **f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### **g) Intangible assets**

Intangible assets acquired separately are initially recognized 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset

The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

#### **i) Financial instruments**

##### ***a) Financial assets***

##### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

#### ***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

#### **i) Financial instruments (Continued)**

- The debtors or entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

#### ***b) Financial liabilities***

#### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

#### **i) Inventories (Continued)**

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

#### **k) Provisions**

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***l) Contingent liabilities***

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### ***m) Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### **n) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

#### **o) Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### **p) Employee benefits**

##### **Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **q) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **r) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **s) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

#### **t) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

#### **u) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **v) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

#### **w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

### **5. SIGNIFICANT JUDGMENT AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity'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. State all judgements, estimates and assumptions made: e.g

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### **Useful lives and residual values**

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. DIVIDEND INCOME

	2023/2024	2022/2023
	Kshs.	Kshs.
Preference dividend from KPLC ltd, for the period	7,153	7,153
Ordinary dividend KPLC ltd	-	-
Ordinary dividend EABL	20,735,385	82,941,540
<b>Total</b>	<b>20,742,538</b>	<b>82,948,693</b>

The receipts relate to dividend income from Kenya Power and Lighting Company and East African Breweries Limited:-

Preference dividend from KP&LC Ltd	Kshs	7,153/=
Dividend from EAB Ltd	Kshs.	20,735,385/=

### 7. PAYMENT OF PENSIONS

The Fund main purpose was to pay pension to its members and beneficiaries and none is surviving hence nil payment in the fund.

### 8. GAIN/LOSS ON FAIR VALUE OF INVESTMENT

	Par Value	Market Value	Gain/loss
	Kshs.	Kshs.	Kshs.
12,352,743 KPLC Ordinary Shares @Shs.2.50	30,881,857	20,505,553	(10,376,304)
7,540,140 EABL Ordinary Shares@Shs.2.00	15,080,280	1,106,515,545	1,091,435,265
<b>Total</b>	-	-	<b>1,081,058,961</b>

The shares relate to Kenya Power and Lighting Company and East African Breweries Limited. Market valuation on the ordinary shares was done on fair value basis as observed on the Nairobi Securities Exchange as at 30<sup>th</sup> June, 2024.

The fair values per share was as follows:

- EABL: 12,352,743 ordinary shares @Kshs.146.75
- KPLC: 7,540,140 ordinary shares @Kshs.1.66

## NOTES TO THE FINANCIAL STATEMENTS (Continues)

### 9. INVESTMENTS

	2023/2024	2023/2024	2022/2023
	Par Value	Market Value	Par Value
Description	Kshs.	Kshs.	Kshs.
<b>Preference shares - KPLC</b>			
4% Cumulative 8,066 @ kshs.20.00	161,320	161,320	161,320
7% Cumulative 500 @ Kshs. 20.00	10,000	10,000	10,000
<b>Ordinary Shares 12,352,743@Ksh. 2.5- KPLC</b> (Market value Kshs.1.66)	30,881,858	20,505,553	30,881,858
<b>Ordinary Shares 7,540,140@Ksh.2 – EABL</b> Shares (Market value Kshs.146.75)	15,080,280	1,106,515,545	15,080,280
<b>Total</b>	<b>46,133,457</b>	<b>1,127,192,418</b>	<b>46,133,457</b>

### 10. BANK BALANCE

NAME OF THE BANK ACCOUNT NO.	CENTRAL BANK OF KENYA	
	2023/2024	2022/2023
	KSHS	KSHS
<b>TOTAL</b>	<b>1,029,530,738</b>	<b>1,008,788,200</b>

### 11. OTHER PENDING PAYABLES

	2023/2024	2022/2023
	Kshs.	Kshs.
Sundry Debtors	92,386	92,386
Amount due to National Government entities	9,622,725	9,622,725
<b>Total</b>	<b>9,715,111</b>	<b>9,715,111</b>

### 12. ACCUMULATED SUPPLUS

	2023/2024	2022/2023	2022/2023
	Kshs.	Kshs.	Kshs.
		Restated	Audited
Balance B/f	999,073,090	994,638,982	915,611,289
Profit/(loss) for the period	1,101,801,499		82,948,693
Adjustment	-	4,434,108	(3,921,000)
<b>Total</b>	<b><u>2,100,874,589</u></b>	<b><u>999,073,090</u></b>	<b><u>994,638,982</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (Continues)

### 13. FINANCIAL RISK MANAGEMENT

#### Credit Risk

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Receivables from exchange transactions	-	-	-	None
Bank balances	1,029,530,738	1,029,530,738	-	None
<b>Total</b>	<b>1,029,530,738</b>	<b>1,029,530,738</b>	-	None
<b>At 30 June 2023</b>				
Receivables from exchange transactions	-	-	-	None
Bank balances	1,008,788,200	1,008,788,200	-	None
<b>Total</b>	<b>1,008,788,200</b>	<b>1,008,788,200</b>	-	<b>None</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from CSFC.

The Board of Directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### RELATED PARTY BALANCES

Nature of related party relationships

There were no related parties involved in this entity.

#### CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The entity did not have any contingent liabilities.

**17. ANNEXES**

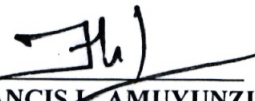
**Annex 1: PROGRESS ON FOLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time Frame (Put a date when you expect the issue to be resolved)
Par 1	Long Outstanding and Unsupported Other Pending Payables Kshs. 9,715,111	Beneficiaries to be transferred to the Accountant General department for circularization.	Michael A. Kagika, EBS Secretary/Director Pensions	Winding Up of Fund in progress.	
Par 2	Delay in Winding Up the Fund	Winding up granted vide 1 <sup>st</sup> Cabinet Meeting-2021 held on 25February, 2021.	Michael A. Kagika, EBS Secretary/Director Pensions	Winding Up of Fund in progress.	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/11, 2024 and signed by:

  
 DR. CHRIS KIPTOO, CBS  
 PRINCIPAL SECRETARY

  
 FRANCIS L. AMUYUNZU  
 ICPAK NO. 6175  
 SENIOR DEPUTY ACCT. GENERAL

**Annex 2: Trial Balance**


	<b>2023/2024</b>	<b>2022/2023</b>
<b>Credits</b>	<b>Kshs.</b>	<b>Kshs.</b>
Capital Account	46,133,457	50,567,565
Sundry Debtors	92,386	92,386
Surplus cash remittance by the department	9,622,725	9,622,725
Retained Earnings	2,080,132,049	916,124,396
Dividend Income	20,742,538	82,948,693
<b>Total</b>	<b>2,156,723,155</b>	<b>1,054,921,657</b>
<b>Debits</b>		
Investment	1,127,192,417	46,133,457
Cash on Deposit - cereals and sugar finance	-	-
Cash at hand	1,029,530,738	1,008,788,200
Dividend receivable	-	-
<b>Total</b>	<b>2,156,723,155</b>	<b>1,054,921,657</b>

**Annex 3: Bank Reconciliation**

REPUBLIC OF KENYA		
F.O. 30		
PENSIONS DEPARTMENT		
PROVIDENT FUND & EA COMMUNITY A/C NO. 1000213768		
BANK RECONCILIATION STATEMENT AS AT 30 JUNE, 2024		
DETAILS	KSHS	KSHS
BANK BALANCE AS PER CERTIFICATE		1,029,530,737.80
Less 1&2		
1 PAYMENTS IN CASH BOOK NOT IN BANK		
<i>(UNPRESENTED CHEQUES)</i>	-	
TOTAL UNCLEARED EFFECTS		
2 RECEIPTS IN BANK NOT IN CASH BOOK		
<i>TOTAL-APENDEX 1 &amp; 2</i>	-	
3 PAYMENT IN BANK NOT IN CASH BOOK		
4 RECEIPTS IN CASH BOOK NOT IN BANK		-
<i>TOTAL-APENDEX 1 &amp; 2</i>	-	
BALANCE AS PER THE CASH BOOK		1,029,530,737.80

"DETAILS OF THE ABOVE ATTACHED"

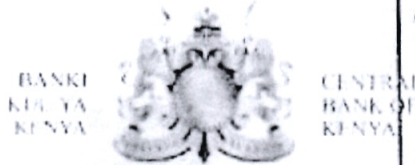
"I CERTIFY THAT I have verified the bank balance in the cash book with the  
 Bank statement and that the above Reconciliation is correct"

Signature.....

Designation *PRINCIPAL/CHIEF ACCOUNTANT*

DATE.....

**Annex 4: Certificate of Balances**



Hali Selassie Avenue  
 P.O. Box 60900 - 00200 Nairobi, Kenya  
 Telephone: 25420090, Fax: 3340 92

**RECEIVED**  
 Accountant General Department  
 Treasury Measurement Section  
 01 AUG 2024  
 THE NATIONAL TREASURY  
 P. O. Box 35907, NAIROBI.

July 10, 2024

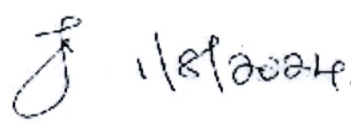
**CERTIFICATE OF BALANCES**

Customer: 120373 THE NATIONAL TREASURY  
 Balance  
 Date: 30 Jun-24

Account No	Account Name	Currency	Balance
1000204397	REC-PENSIONS	KES	7,699,159,033.27
1000213744	EUROPEAN WIDOWS AND ORPHANS PENSION	KES	179,348,691.85
1000213752	ASIAN OFFICERS FAMILY PENSION FUND	KES	450,793,684.65
1000213768	PROVIDENT FUND KE AND EA COMMUNITY	KES	1,029,530,737.90
1000209518	NATIONAL TREASURY REVENUE COLL.	KES	0.00
1000482044	PUBLIC SERVICE SUPERANNUATION SCHEM	KES	0.00

  
 Priscilla Keitany (Mrs)  
 Authorised Signatory  
 Banking Services Division

  
 Joyce Nasieku  
 Authorised Signatory  
 Banking Services Division

*HAI - Amuruzi - Pension*  
 -----  
 Please deal.  


**Annex 5**

PRINCIPAL SECRETARY  
THE NATIONAL TREASURY  
3596 31 AUG 2023  
**RECEIVED**  
P. O. Box 30007 - 00100, NAIROBI



**REPUBLIC OF KENYA**  
**THE NATIONAL TREASURY & ECONOMIC PLANNING**

Telegraphic Address: 22921  
Finance - Nairobi  
FAX NO. 310833  
Telephone: 2252295  
Website: [www.nat-treasury.go.ke](http://www.nat-treasury.go.ke)

THE NATIONAL TREASURY  
P. O. BOX 30007 - 00100  
NAIROBI

REF: MOF/AC/305C VOL.2(240)

Date: 28<sup>th</sup> August, 2023

**Dr. Chris Kiptoo, CBS**  
Principal Secretary  
National Treasury  
P. O. Box 30007 - 00100  
NAIROBI

*DG PIRM*  
*FYA*  
*PS 4/9/23*  
*Director - Pension*  
*MW 6/9*

Dear *PS - NT,*

**REQUEST FOR AUTHORITY TO WRITE OFF LOSS AMOUNTING TO KSHS 3,921,000.00**

Reference is made to 1<sup>st</sup> Cabinet Meeting-2021 held on 25<sup>th</sup> February, 2021 that approved the winding up of Dormant Funds and the Repeal of their Enabling Act attached herein. The Cabinet approved the Winding Up of Dormant Funds Task Force recommendations to write-off short term investments of **Kshs. 3,921,000.00** by the Provident Fund to the defunct Cereals and Sugar Finance Corporation.

Authority is hereby granted for the said write off of loss amounting to **Kshs. 3,921,000.00** short term investments in the defunct Cereals and Sugar Finance Corporation.

Yours *Sincerely*  
*[Signature]*

**NJUGUNA NDUNG'U, CBS**  
**CABINET SECRETARY**



Copy to: **CPA Nancy Gathungu, CBS**  
The Auditor General  
Office of the Auditor General  
P. O. Box 30084  
NAIROBI

*Mr Wado*  
*Please advise*  
*4/9/23*  
*[Signature]*

